



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2000

LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
(A Department of the City of Los Angeles)
360 East Second Street, 2nd Floor
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Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles)

Comprehensive
Annual Financial Report
For The Fiscal Year Ended June 30, 2000

Oscar Peters, General Manager-Secretary

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**Los
Angeles
City
Employees'
Retirement
System**



Introductory Section



CITY OF LOS ANGELES
CALIFORNIA

**BOARD OF
ADMINISTRATION
CITY EMPLOYEES'
RETIREMENT SYSTEM**

—
WILLIAM H. DOHENY, JR.
PRESIDENT

SHELLEY I. SMITH
VICE PRESIDENT

—
ROBERT D. BEYER
CHARLEY M. MIMS
BEVERLY RYDER
KEN SPIKER
BEVERLY BENEDICT THOMAS



RICHARD J. RIORDAN
MAYOR

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

—
OSCAR PETERS
GENERAL MANAGER
(213) 473-7280

DANIEL P. GALLAGHER
CHIEF INVESTMENT OFFICER
(213) 473-7124

LETTER OF TRANSMITTAL

December 12, 2000

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 2nd Floor
Los Angeles, California 90012

Dear Members of the Board:

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ended June 30, 2000, the System's 64th year of operation. Information contained in this report is designed to provide a complete and accurate review of the year's operation and is the responsibility of the LACERS' management.

Established in 1937, LACERS is a public employee retirement system. All regular, full-time City of Los Angeles (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 provides service retirements, and disability retirements for employees of the City, to facilitate separation from City service, allowing a new generation of City workers to assume the responsibilities of effective government service. LACERS also provides a health insurance subsidy for retired members and their beneficiaries, active and retired death benefits, and administers a term life insurance benefit program for active members. Members of LACERS can participate in a Government Service Buyback Program, which allows members to purchase retirement service credit for service with other government employers, including the military. LACERS is a reciprocal agency with the California Public Employees' Retirement System. This allows members who transfer between California public retirement plans to receive an accumulated retirement benefit for continuous public service within the State of California.



STRUCTURE OF THE REPORT

This report is presented in five sections:

- The Introductory Section describes the System's management and organizational structure, a summary of the plan provisions, and a listing of the professional services used.
- The Financial Section contains the opinion of the independent auditors, Ernst & Young LLP, and the general-purpose financial statements of the system.
- The Investment Section contains the Chief Investment Officer's transmittal letter covering significant events in management of the Los Angeles City Employees' Retirement Fund (Fund) along with graphs and schedules regarding asset allocation, asset diversification, and history of performance.
- The Actuarial Section includes the certification letter produced by the independent actuary, Watson Wyatt Worldwide, along with supporting schedules and information.
- The Statistical Section contains a graph, and schedules related to active and retired membership, revenues, expenses, benefit expenses, City contribution, retired membership, and average benefit payments.

1. Accounting System and Reports

This CAFR was prepared in conformity with generally accepted accounting principles and reporting guidelines set forth by the Government Accounting Standards Board (GASB) in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, and the Los Angeles City Charter.

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employer and members are recognized in the period in which members provide services. Investment income is recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due.

It is the responsibility of LACERS management to prepare retirement system financial statements, notes and supplementary disclosures, and to establish and maintain internal control to ensure retirement system assets are protected.

Ernst & Young LLP, independent auditors, have audited the general-purpose financial statements. Management believes that internal control is adequate and that the accompanying statements, schedules and tables are fairly presented.

2. Additions to Plan Net Assets

The total additions to plan net assets for the fiscal year ended June 30, 2000, including net appreciation in fair value of investments and net of investment management fees, was \$942,356,370. This amount includes member and employer contributions of \$171,189,588 and net investment income of \$771,166,782. Net investment income represented a decrease of \$41,752,373 from the prior year; this decrease was attributed mainly to lower net appreciation in fair value of investments. Details of the components of the additions to plan net assets are included in the Statements of Changes in Plan Net Assets on page 17 of the financial statements in the financial section.

3. Deductions to Plan Net Assets

Deductions for the fiscal year ended June 30, 2000, excluding investment management and security lending fees, were \$339,922,188 which represented an increase of \$33,436,602 over the prior year. This increase was the result of higher retirement benefits payments due to an increase in the number of retirees. The components of the total deductions are payments of retirement benefits of \$319,382,592; refunds of contributions and interest to terminated members of \$12,992,819, and administrative expenses of \$7,546,777.

4. Changes in System Membership

LACERS membership increases for the fiscal year ended June 30, 2000 were as follows:

	<u>2000</u>	<u>1999</u>	<u>Increase/(Decrease)</u>	<u>% Change</u>
Active Members	24,237	22,504	1,733	7.7
Retired Members	13,224	12,843	381	1.7

5. Major Initiatives

LACERS has been responsible for providing retiree health benefits since 1975. Initially, this benefit was an extension of the active employee health benefits. Therefore, since inception, the administration of this benefit has been outsourced to the Employee Benefits Division of the Personnel Department. In 1987 the Board began to recognize this benefit in computing the actuarial liability for the System. It determined that many of the reasons for assigning administration to the Employee Benefits Division no longer existed. It decided that it would review whether the administration of this benefit should be brought into LACERS' office. It hired a health insurance consultant and reviewed the benefits. As a result, it made changes to the coverage for the calendar year 2001 to have the program more appropriate for its population.

LACERS continued to work on developing a new retirement management system that will consolidate the administration of the benefits of the plan on one system managed by LACERS' staff. In addition LACERS completed the electronic imaging of all member files so that any file is immediately available to respond to member queries. This also

assures that member records will not be at risk from disaster as the files are frequently backed up and stored off site.

6. Funding Status

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 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 the fiscal year, the funding ratio of the System increased from 105.3% to 107.3% and the actuarial value of the LACERS' assets increased \$736,102,527.

7. Financial and Economic Summary

The past year has been a prosperous year for LACERS. Los Angeles County's housing demand continued to strengthen during this fiscal year, driven by active job growth, low mortgage rates and healthy consumer confidence. This has been very favorable for the Fund as the City uses its property tax revenue as the primary source for its funding of the required City Contributions.

Tax revenues for the State of California have increased and it is anticipated that additional revenues will be made available to Counties, Cities, and Special Districts. The nationwide trend of strong economic growth with low unemployment continued during this fiscal year. The unemployment rate was only 4.3% in June while the consumer price index rose only 2% during the 12-month period ended June 30, 2000.

8. Investment Summary

LACERS' investments provided a good return for a well-diversified portfolio. For the current fiscal year, the portfolio earned a total return of 11.1%, well above the actuarial earnings assumption of 8%. The portfolio has annualized returns of 11.6%, over the past three years, and 14.3% over the past five years. On a fair value basis, total plan net assets increased 8.3% from \$7,279,063,114 to \$7,881,497,296 during the current fiscal year.

9. Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its comprehensive annual financial report for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

10. Acknowledgements

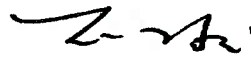
We would like to express our appreciation of the entire Board for effectively working together to set investment policies which allowed the Plan to participate in the exceptional returns of the financial markets. We'd like to thank staff for continually providing quality customer service to the members and various City departments while conducting related business.

In addition, we would like to acknowledge the Investments, Accounting, and Administrative Services Sections for their efficient and dedicated efforts in preparing this report. We would also like to thank our auditors, Ernst & Young LLP, for their professional assistance in the preparation of this report.

Respectfully submitted,



Oscar Peters
General Manager



Li Hsi
Chief Accounting Employee

Los Angeles City Employees' Retirement System

CERTIFICATE OF ACHIEVEMENT

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Los Angeles City
Employees' Retirement
System, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Essler
Executive Director



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

FISCAL YEAR 1999 - 2000

WILLIAM H. DOHENY, JR.

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SHELLEY I. SMITH

Vice President

ROBERT D. BEYER

Commissioner

CHARLEY M. MIMS

Commissioner

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Commissioner

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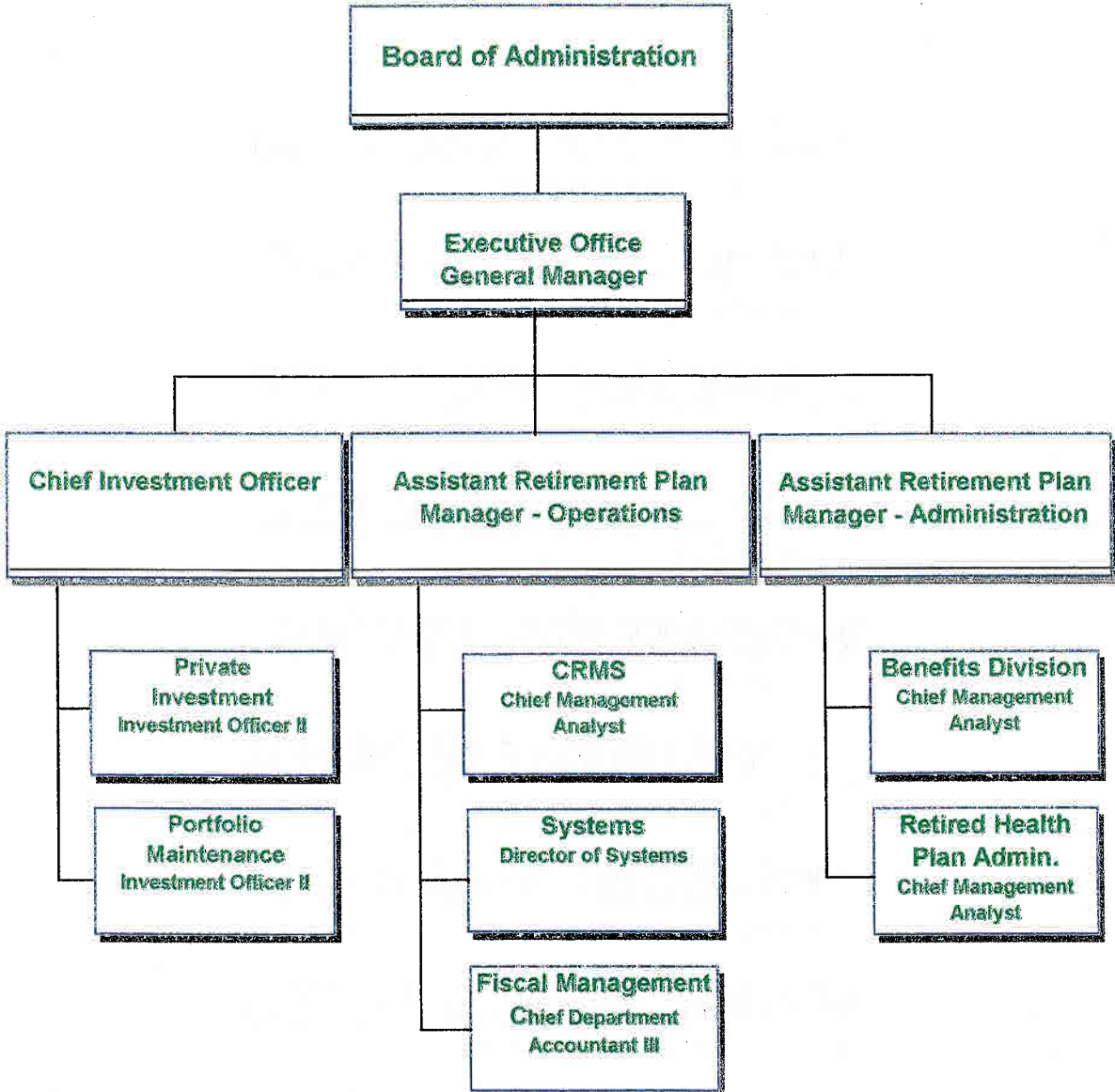
BEVERLY BENEDICT THOMAS

Commissioner

OSCAR PETERS

General Manager - Secretary

LACERS' ORGANIZATIONAL CHART





PROFESSIONAL CONSULTANTS

ACTUARY

Watson Wyatt Worldwide
Sherman Oaks, CA

AUDITOR

Ernst & Young LLP
Los Angeles, CA

BENEFICIARY VERIFICATION

Pension Benefit Information
Tiburon, CA

HEALTH & WELFARE CONSULTANTS

Deloitte & Touche
Costa Mesa, CA

INVESTMENT CONSULTANT

The Townsend Group
Cleveland, OH

Pathway Capital Management
Irvine, CA

Pension Consulting Alliance Inc.
Portland, OR

SYSTEMS CONSULTANT

Myron L. Nack
Cypress, CA

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Los
Angeles
City
Employees'
Retirement
System





Financial Section



Report of Independent Auditors

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 retirement plan and postemployment healthcare plan statement of plan net assets of the Los Angeles City Employees' Retirement System (the System), a department of the City of Los Angeles, California, as of June 30, 2000, and the related retirement plan and postemployment healthcare plan statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the retirement plan and postemployment healthcare plan of the Los Angeles City Employees' Retirement System as of June 30, 2000, and the changes in its net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of administrative expenses and investment expenses are presented for purposes of additional analysis and are not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented, in all material respect in relation to the financial statements taken as a whole.

Ernst & Young LLP

October 3, 2000

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Retirement Plan and Postemployment
Healthcare Plan Statement of Plan Net Assets

As of June 30, 2000, with Comparative Totals

	Retirement Plan	Postemployment Healthcare Plan	Totals 2000	Totals 1999
Assets				
Cash and short-term investments (fair value) (Note 5)	\$ 621,257,207	\$ 76,517,447	\$ 697,774,654	\$ 706,520,095
Receivables:				
Accrued investment income	33,459,790	4,121,091	37,580,881	34,315,986
Proceeds from sales of investments	283,361,987	34,900,417	318,262,404	150,335,753
Other	3,758,591	462,929	4,221,520	5,788,469
Total receivables	320,580,368	39,484,437	360,064,805	190,440,208
Investments, at fair value (Notes 5 and 6):				
U.S. government obligations	337,047,951	41,512,675	378,560,626	542,697,725
Municipal bonds	-	-	-	5,140,625
Domestic corporate bonds	584,438,107	71,982,604	656,420,711	682,230,914
International bonds	403,813,311	49,735,863	453,549,174	294,972,499
Domestic stocks	2,848,594,770	350,848,565	3,199,443,335	3,129,833,519
International stocks	1,408,687,509	173,501,684	1,582,189,193	1,408,480,299
Mortgages	254,846,888	31,388,341	286,235,229	463,274,728
Government agencies	108,528,930	13,367,019	121,895,949	95,398,148
Real estate	201,146,284	24,774,280	225,920,564	170,303,770
Venture capital and alternative investments	204,040,873	25,130,794	229,171,667	105,141,067
Security lending collateral	836,638,301	103,044,965	939,683,266	977,442,955
Total investments	7,187,782,924	885,286,790	8,073,069,714	7,874,916,249
Total assets	8,129,620,499	1,001,288,674	9,130,909,173	8,771,876,552
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	13,537,844	1,667,395	15,205,239	23,539,317
Purchase of investments	262,226,159	32,297,213	294,523,372	491,831,166
Security lending collateral	836,638,302	103,044,964	939,683,266	977,442,955
Total current liabilities	1,112,402,305	137,009,572	1,249,411,877	1,492,813,438
Net assets held in trust for pension benefits and postemployment healthcare benefits (a schedule of funding progress is presented on page 16)				
	\$ 7,017,218,194	\$ 864,279,102	\$ 7,881,497,296	\$ 7,279,063,114

See accompanying notes.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Retirement Plan and Postemployment Healthcare Plan
Statement of Changes in Plan Net Assets

Year ended June 30, 2000, with Comparative Totals

	Retirement Plan	Postemployment Healthcare Plan	Totals 2000	Totals 1999
Additions:				
Contributions:				
Employer	\$ 92,364,084	\$ 14,246,103	\$ 106,610,187	\$ 109,362,266
Plan member	64,579,401	-	64,579,401	62,564,896
Total contributions (Note 2)	156,943,485	14,246,103	171,189,588	171,927,162
Investment income:				
Net appreciation in fair value of investments, including gain on sales	487,794,260	67,711,876	555,506,136	603,539,841
Interest	153,868,966	16,717,966	170,586,932	153,414,696
Dividends	45,497,928	4,943,380	50,441,308	56,365,623
Alternative investment income	202,762	22,030	224,792	1,574,287
Real estate operating income, net of expense	11,016,956	1,128,661	12,145,617	21,621,570
	698,380,872	90,523,913	788,904,785	836,516,017
Investment management expense	(15,575,740)	(2,162,263)	(17,738,003)	(23,596,862)
Total investment income, net	682,805,132	88,361,650	771,166,782	812,919,155
Total additions	839,748,617	102,607,753	942,356,370	984,846,317
Deductions:				
Benefits	289,395,441	29,987,151	319,382,592	290,624,470
Refunds of contributions	12,992,819	-	12,992,819	9,627,685
Administrative expenses	6,626,826	919,951	7,546,777	6,233,431
Total deductions	309,015,086	30,907,102	339,922,188	306,485,586
Net increase	530,733,531	71,700,651	602,434,182	678,360,731
Net assets held in trust for pension benefits and postemployment healthcare benefits:				
Beginning of year	6,486,484,663	792,578,451	7,279,063,114	6,600,702,383
End of year	\$7,017,218,194	\$ 864,279,102	\$ 7,881,497,296	\$ 7,279,063,114

See accompanying notes.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements

June 30, 2000

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 City of Los Angeles 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 pension 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 Los Angeles City Employees' Retirement System. The required contribution rate for the postemployment healthcare benefits for the fiscal year ended June 30, 2000, was 1.27% of covered payroll.

The System's funding policy under Article XXXIV Sections 505 and 507 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 year ended June 30, 2000, the System's actuary recommended the rate of 6.43% of covered payroll as the City's contribution to the Plan for pension benefits. 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 4). 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

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

1. Description of the Plan and Significant Accounting Policies (continued)

General (continued)

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, 2000:

Active:	
Vested	17,519
Nonvested	6,718
	<u>24,237</u>
Inactive:	
Nonvested	873
Terminated entitled to benefit, not yet receiving benefits	701
Retired	13,224
Total	<u><u>39,035</u></u>

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which compensation is paid to the member by the employer. Benefits and refunds are recognized when due and payable.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles, as outlined by the Governmental Accounting Standards Board (GASB).

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

1. Description of the Plan and Significant Accounting Policies (continued)

Fair Value of Investments

Funds are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board under Article XXXIV Section 504 of the City Charter. 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.

Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, stocks, and alternative investments are reported at fair 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. 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 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 expenses in the year acquired.

Administrative Expenses

All administrative expenses are funded from the System's plan net assets.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

1. Description of the Plan and Significant Accounting Policies (continued)

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 credited to members' accounts, less refunds of members' contributions and transfers to the annuity reserve.

Employer Contributions – Consists 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, less payments to members.

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, less payments to beneficiaries.

Health Insurance Benefits – City contributions, investment earnings distributions, and capital gains accumulated to provide health subsidies for retirees, less payments to retired members.

Reserve balances as of June 30, 2000, are as follows:

Member contribution	\$ 827,729,449
Basic pensions	5,740,019,692
Retired member annuity	430,686,946
Family death benefit	18,782,107
Postretirement health benefit	864,279,102
Total reserves	<u>\$7,881,497,296</u>

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

1. Description of the Plan and Significant Accounting Policies (continued)

Use of Estimates in Preparation of the General Purpose Financial Statements

The preparation of the 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. 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.

The contributions to the System for the year ended June 30, 2000, of \$171,190,000 (\$156,944,000 for the retirement plan and \$14,246,000 for healthcare) were made in accordance with actuarially determined requirements computed through the above-mentioned actuarial valuation.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

2. Contributions Required and Contributions Made (continued)

Contributions to the System consisted of the following for the year ended June 30, 2000 (in millions):

	Amount	Percentage of Current Covered Payroll
Covered payroll	\$ 1,182.2	100%
Retirement Plan		
Normal cost	\$ 169.9	14.37%
Amortization of the unfunded actuarial accrued liability	(13.2)	(1.11)
Family death benefits insurance plan	0.2	0.02
Total	\$ 156.9	13.28%
Total City contribution	\$ 92.3	7.82%
Plan member contribution	64.6	5.46
Total	\$ 156.9	13.28%
Healthcare		
Normal cost	\$ 16.0	1.36%
Amortization of the unfunded actuarial accrued liability	(1.8)	(0.16)
Total	\$ 14.2	1.20%
Total City contribution	\$ 14.2	1.20%

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

3. 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 33 through 35.

4. Defrayal of Portion of Member Contributions

For members prior to February 1983, the City subsidizes a portion of member contributions under a collective bargaining agreement. Payments made by the City in this manner are not refundable to members upon their withdrawal from the System 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 88% of subsidized member contributions for the year ended June 30, 2000. The City contributed \$20.0 million in this manner for the year ended June 30, 2000.

5. Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of the System's funds with the following limitations:

- The aggregate monies invested in debt-type securities, such as bonds or debentures below investment grade, cannot exceed 20% of the assets of the System.
- Thirty-five percent of the System's assets may be invested in short-term money market instruments such as certificates of deposit, commercial paper, bank's acceptances and repurchase agreements. A "short-term" money market instrument is one which matures within one year from the purchase date.
- The aggregate monies invested in equity-type securities, such as common stocks, preferred stocks, convertible preferred stocks and convertible bonds and debentures cannot exceed 70% of the System's assets. A maximum of 50% of equity-type securities may be invested in corporations that have not paid a dividend on their common stock in each of the five fiscal years next preceding the date of investment.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

5. Cash and Short-Term Investments and Investments (continued)

- The aggregate amount of System assets invested in the common stock of any one corporation cannot exceed 2% of net assets and the System cannot acquire more than 5% of the issued and outstanding shares of common stock of such corporation.

No investments (other than those issued or guaranteed by the U.S. government) represent 5% or more of the System's net assets.

The System considers investments purchased with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2000, on the retirement plan and postemployment healthcare statement of plan net assets includes approximately \$1,620,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of \$696,155,000 for a total of \$697,775,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2000, short-term investments included commercial paper of \$487,012,000, collective STIF of \$91,234,000, international STIF of \$110,997,000, and future initial margin of \$6,912,000.

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.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

5. Cash and Short-Term Investments and Investments (continued)

At June 30, 2000, the fair value of investments was as follows (in thousands).

Investments – Category 1 (held by Systems' agent in the System's name):	
Futures initial margin	\$ 6,912
U.S. government obligations	333,794
Domestic corporate fixed income securities	562,393
Domestic stocks	2,997,881
International fixed income securities	371,880
International stocks	1,280,313
Commercial paper	487,012
Subtotal	<u>6,040,185</u>
Investments – not categorized:	
Collective STIF	91,234
International STIF	110,997
Investments held by broker-dealers under securities loans with cash collateral:	
U.S. government and agency securities	345,565
Domestic corporate fixed-income securities	83,439
International fixed-income securities	47,838
Domestic stocks	184,840
International stocks	254,141
Subtotal	<u>915,823</u>
Investments held by broker-dealers under securities loans with non-cash collateral:	
U.S. government and agency securities	107,333
Domestic corporate fixed income securities	10,589
International fixed income securities	33,831
Domestic stocks	16,722
International stocks	47,735
Subtotal	<u>216,210</u>

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

5. Cash and Short-Term Investments and Investments (continued)

Securities lending short-term investment pool (<i>Note 6</i>)	\$ 939,683
Real estate investment funds	225,920
Alternative investments	229,172
Equity in city treasury	1,620
Subtotal	<u>1,396,395</u>
Less equity in city treasury	<u>(1,620)</u>
Total investments, net of equity in city treasury	<u><u>\$ 8,769,224</u></u>

6. Securities Lending Agreement

The System has entered into various short-term arrangements with its custodian under Article XXXIV Section 504 of the City Charter, whereby securities are lent 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 fair 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.

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

6. Securities Lending Agreement (continued)

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair value on the statement of plan net assets.

As of June 30, 2000, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The System had no losses on securities lending transactions resulting from default of a borrower or lending agent.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a custom collateral account designed specifically for the System and consists of a combination of short-term investments. Cash collateral may be invested separately in term loans, in which case the investments match the loan term. These loans may be terminated on demand by either the lender or the borrower. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

The following represents the balances relating to the security lending transactions as of June 30, 2000 (in thousands):

Securities Lent	Fair Value of Underlying Securities
U.S. government and agency securities	\$ 452,898
Domestic corporate fixed-income securities	94,028
International fixed-income securities	81,669
Domestic stocks	201,562
International stocks	301,876
	<u>\$ 1,132,033</u>

Los Angeles City Employees' Retirement System
(A Department of the City of Los Angeles, California)

Notes to Financial Statements (continued)

6. Securities Lending Agreement (continued)

As of June 30, 2000, the fair value of the lent securities was \$1,132,033,000. The fair value of associated collateral was \$1,165,259,000. Of this amount, \$939,683,000 represents the fair value of cash collateral and \$225,576,000 represents the fair value of the noncash collateral. Noncash collateral, which the System does not have the ability to sell unless the borrower defaults, is not reported in the statement of plan net assets. The System's income and expenses from security lending were \$6,239,000 and \$1,871,000, respectively, for the year ended June 30, 2000.

7. 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 on futures and forward contracts are recognized as gains or losses for the current period.

At June 30, 2000, the System had net outstanding futures and forward commitments with a notional amount of \$467,000,000, which expire through September 2000. 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 \$6,900,000 as of June 30, 2000. The realized loss on foreign currency translation was \$7,500,000 as of June 30, 2000.

Future 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.

8. Commitments and Contingencies

At June 30, 2000, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately \$323,042,000.

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Required Supplementary Information

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Los Angeles City Employees Retirement System
(A Department of the City of Los Angeles, California)

Required Supplementary Information
Retirement Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
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	(4.9)
June 30, 1999	5,910,948,149	5,684,586,071	(226,362,078)	104.0	1,068,124,413	(21.2)
June 30, 2000	6,561,365,458	6,012,931,343	(548,434,115)	109.1	1,182,202,945	(46.4)

Los Angeles City Employees Retirement System
(A Department of the City of Los Angeles, California)

Required Supplementary Information
Retirement Plan
Schedule of Employer Contributions

	Employer Contributions	
	Total	
Year ended June 30	Annual Required Contribution	Percentage Contributed
1995	\$ 115,129,588	100%
1996	120,660,148	100
1997	88,799,922	100
1998	64,459,744	100
1999	69,248,626	100
2000	72,146,277	100

Los Angeles City Employees Retirement System
(A Department of the City of Los Angeles, California)

Required Supplementary Information
Retirement Plan
Notes to Required Supplementary Information

1. Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going concern basis and to assess progress made in accumulating assets by paying benefits when due.

2. Actuarial Methods and Assumptions for Retirement Plan

Valuation date	June 30, 2000
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% per year over a full 30-year career
Includes inflation at	3%
Cost of living adjustments	3%

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Supplemental Schedules

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Los Angeles City Employees Retirement System
(A Department of the City of Los Angeles, California)

Schedule of Administrative Expenses

Year ended June 30, 2000

	Retirement Plan	Postemployment Healthcare	Total
Personnel Services:			
Staff salaries	\$ 3,124,771	\$ 433,788	\$ 3,558,559
Staff benefits	265,284	36,827	302,111
Retiree's health administration	184,749	25,647	210,396
Total personnel services	3,574,804	496,262	4,071,066
Professional Services:			
Actuarial	93,593	12,993	106,586
Data processing	848,853	117,840	966,693
Audit	78,371	10,880	89,251
Legal counsel	322,647	44,791	367,438
Medical for temporary disability	79,926	11,095	91,021
Total professional services	1,423,390	197,599	1,620,989
Communication:			
Printing	43,621	6,056	49,677
Telephone	206,096	28,611	234,707
Postage	138,543	19,233	157,776
Travel	53,461	7,422	60,883
Total communication	441,721	61,322	503,043
Rentals:			
Office space	570,270	79,166	649,436
Equipment leasing	19,905	2,763	22,668
Total rentals	590,175	81,929	672,104
Miscellaneous:			
Office expense	596,736	82,839	679,575
Total miscellaneous	596,736	82,839	679,575
	\$ 6,626,826	\$ 919,951	\$ 7,546,777

Los Angeles City Employees Retirement System
(A Department of the City of Los Angeles, California)

Schedule of Investment Expenses

Year ended June 30, 2000

Investment expenses of the System for the year ended June 30, 2000, were as follows (in thousands):

	<u>Assets Under Management</u>	<u>Fees</u>
Retirement Plan		
Investment Managers' Fees:		
Fixed Income Managers	\$ 1,688,676	\$ 2,881
Equity Managers	4,257,282	9,873
Subtotal Investment Managers' Fees	<u>5,945,958</u>	<u>12,754</u>
Other Investment Service Fees:		
Security Lending Fees	836,638	1,666
Alternative Investment Consulting Fees	204,041	564
Other Investment Fees	—	592
Subtotal Other Investment Service Fees	<u>1,040,679</u>	<u>2,822</u>
Subtotal Investment Expenses, excluding Real Estate	<u>6,986,637</u>	<u>15,576</u>
Healthcare		
Investment Managers' Fees:		
Fixed Income Managers	207,987	355
Equity Managers	524,350	1,216
Subtotal Investment Managers' Fees	<u>732,337</u>	<u>1,571</u>
Other Investment Service Fees:		
Security Lending Fees	103,045	205
Alternative Investment Consulting Fees	25,131	70
Other Investment Fees	—	316
Subtotal Other Investment Service Fees	<u>128,176</u>	<u>591</u>
Subtotal Investment Expenses, excluding Real Estate	<u>860,513</u>	<u>2,162</u>
Total Investment Expenses, excluding Real Estate	<u>\$ 7,847,150</u>	<u>\$ 17,738</u>
Real Estate Managers' Fees, netted with Investment Income:		
Retirement Plan	<u>\$ 201,146</u>	<u>\$ 2,296</u>
Healthcare	<u>\$ 24,774</u>	<u>\$ 283</u>
Grand Total Investment Expenses	<u>\$ 8,073,070</u>	<u>\$ 20,317</u>

**Los
Angeles
City
Employees'
Retirement
System**



Investment Section



CITY OF LOS ANGELES

CALIFORNIA



RICHARD J. RIORDAN
MAYOR

BOARD OF
ADMINISTRATION
CITY EMPLOYEES'
RETIREMENT SYSTEM

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LACERS

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OSCAR PETERS
GENERAL MANAGER
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DANIEL P. GALLAGHER
CHIEF INVESTMENT OFFICER
(213) 473-7124

REPORT ON INVESTMENT ACTIVITY

December 12, 2000

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 2nd Floor
Los Angeles, CA 90012

Dear Commissioners,

Presented below for your consideration is my summary report of the Fund's investment activities for fiscal year 1999-2000.

Investment Performance

The investment portfolio continued to perform well during FY1999-2000. The total portfolio's rate of return of 11.1% exceeded both the policy benchmark of 9.3% and the 8% actuarial rate, and provided the sixth consecutive year of double digit returns. The portfolio ended the fiscal year at a market value of \$7.85 billion, a one-year increase of approximately \$600 million.

Alternative investments outperformed all other asset classes, returning 53.1% vs. a benchmark return of 15.0%. Domestic equities' investment return of 11.4% exceeded its benchmark of 9.3%. At a return of 4.6%, fixed income matched its benchmark. Returning 17.0%, non-US equities failed to match their benchmark of 20.5%, primarily due to the portfolio's overweight in the Pacific Basin region. Table 4 displays a summary of investment returns.



Manager Search, Contract Renewal, and New Hires

Public Markets

The Board issued request for proposals for advisors for a S&P500 index portfolio; a Lehman Aggregate Bond Index portfolio; and for a General Pension Fund Consultant. Contracts with seven managers of publicly traded securities were renewed, and a new general pension fund consultant was hired. Two managers were terminated for performance.

Private Investments

The Board continued to fund private investments in alternative investment and real estate asset classes. During FY1999-2000, existing partnerships made two-hundred eighty-two capital calls for a total of \$193,276,431. The Board approved investments in fourteen alternative investment partnerships (Table 2) and one real estate partnership (Table 3).

The Board continued its development of a separate account real estate program. Request for proposals were published for real estate counsel and for an individually managed account (IMA) real estate manager. Three law firms were selected to provide legal counsel for deal review, and one real estate investment manager was selected for the IMA.

The Board approved a request for proposal for a real estate consultant, and renewed contracts with Northern Trust for custody, securities lending, the Alerts system and integrated benefits processing.

Policies, Procedures, and Guidelines

The Board continued its strategic goal of reviewing and updating investment policies, procedures and guidelines. The real estate Investment Strategy and Policy documents were updated to provide for an individually managed account (IMA). Review and control procedures were adopted, and a "discretion-in-a-box" policy was approved to streamline the property acquisition process.

Alternative Investments Strategy and Policy documents were reviewed and updated to include minor target allocation changes.

Asset Allocation

The Board annually reviews the asset allocation of the Fund. This year's review was approached from a new perspective and was implemented in two phases. The first phase was to model the portfolio at the macro level, optimizing asset classes weighting. Returns were projected and matched to the return required to meet the actuarial assumptions. Only minor changes in asset class targets were adopted.

The second phase was to separately restructure each asset class. The benchmark for core bonds has been changed to the more representative Lehman Universal Bond Index, and allocations to individual managers within the fixed income asset class have been restructured.

The asset allocation rebalancing model has been suspended until the portfolio restructuring has been completed. Table 5 compares actual investment allocation vs. target percentages. Tables 6, 7, 8 and 9 list the largest holdings in U.S. and non-U.S. equity and fixed income instruments. Table 10 provides a schedule of fees. Tables 11, 12 and 13 show brokerage commissions and expenditures. Table 14 contains market values, and tables 15 and 16 contain names of contracted investment management and consulting firms.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daniel P. Gallagher". The signature is written in a cursive style.

Daniel P. Gallagher
Chief Investment Officer



INVESTMENTS

FISCAL YEAR 1999-2000

PUBLIC AND PRIVATE EQUITY INVESTMENT CONTRACT ACTIVITY

TABLE 1 -- The Board renewed contracts with the following managers of publicly traded securities:

Investment Manager	Discipline
BGI	Passive S&P 500 Index
JP Morgan	Enhanced S&P 500 Index
Lincoln Capital Management	Passive Lehman Aggregate Bond Index
Loomis Sayles & Company	Active Lehman Universal Bond Index
Morgan Grenfell	Active JP Morgan Global Bond Index
Schroder Capital Management	Active MSCI Pacific Emerging Markets Equity Index
Templeton	Active MSCI Pacific Basin Index

TABLE 2 -- The Board approved investments in the following alternative investment partnerships:

Partnership	Discipline
Austin VII	Venture Capital
Essex Woodlands V	Venture Capital
GTCR VII	Acquisition
Whitney IV	Venture Capital
Menlo IX	Early Stage Venture Capital
Navis Partners V	Venture Capital
Oaktree Capital Management III	Distressed Debt
Richland Ventures III	Venture Capital
Thomas Lee Company V	Acquisition
TPG Partners III	Acquisition
Vantage Point Venture Partners IV	Venture Capital
Vestar IV	Acquisition
Welsh, Carson, Anderson, & Stowe IX	Acquisition
Weston Presidio Capital IV	Venture Capital

TABLE 3 -- The Board approved investments in the following real estate commingled funds:

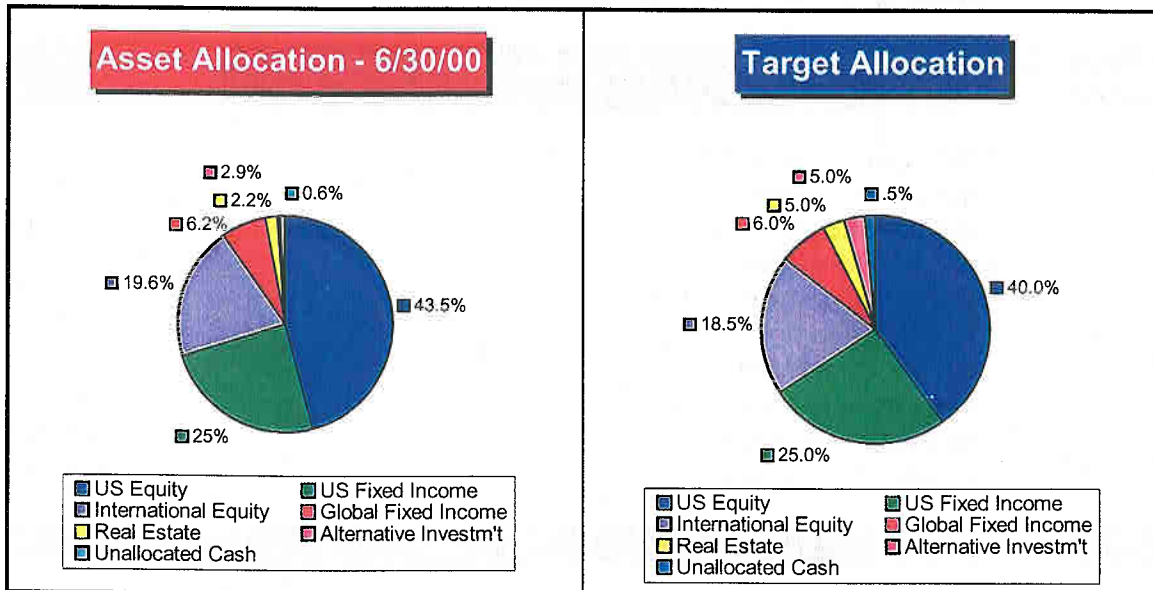
Partnership	Discipline
Invesco Realty Advisors	Stable / Enhanced
Tuckerman	High Yield

TABLE 4 -- INVESTMENT RESULTS

RETURN SUMMARY * (net of fees)	Annualized		
	1 Year (%)	3 Years (%)	5 Years (%)
US Equity	11.4	17.5	21.8
Russell 3000	9.6	19.2	22.8
US Fixed Income	4.4	6.0	6.2
LB Gov't / Corp	4.2	5.6	5.8
Int'l Equity	17.0	4.6	8.3
MSCI EAFE	17.4	10.5	11.6
Global Fixed Income	5.7	6.9	8.6
JPM WGBI (Hedged)	5.5	7.7	8.7
Real Estate	11.5	14.9	12.9
NCREIF	11.1	13.8	11.9
Total Fund	11.1	11.6	14.3
Benchmark Weighted Index **	9.3	11.0	12.8

TABLE 5 -- ASSET ALLOCATION

Actual		Target	
US Equity	43.5%	US Equity	40.0%
US Fixed Income	25.0%	US Fixed Income	25.0%
International Equity	19.6%	International Equity	18.5%
Global Fixed Income	6.2%	Global Fixed Income	6.0%
Real Estate	2.2%	Real Estate	5.0%
Alternative Investment	2.9%	Alternative Investment	5.0%
Unallocated Cash	0.6%	Unallocated Cash	0.5%



* LACERS' investment performance is calculated using monthly internal rate of return & day-weighted cashflows. Periods longer than one month are geometrically linked. This method of return calculation complies with AIMR performance presentation standards.

** Broad Asset Class Weighted Benchmark, Weighted by Target Allocations

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, 2000. A complete listing of the System's holdings may be obtained upon request.

TABLE 6 -- DOMESTIC FIXED HOLDINGS

No.	Par Value	Asset Description	US Market Value \$
1.	97,218,543	FNMA Pool #323979 6.5% Due 04-01-2029	91,843,330
2.	30,720,000	US Treas Bds 8.125 % Due 08-15-2021	37,463,654
3.	25,000,000	US Treas Bds 7.25% Due 05-15-2016	27,523,250
4.	25,535,000	FNMA 7.125% Due 01-15-2030	25,670,336
5.	23,185,000	US Treas Bds 7.25% Due 05-15-2016	25,525,062
6.	25,000,000	FNMA Pool # 532153 7.5% Due 02-01-2030	24,639,500
7.	24,000,000	Rohm & Haas Co Deb 7.85% Due 07-15-2029	24,259,680
8.	25,000,001	FNMA Pool #520955 7% Due 11-01-2029	24,138,001
9.	24,015,000	US Treas Nts 5.5% Due 02-28-2003	23,642,311
10.	25,500,000	AON Cap A 8.025% Due 01-01-2027	23,287,620
Total			327,992,744

TABLE 7 -- DOMESTIC EQUITY HOLDINGS

No.	Shares	Asset Description	Market Value US \$
1.	1,605,404	Cisco Systems Inc	102,043,492
2.	677,188	Intel Corp	91,389,225
3.	836,346	Microsoft Corp	66,907,680
4.	1,099,848	General Electric Co	58,291,944
5.	596,027	Nortel Networks Corp	40,678,843
6.	811,815	Pfizer Inc	38,967,132
7.	421,700	Applied Materials Inc	38,216,562
8.	455,878	Exxon Mobil Corp	35,786,423
9.	569,635	Citigroup Inc	34,320,509
10.	274,000	JDS Uniphase Corp	32,845,750
Total			539,447,560

TABLE 8 -- NON-US FIXED HOLDINGS

No.	Par Value	Asset Description	Market Value US \$
1.	31,674,145	Germany (Fed Rep) 6.25% Bds 4/01/24 Eur	32,911,673
2.	30,665,000	Germany (Fed Rep) 6% Bds 4/01/27 Eur	30,657,945
3.	30,000,000	Germany (Fed Rep) 5% Bds 20/08/01 Eur	28,791,074
4.	2,900,000,000	Japan (Gov't of) 1.3% Bds 21/11/05	27,537,735
5.	2,850,000,000	Japan (Gov't of) 0.9% Bds 22/12/08	25,029,252
6.	17,147,000	Italy (Rep of) 6% Btp 1/11/07 Eur	16,939,245
7.	14,405,449	Italy (Rep of) 7.75% Bds 1/11/06 Eur	15,465,380
8.	4,730,000,000	Greece (Rep of) 8.6% Bds 26/03/08	15,464,730
9.	4,890,000,000	Greece (Rep of) 6.3% Bds 29/01/09	14,095,467
10.	90,000,000	Denmark (Kingdom of) 8% Bds 15/05/03	12,186,729
Total			219,079,230

TABLE 9 -- NON-US EQUITY HOLDINGS

No.	Shares	Asset Description	Market Value US \$
1.	2,813,600	Johnson Eletric Hldgs	26,618,988
2.	5,629,206	Vodafone Group	22,753,047
3.	1,461	Nippon Telegraph & Telephone Corp	19,469,874
4.	349,680	Nokia	17,915,720
5.	1,288,955	DBS Group Hldgs	16,549,914
6.	40,982	Samsung Electronic	13,562,349
7.	845,000	Hitachi	12,219,177
8.	487,000	Nomura Securities	11,944,284
9.	201,500	Tele de Mex	11,510,688
10.	3,821,000	Commerce Asset Hldgs	11,060,790
Total			163,604,831

TABLE 10 -- SCHEDULE OF FEES (Dollars in Thousands)

Fiscal Year	1999		2000	
	Assets Under Management	Fees	Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	\$ 2,083,715	\$ 2,460	\$ 1,896,663	\$ 3,236
Equity Managers	4,538,314	16,495	4,781,632	11,089
Real Estate Managers	170,303	2,218	225,920	2,579
Total	\$ 6,792,332	\$ 21,173	\$ 6,904,215	\$ 16,904
Other Investment Service Fees:				
Security Lending Fees	\$ 977,443	\$ 1,827	\$ 939,683	\$ 1,871
Alt Investment Consultant Fees	105,141	597	229,172	634
Other Invest Consultant Fees	N/A	N/A	N/A	908
Total	\$ 1,082,584	\$ 2,424	\$ 1,168,855	\$ 3,413

TABLE 11 -- SCHEDULE OF TOP TEN BROKERS COMMISSION

Broker Name	Shares	Commission	\$/Share
Investment Technology Group Inc.	6,220,118	\$ 129,401	\$ 0.02
Instinet	2,284,664	31,948	0.02
Smith Barney	1,051,152	30,740	0.03
Merrill Lynch	850,106	24,506	0.03
First Boston Corporation	469,625	24,400	0.05
Paine Webber Inc	412,218	20,612	0.05
Abel Noser Corporation	305,900	17,376	0.06
Morgan Stanley & Co Inc	487,200	16,348	0.03
Williams Capital Group	922,189	15,574	0.04
Lynch Jones & Ryan	254,000	14,634	0.06
Total	13,257,172	325,539	0.03
Total - Other Brokers	5,829,189	260,214	0.05
Grand Total *	19,086,361	\$ 585,753	\$ 0.03

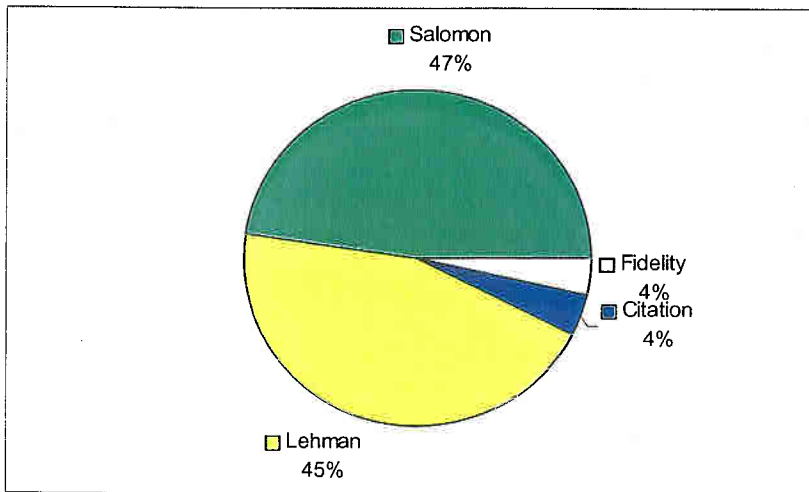
* OTC Brokers excluded because there is no stated commission.

TABLE 12 -- TOTAL SOFT DOLLARS EXPENDITURES 1999-2000

Fidelity	\$	2,574
Citation		2,991
Lehman		32,586
Salomon		34,834
Total	\$	72,985

Services (Bloomberg, Proxy Monitor, etc)		46,737
Computer Hardware, etc.		26,248
Total	\$	72,985

Expenditure by broker



Expenditure type

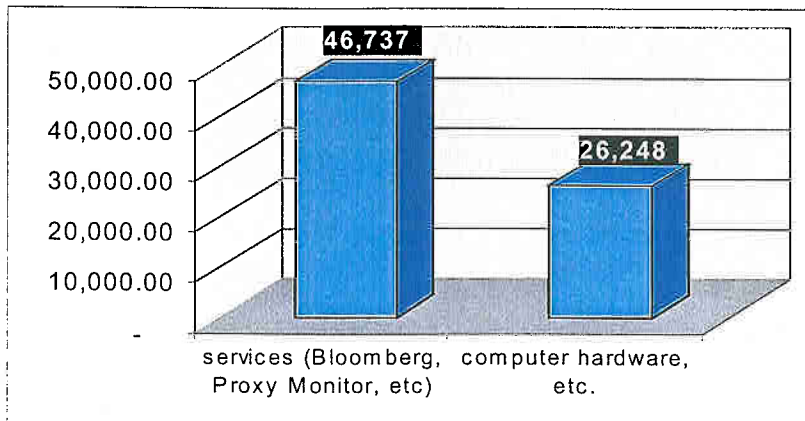


TABLE 13 -- COMMISSION RECAPTURE 1999-2000

Broker Name	Amount	Percent
ABEL / NOSER	\$ 41,758	24.6 %
LYNCH, JONES & RYAN	127,054	74.9 %
ROCHDALE	803	0.5 %
Total	\$ 169,615	100%

TABLE 14 -- INVESTMENT SUMMARY AS OF JUNE 30, 2000

Type of Investment	Fair Value	% of Total F. V.	Domestic Fair Value	Foreign Fair Value
Fixed Income:				
Government bonds	\$ 954,005,748	11.82%	\$ 500,456,575	\$ 453,549,174
Corporate bonds	656,420,711	8.13%	656,420,711	-
Government mortgage bonds	286,235,229	3.55%	286,235,229	-
Total fixed income	1,896,661,688	23.49%	1,443,112,514	453,549,174
Equities:				
Common stock:				
Basic industries	119,921,207	1.49%	72,752,367	47,168,840
Capital goods industries	1,172,492,420	14.52%	753,728,415	418,764,005
Consumer & services	1,665,114,028	20.63%	1,050,143,002	614,971,026
Energy	245,878,536	3.05%	132,506,541	113,371,995
Financial services	614,706,865	7.61%	357,835,889	256,870,976
Misc.(Common Fund)	932,001,140	11.54%	821,577,736	110,423,404
Total common stock	4,750,114,196	58.84%	3,188,543,951	1,561,570,245
Preferred stock	29,567,058	0.37%	10,375,885	19,191,174
Convertible preferred stock	1,193,049	0.01%	523,500	669,549
Rights/warrants	758,225	0.01%	-	758,225
Total equities	4,781,632,528	59.23%	3,199,443,335	1,582,189,193
Real Estate:	225,920,564	2.80%	225,920,564	-
Alternative Investments:				
Acquisitions	93,798,351	1.16%	93,798,351	-
Venture capital	87,398,129	1.08%	87,398,129	-
Subordinated debt	26,316,564	0.33%	26,316,564	-
International acquisitions	21,658,623	0.27%	16,944,984	4,713,639
Total alternative invest	229,171,667	2.84%	224,458,028	4,713,639
Security Lending Collateral:	939,683,266	11.64%	628,686,101	310,997,166
Total Fund	\$ 8,073,069,714	100 %	\$ 5,721,620,542	\$ 2,351,449,171

TABLE 15 – CONSULTING SERVICES

INVESTMENT ADVISORS		
Equity - Domestic	Real Estate	Alternative Investment
<p>Alliance Capital Minneapolis, MN</p> <p>BZW Barclays Global San Francisco, CA</p> <p>Dimensional Fund Advisors Santa Monica, CA</p> <p>Fiduciary Trust International New York, NY</p> <p>JP Morgan Investment Mgmt. New York, NY</p> <p>Oak Associates Akron, OH</p> <p>Rhumblin Advisors Boston, MA</p> <p>Thomson, Horstmann & Bryant Saddle Brook, NJ</p>	<p>Aldrich, Eastman & Waltch Boston, MA</p> <p>Aslan Realty Partners Chicago, IL</p> <p>CB Richard Ellis Los Angeles, CA</p> <p>DLJ Real Estate Capital, Partners Los Angeles, CA</p> <p>Hancock Timber Resource Group Boston, MA</p> <p>ING Realty Partners Chicago, IL</p> <p>Invesco Realty Advisors Dallas, TX</p> <p>Koll Bren Realty Advisors Newport Beach, CA</p> <p>La Salle Advisors Chicago, IL</p> <p>Miller Global Advisors Denver, CO</p> <p>L&B Real Estate Counsel Dallas, TX</p> <p>RREEF Funds San Francisco, CA</p> <p>TA Associates Realty Boston, MA</p> <p>TCW Realty Advisors Los Angeles, CA</p> <p>Tuckerman Group Boston, MA</p> <p>UBS Realty Advisors Hartford, CT</p>	<p>Alchemy Partners London, England</p> <p>Apollo Advisors Purchase, NY</p> <p>Austin Ventures Austin, TX</p> <p>CGW Southeast Partners Atlanta, GA</p> <p>CVC Capital Partners London, England</p> <p>Chisholm Partners Providence, RI</p> <p>Essex Woodlands Chicago, IL</p> <p>Golder, Thoma, Cressey & Renner Chicago, IL</p> <p>Interwest Partners Menlo Park, CA</p> <p>J.H. Whitney Stamford, CT</p> <p>Kelso New York, NY</p> <p>KKR New York, NY</p> <p>Madison Dearborn Providence, RI</p> <p>Menlo Ventures Menlo Park, CA</p> <p>Oaktree Capital Management Los Angeles, CA</p> <p>Navis Partners Providence, RI</p> <p>Richland Ventures Nashville, TN</p> <p>Thoma Cressey Chicago, IL</p> <p>Thomas H. Lee Company Boston, MA</p> <p>Texas Pacific Group San Francisco, Ca</p> <p>Vantage Point Venture Partners San Bruno, CA</p> <p>Vestar Capital Partners New York, NY</p> <p>Welsh, Carson, Anderson, & Stowe New York, NY</p> <p>Weston Presidio Capital Boston, MA</p>

Equity - International

Capital Guardian Trust
Los Angeles, CA
Daiwa International Capital
New York, NY
Schroder Capital Mgmt.
New York, NY
State Street Global
Boston, MA
Templeton International
Fort Lauderdale, FL

Fixed Income - Domestic

Lincoln Capital Mgmt. Co.
Chicago, IL
Loomis Sayles & Co., Inc.
San Francisco, CA
CB Richard Ellis
Los Angeles, CA

Global Fixed Income

Deutsche Asset Management
New York, NY

Cash & Short-Term

Managed In-House

Consultants

Pension Consulting Alliance, Inc
Portland, OR
The Townsend Group
Cleveland, OH
Pathway Capital Management
Irvine, CA

Custodian

The Northern Trust Company
Chicago, IL

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Los
Angeles
City
Employees'
Retirement
System



Actuarial Section





Watson Wyatt & Company

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

October 18, 2000

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, 2000 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,

Handwritten signature of Lawrence Di Fiore in blue ink.

Lawrence Di Fiore, FSA
Consulting Actuary

Handwritten signature of Thomas R. Supple in blue ink.

Thomas R. Supple, ASA
Consultant

LD:TRS:MC
p:/lacers/val/2000/00 val

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation As Of June 30, 2000

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, 2000 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 retirement provisions remain unchanged from the prior valuation. The health subsidy valuation reflects the increase in the maximum health subsidy premium from \$508 to \$702 for Members who are under age 65 or 65 and over with only Medicare Part B.

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 have revised our assumptions regarding the expected increases in health subsidy amounts for the next few years. This was changed to bring our assumptions closer to future expectations based on today's marketplace.

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, 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, 2000	June 30, 1999	Percent Change
I. Total Membership			
A. Active Members	24,234	22,504	7.7%
B. Pensioners	13,058	12,843	1.7%
II. Salaries at June 30			
A. Total Annual Payroll	\$1,182,202,945	\$1,068,124,413	10.7%
B. Average Monthly Salary	\$4,065	\$3,955	2.8%
III. Benefits to Current Pensioners and Beneficiaries			
A. Total Annual Benefits	\$290,899,998	\$277,022,689	5.0%
B. Average Monthly Benefit Amount	\$1,856	\$1,798	3.2%
IV. Total System Assets (Actuarial Value)	\$7,389,277,187	\$6,653,174,660	11.1%
V. Unfunded Actuarial Accrued Liability / (Surplus)			
A. Retirement Benefits	(\$548,434,115)	(\$226,362,078)	142.3%
B. Health Subsidy Benefits	\$43,762,962	(\$110,335,620)	(139.7%)
VI. Budget Items	FY 2001 - 2002	FY 2000 - 2001	
A. Retirement Benefits			
1. Normal Cost as a Percent of Pay	7.57%	7.59%	(0.3%)
2. Amortization of Unfunded Actuarial Accrued Liability	(5.03%)	(2.66%)	89.1%
3. Total Retirement Contribution	2.54%	4.93%	(48.5%)
B. Health Subsidy Contribution, as a Percent of Pay			
	2.17%	0.67%	223.9%
C. Total Contribution (A+B)			
	4.71%	5.60%	(15.9%)
VII. Funded Ratio			
(Based on Actuarial Value of Assets)			
A. Retirement Benefits	109.1%	104.0%	4.9%
B. Health Subsidy Benefits	94.9%	118.0%	(19.6%)
C. Total	107.3%	105.3%	1.9%
(Based on Market Value of Assets)			
D. Retirement Benefits	116.4%	113.8%	2.3%
E. Health Subsidy Benefits	101.2%	129.1%	(21.6%)
F. Total	114.5%	115.3%	(0.7%)

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:

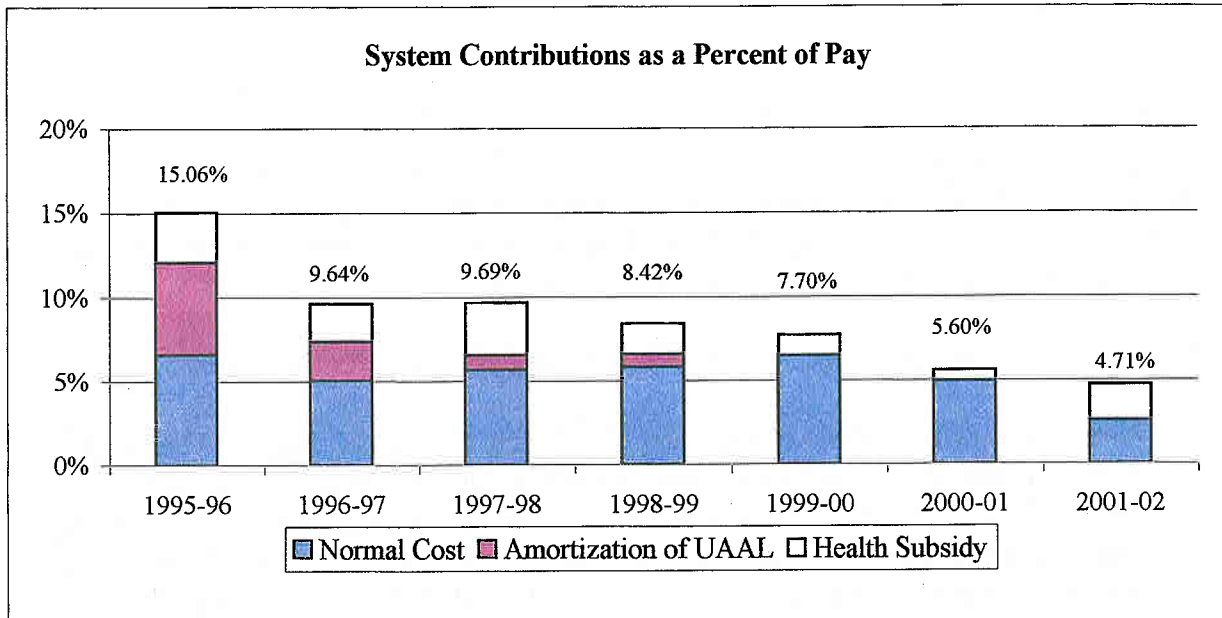
- The Normal Cost, or the cost of the portion of the benefit that is earned each year.
- Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Surplus: The UAAL represents liabilities accrued to date, that have not been funded by prior years' Normal Costs. Changes in the UAAL or surplus due 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 0.89% of payroll from last year.

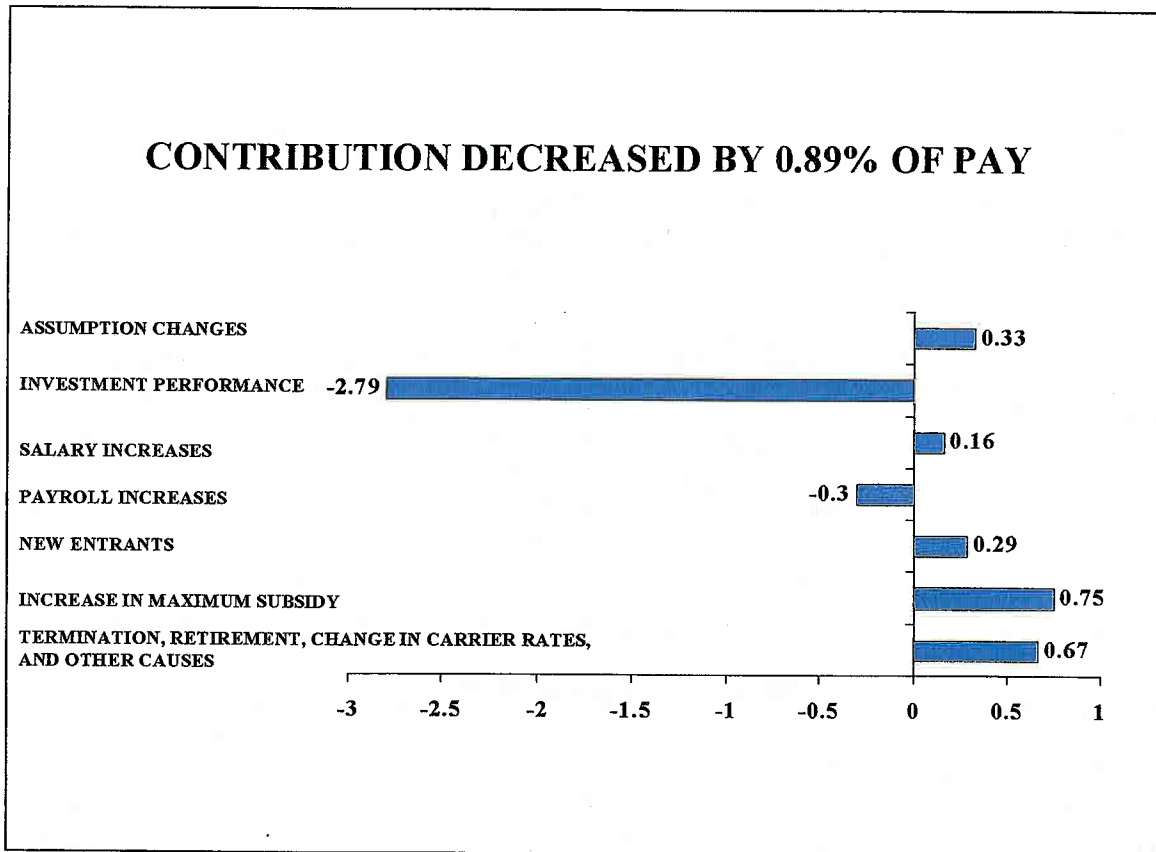
Recommended City Contributions For Fiscal Year 2001 – 2002	
	Percentage of Salary
Contribution for Retirement, Disability, and Death Benefits	2.54%
Contribution for Health Subsidy Benefits	2.17%
Total Contribution	4.71%

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 assumptions, and gains and losses over the past year on the recommended System contribution.



The primary reason for the reduction in the contribution rate is positive investment performance. However, the asset gains were partially offset by the change in the maximum health subsidy from \$508 per month to \$702 per month. Additionally the increase in carrier rates for the health subsidy benefit caused an increase in the contribution rate.

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, 2000	June 30, 1999	Percent Change
Total System Assets			
Market Value	\$7,881,497,296	\$7,279,063,114	8.3%
Actuarial Value	7,389,277,187	6,653,174,660	11.1%

Rate of Return	
July 1, 1999 - June 30, 2000	
The rate of return on total plan assets was as follows:	
Market Value	10.60%
Actuarial Value	13.64%
The rate of return was based on the following cash flow information:	
Contributions	
City	\$106,610,187
Members	64,579,401
Pensions Paid	
Retirement Allowances	287,805,753
Family Death Benefits	1,633,745
Health Benefits	29,987,151
Refunds of Member Contributions	12,371,409
Administration Expenses	7,546,777
Investment Earnings	\$770,589,430

The 13.64% 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, 2000	June 30, 1999	June 30, 1998	June 30, 1997
1. Beginning of Year Market Value	\$7,279,063,114	\$6,600,702,384	\$6,069,797,808	\$5,192,038,000
2. Contributions	171,189,588	171,927,161	175,522,533	166,537,208
3. Benefit Payments	331,798,058	300,252,155	278,253,761	257,427,552
4. Expected Return Based on 8% Assumption	575,900,710	522,923,191	481,474,576	411,727,426
5. Expected End of Year Market Value (1)+(2)-(3)+(4)	7,694,355,354	6,995,300,581	6,448,541,156	5,512,875,083
6. Actual End of Year Market Value	7,881,497,296	7,279,063,114	6,600,702,384	6,069,797,808
7. Gain/(Loss)	187,141,942	283,762,533	152,161,228	556,922,725

1. Market Value at June 30, 2000	\$7,881,497,296
2000 (Gain)/Loss x 80%	(149,713,553)
1999 (Gain)/Loss x 60%	(170,257,520)
1998 (Gain)/Loss x 40%	(60,864,491)
1997 (Gain)/Loss x 20%	(111,384,545)
2. Actuarial Value at June 30, 2000	7,389,277,187
3. 80% of Market Value at June 30, 2000	6,305,197,837
4. 120% of Market Value at June 30, 2000	9,457,796,755
5. Actuarial Value at June 30, 2000 (2), but no less than (3) and no more than (4)	\$7,389,277,187

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, 2000, the System had assets at actuarial value equal to 107.3% 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 82.2% of liabilities. This remaining unfunded liability is to be funded by future City and Member contributions to the System.

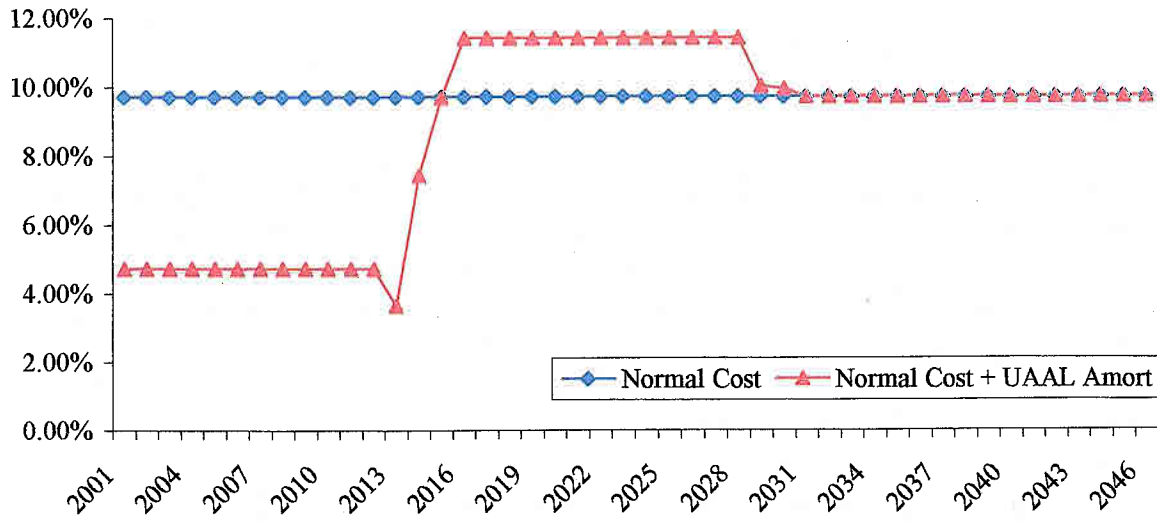
The City contributions are made up of two parts:

- **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.
- **Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Surplus:** The UAAL represents liabilities accrued to date, that have not been funded by prior years' Normal Costs. If the accumulated Normal Costs exceed the liabilities accrued to date, the net result would be a Surplus. Changes in the UAAL (or Surplus) 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 (or Surplus) are fully amortized. However, it will increase as a dollar amount as the total covered payroll increases.

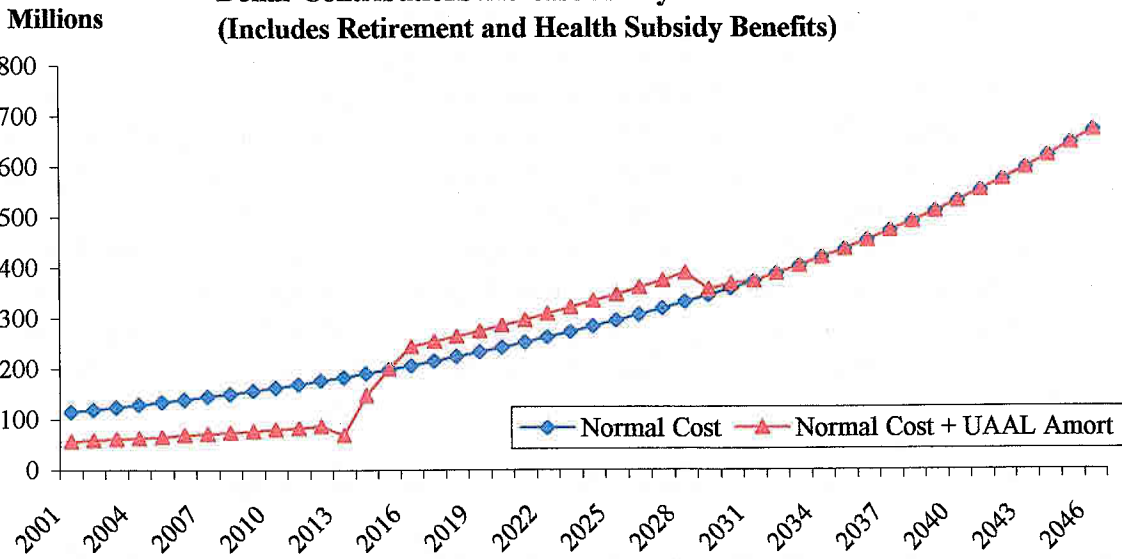
The total contribution will be the sum of the Normal Cost and UAAL contributions.

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
(Includes Retirement and Health Subsidy Benefits)**



**Dollar Contributions Increase as Payroll Increases
(Includes Retirement and Health Subsidy Benefits)**



CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

System Membership

Computer tapes containing data on System membership as of June 30, 2000 were supplied to us by the Retirement Office. On the following schedule we present a summary of System membership at June 30, 2000 and June 30, 1999. Pension amounts shown are those in effect on June 30, 2000, and do not include the cost-of-living adjustments that were effective on July 1, 2000. However, all July 1 increases were reflected in our valuation calculations.

It was necessary to make assumptions for approximately 3.5% of the data records when the information given to us was unreasonable and incomplete. A majority of these adjustments were for service and pay for vested terminated employees. These assumptions did not materially affect the results of our valuation.

The number of total active Members increased by 7.7% since the last valuation. The total number of retired Members and their beneficiaries increased by 1.7%, and the average retirement benefit amount increased by 5.0%.

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, 2000	June 30, 1999	Percent Change
I. Active Members			
a. Number	24,234	22,504	7.7%
b. Average Age	44.4	44.6	-0.4%
c. Average Years of Service	12.3	13.1	-6.1%
d. Salary			
i) Total Annual Salary	\$1,182,202,945	\$1,068,124,41	10.7%
ii) Average Monthly Salary	\$4,065	3 \$3,955	2.8%
II. Pensioners and Beneficiaries			
a. Number	13,058	12,843	1.7%
b. Average Age	71.6	71.5	0.1%
c. Allowance			
i) Total Annual Allowance	\$290,899,998	\$277,022,689	5.0%
ii) Average Monthly Amount	\$1,856	\$1,798	3.2%

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Applicable Assets At June 30, 2000

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, 2000	\$7,881,497,296	\$7,389,277,187
2. Less Reserves and Liabilities Established for:		
a. Family Death Benefit Insurance	\$18,782,108	\$17,609,116
b. Retiree Health Subsidy	864,279,102	810,302,613
c. Total	883,061,210	827,911,729
3. Net Assets Available for Retirement Benefits at June 30, 2000 (Item 1 less Item 2)	\$6,998,436,086	\$6,561,365,458

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.

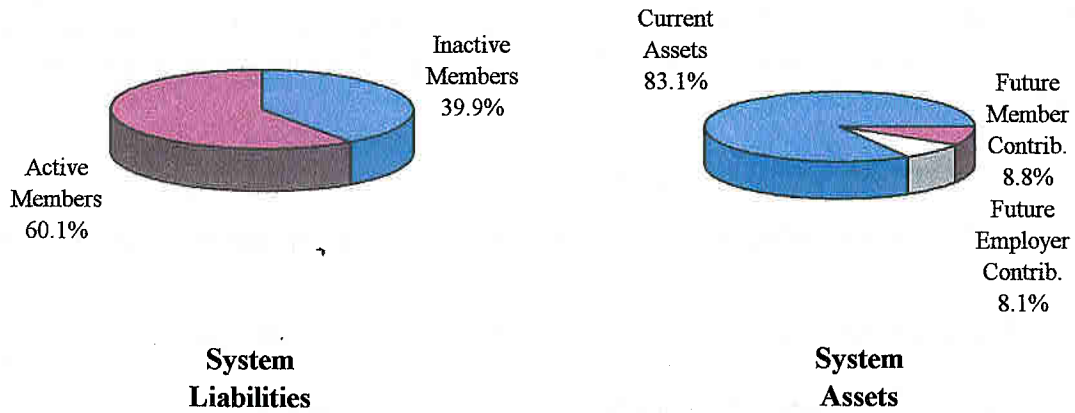
The last item, the present value of future City contributions, is made up of two parts:

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 2000 – 2001 fiscal year, the Normal Cost percentage is 7.57% 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. If the accumulated Normal Costs exceed the liabilities accrued to date, then there would be a Surplus. This liability or surplus 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 83% of System assets consist of currently available assets, and 17% consist of future contributions from the City and the Members.

Actuarial Balance Sheet for Retirement Benefits As Of June 30, 2000



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

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet As Of June 30, 2000

Assets	
1. Applicable Assets	\$6,561,365,458
2. Present Value of Future Member Contributions	690,580,866
3. Present Value of Future Contributions by the City For:	
a. Normal Cost	\$1,188,508,833
b. Amortization of Certain Liabilities / (Surplus)	(548,434,115)
c. Total	640,074,718
4. Total Assets	\$7,892,021,042
Liabilities	
5. Present Value of Benefits Already Granted (Inactive Members)	\$3,149,392,264
6. Present Value of Benefits to be Granted (Active Members)	4,742,628,778
7. Total Liabilities	\$7,892,021,042

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 (or Surplus) is the payment stream required to fund the difference between System liabilities and 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.

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 2001 - 2002	
	Percentage of Salary
For Retirement Benefits	
Normal Cost	7.57%
Unfunded Actuarial Accrued Liability / (Surplus)	(5.03%)
Total Contributions for Retirement Benefits	2.54%

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 06/30/2000	Amortization Amount	Percentage of Salary
1. Combined Bases at 6/30/97	12	68,344,344	7,217,381	0.61%
2. (Gain)/Loss at 6/30/98	13	(346,209,679)	(34,340,563)	(2.90%)
3. Change in Assumptions at 6/30/98	28	233,243,180	13,750,407	1.16%
4. (Gain)/Loss at 6/30/99	14	(183,723,942)	(17,216,766)	(1.46%)
5. Plan Change at 6/30/99	29	22,153,783	1,280,761	0.11%
6. Change in Assumptions at 6/30/99	29	(9,684,294)	(559,871)	(0.05%)
7. (Gain)/Loss as 6/30/00	15	(332,557,507)	(29,589,718)	(2.50%)
Total		(548,434,115)	(59,458,369)	(5.03%)

The Plan Change at 6/30/99 indicated above reflects the three-year extension of the early retirement window through September 30, 2002. This window provides unreduced pensions to Members who retire on or after age 50 with at least 30 years of service.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Funded Status and GASB Disclosure

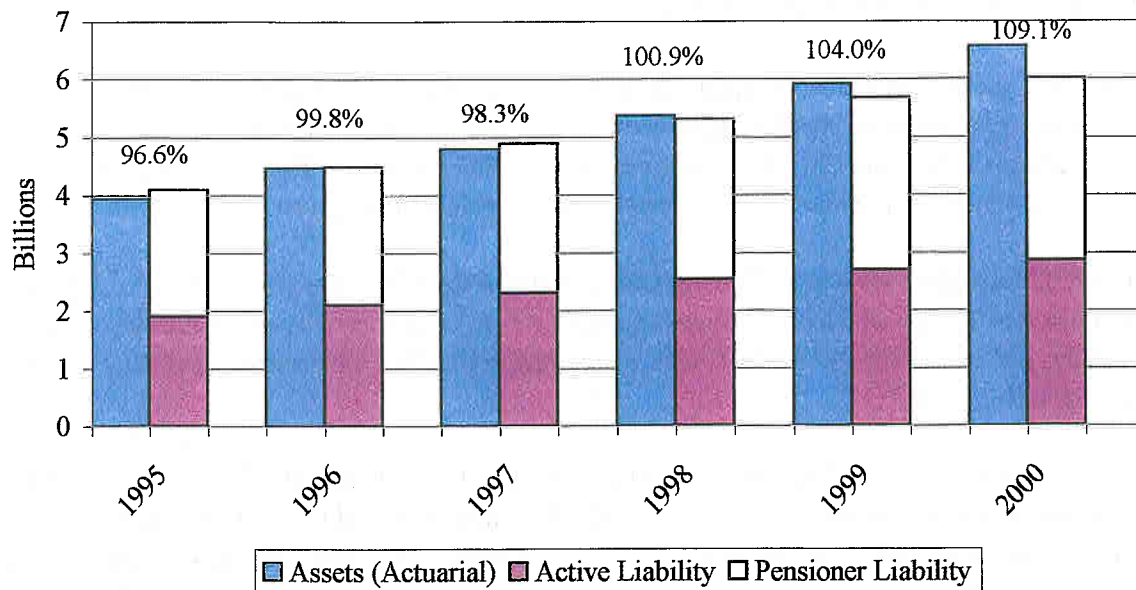
In November 1994, the Governmental Accounting Standards Board (GASB) adopted Statement No. 25, changing the way in which governmental retirement systems must report financial information. This replaced the requirements of GASB No. 5. The statement became effective for plan years beginning after June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

This report includes two 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 covered payroll). 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 109.1% of total retirement liabilities at June 30, 2000. Based on the market value of assets, the funded ratio for retirement benefits is 116.4%.

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, 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	(4.9%)
June 30, 1999	5,910,948,149	5,684,586,071	(226,362,078)	104.0%	1,068,124,413	(21.2%)
June 30, 2000	6,561,365,458	6,012,931,343	(548,434,115)	109.1%	1,182,202,945	(46.4%)

**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)
1995	115,129,588	100%
1996	120,660,148	100%
1997	88,799,922	100%
1998	64,459,744	100%
1999	69,248,626	100%
2000	72,146,277	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 95% 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 94% 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 \$3.20 per month. This contribution rate is reviewed every two years to determine if the level of contributions is appropriate. This rate will be next reviewed on June 30, 2001.

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, 2000 is \$810,302,613 (the market value is \$864,279,102).

This section of the report contains the results of the June 30, 2000 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the fiscal year 2001 – 2002, 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. A summary of the economic assumptions follows:

- 8.0% annual interest
- graded medical cost trend rates of 8.50% in 2000-2001 decreasing gradually to 6.0% in 2010 and beyond for benefits paid before age 65, and benefits paid to Members without Medicare
- medical cost trend rates of 15.00% in 2000-2001 decreasing gradually to 6.00% in 2015 and beyond for benefits paid after age 65 from System HMO plans
- graded medical cost trend rates of 10.00%, decreasing gradually to 6.00% in 2015 and beyond for benefits paid after age 65 for Members who join the PPO
- graded dental trend rates of 8.00% in 2000-2001 decreasing to 6.0% in 2008 and beyond.
- Medicare Part B premium trend rates of 6.0%

We believe these are appropriate for use in the valuation of health subsidy liabilities of the City Employees' Retirement System at June 30, 2000. 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 (a) the assets currently available to pay benefits; and (b) the present value of future contributions expected to be made by the City.

No Member contributions are required for health subsidy benefits.

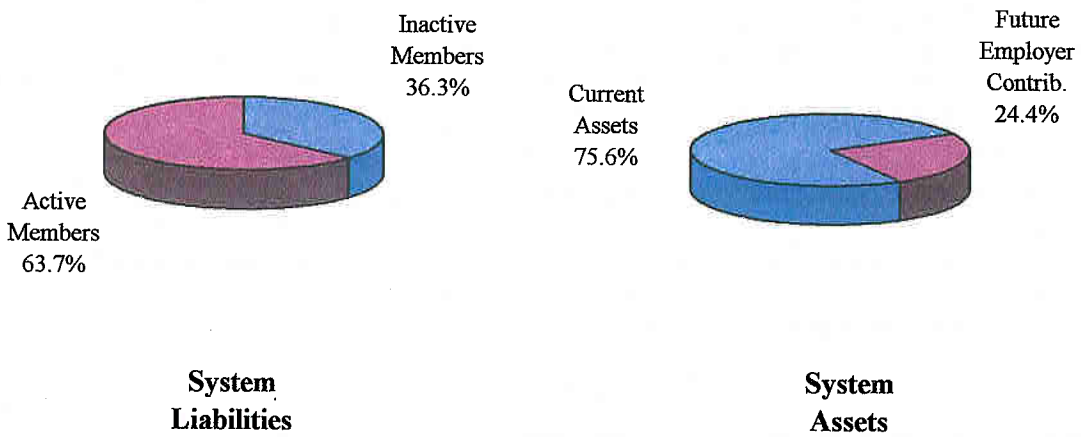
The last item, the present value of future City contributions, is made up of two parts:

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 2001 – 2002 fiscal year, the Normal Cost percentage for health subsidy benefits is 2.15% 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. If the accumulated Normal Costs exceed the liabilities accrued to date, then there would be a Surplus. This liability or surplus 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 36% of the System's liabilities are for retired Members and their beneficiaries, and 64% for active Members. About 76% of System assets consist of currently available assets, and 24% consist of future contributions from the City.

Actuarial Balance Sheet for Health Subsidy Benefits As Of June 30, 2000



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

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet As Of June 30, 2000

Assets		
1.	Applicable Assets	\$810,302,613
2.	Present Value of Future Member Contributions	0
3.	Present Value of Future Contributions by the City For:	
	a. Normal Cost	\$217,287,620
	b. Amortization of Certain Liabilities / (Surplus)	43,762,962
	c. Total	\$261,050,582
4.	Total Assets	\$1,071,353,195
Liabilities		
5.	Present Value of Benefits for Inactive Members	\$388,714,550
6.	Present Value of Benefits for Active Members With Ten or More Years of Service	682,638,645
7.	Total Liabilities	\$1,071,353,195

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Budget and Recommended Contributions

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 2001.

The contribution for health subsidy benefits increased from 0.67% of payroll for 2000 – 2001 to 2.17% of payroll for 2001 – 2002. The asset gains were offset by higher premiums being charged by the carriers and higher maximum health subsidy.

Recommended City Contributions For Fiscal Year 2001 – 2002	
	Percentage of Salary
For Health Subsidy Benefits	
Normal Cost	2.15%
Unfunded Actuarial Accrued Liability/(Surplus)	0.02%
Total Contributions for Health Subsidy Benefits	2.17%

**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 06/30/2000	Amortization Amount	Percentage of Salary
1. Combined Bases at 6/30/97	12	\$51,257,920	\$5,413,000	0.46%
2. (Gain)/Loss at 6/30/98	13	(106,452,473)	(10,559,028)	(0.89%)
3. Change in Assumptions at 6/30/98	28	46,573,410	2,745,647	0.23%
4. (Gain)/Loss at 6/30/99	14	(102,451,666)	(9,600,743)	(0.81%)
5. Plan Change at 6/30/99	29	3,226,229	186,516	0.02%
6. Change in Assumptions at 6/30/00	30	45,995,359	2,610,454	0.22%
7. (Gain)/Loss at 6/30/00	15	105,614,184	9,397,153	0.79%
Total		\$43,762,962	\$192,999	0.02%

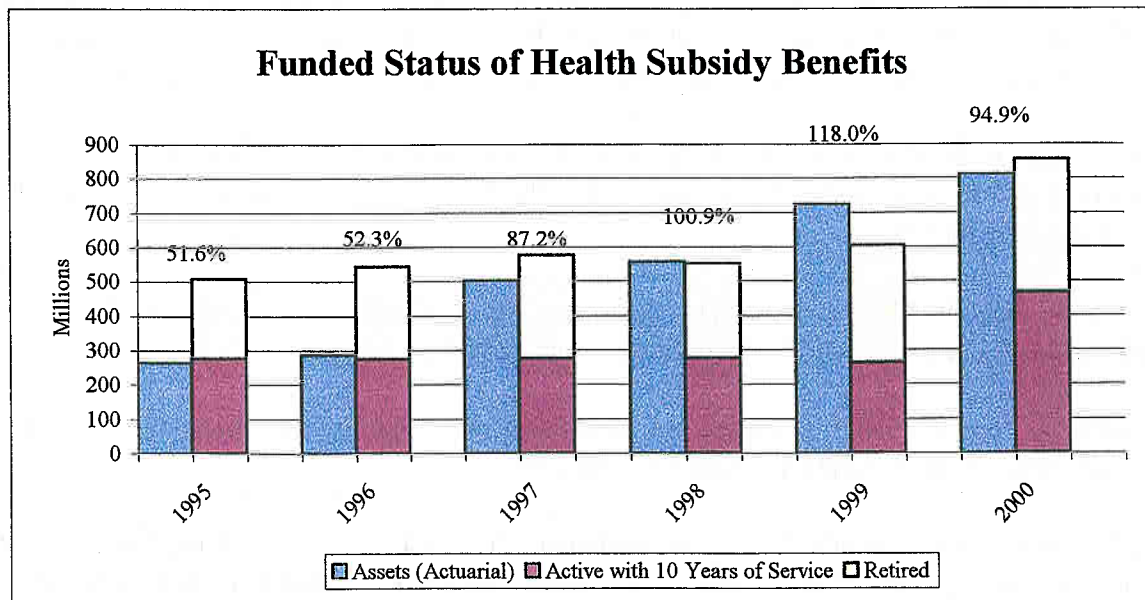
The Plan Change at 6/30/99 indicated above reflects the three-year extension of the early retirement window through September 30, 2002. This window provides unreduced pensions to Members who retire on or after age 50 with at least 30 years of service. The incidence of early retirement increases the liability for the health subsidy benefits.

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

Funded Status of Health Subsidy Benefits

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, 2000 - Inactive Members - Active Members with Ten Years of Service - Total	\$388,714,550 465,351,025 <hr style="width: 100%;"/> \$854,065,575
Value of Assets Available for Health Subsidy Benefits - Market - Actuarial	\$864,279,102 \$810,302,613
Funded Ratio - Market - Actuarial	101.2% 94.9%



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

Summary of Funding Process

The City is funding in advance 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.

Effective with the June 30, 2000 valuation, the trend rates were updated to reflect current market conditions. 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, 2000 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

System Assets (Market Value)		
	June 30, 2000	June 30, 1999
Assets		
Cash	697,774,654	706,520,094
Receivable		
Accrued Interest and Dividend Income	37,580,881	34,315,986
Other Receivable	4,221,520	5,788,469
Proceeds from Investment	<u>318,262,404</u>	<u>150,335,753</u>
Total Receivable	360,064,805	190,440,208
Investments		
Temporary, at Market	0	0
Bonds, at Market	1,610,426,460	1,620,439,910
Common Stocks, at Market	4,781,632,528	4,538,313,818
Real Estate & Mortgages	512,155,793	633,578,498
Alternative Investment, at Market	<u>229,171,667</u>	<u>105,141,067</u>
Total Investments	7,133,386,448	6,897,473,293
Total Assets	8,191,225,907	7,794,433,595
Liabilities		
Accounts Payable and Accrued Expenses	(15,205,239)	(23,539,315)
Purchases of Investments	<u>(294,523,372)</u>	<u>(491,831,166)</u>
Total Liabilities	(309,728,611)	(515,370,481)
Net Assets Available for Plan Benefits	7,881,497,296	7,279,063,114

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

Statement of Reserve and Fund Balances		
	June 30, 2000	June 30, 1999
Actuarial		
Member Contributions	\$827,729,449	\$776,617,190
Annuities	430,686,946	416,227,855
Pensions	5,740,019,691	5,274,167,598
Family Death Benefit Insurance	18,782,108	19,472,020
Health Benefits	864,279,102	792,578,451
Total Actuarial	\$7,881,497,296	\$7,279,063,114
Other		
Undistributed Earnings	0	0
Fund Balance	0	0
Total Other	0	0
Total Reserve and Fund Balance	\$7,881,497,296	\$7,279,063,114

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Statement of Changes in Net Assets Available for Plan Benefits		
	Year Ended June 30, 2000	Year Ended June 30, 1999
Revenues		
City Contributions	\$106,610,187	\$109,362,265
Members' Contributions	64,579,401	62,564,896
Income from Investements	771,166,782	812,919,155
Total Revenues	\$942,356,370	\$984,846,316
Expenditures		
Pensions		
Retirement Allowances	\$287,184,343	\$266,744,804
Family Death Benefit Insurance	1,633,745	1,553,231
Health Benefits	29,987,151	22,326,435
Total	318,805,239	290,624,470
Refund of Members' Contributions	12,992,819	9,627,685
Administrative Expenses	7,546,777	6,233,431
Total Expenditures	\$339,344,835	\$306,485,586
Net Revenues	\$603,011,535	\$678,360,730
Adjustments on Prior & Current Period	(\$577,353)	\$0
Net Assets Available for Plan Benefits, Beginning of the Year	\$7,279,063,114	\$6,600,702,384
Net Assets Available for Plan Benefits, End of the Year	\$7,881,497,296	\$7,279,063,114

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, 2002.

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 95% 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 \$3.20 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, 2000, this amount is \$702 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 limited to the Kaiser single party premium for Members without Medicare A and B.

Dental

4% per year of service to a maximum of \$34.98 for Blue Cross PPO and \$12.53 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.

Interest Earned on
Employee Contributions 6.5% 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 1998-2002 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	Medicare Part B
	Pre-65	Post 65			
		HMO	PPO		
2000-2001	8.50%	15.00%	10.00%	8.00%	6.00%
2001-2002	8.25%	14.00%	9.50%	7.75%	6.00%
2002-2003	8.00%	13.00%	9.00%	7.50%	6.00%
2003-2004	7.75%	12.00%	8.75%	7.25%	6.00%
2004-2005	7.50%	11.00%	8.50%	7.00%	6.00%
2005-2006	7.25%	10.00%	8.25%	6.75%	6.00%
2006-2007	7.00%	9.00%	8.00%	6.50%	6.00%
2007-2008	6.75%	8.50%	7.75%	6.25%	6.00%
2008-2009	6.50%	8.00%	7.50%	6.00%	6.00%
2009-2010	6.25%	7.50%	7.25%	6.00%	6.00%
2010-2011	6.00%	7.00%	7.00%	6.00%	6.00%
2011-2012	6.00%	6.75%	6.75%	6.00%	6.00%
2012-2013	6.00%	6.50%	6.50%	6.00%	6.00%
2013-2014	6.00%	6.25%	6.25%	6.00%	6.00%
2014+	6.00%	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

Average Monthly Claim Rates for Health Subsidy Benefits

Health subsidy benefits are based on a percentage of the maximum subsidy (currently \$702 per month), limited to the composite carrier rates shown on the table below.

The monthly dental subsidy amount assumed for current active members is \$1.05 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	\$615.29	\$702.00
Single	322.88	648.42
Age 65 and Over		
Married	98.23	465.84
Single	49.43	237.65
Dental	1.05 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.

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	0.0003	0.0002	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	0.0004	0.0003	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	0.0658	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	0.0006	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	0.0016	0.0014	0.0000
46	0.0285	0.0358	0.0000	0.0000	0.0021	0.0014	0.0018	0.0014	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	0.0010	0.0023	0.0020	0.0023	0.0018	0.0000
51	0.0536	0.0575	0.0100	0.0050	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	0.0200	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	0.1000	0.0800	0.0024	0.0040	0.0032	0.0026	0.0021
56	0.0350	0.0450	0.1100	0.0800	0.0024	0.0040	0.0032	0.0026	0.0024
57	0.0300	0.0425	0.1200	0.0700	0.0024	0.0040	0.0036	0.0029	0.0026
58	0.0275	0.0400	0.1300	0.1100	0.0024	0.0040	0.0039	0.0034	0.0029
59	0.0250	0.0375	0.1400	0.1000	0.0024	0.0040	0.0041	0.0038	0.0032
60	0.0225	0.0350	0.2000	0.2000	0.0024	0.0000	0.0044	0.0042	0.0035
61	0.0200	0.0325	0.1800	0.1000	0.0024	0.0000	0.0044	0.0042	0.0039
62	0.0175	0.0300	0.1600	0.1500	0.0025	0.0000	0.0055	0.0052	0.0043
63	0.0150	0.0275	0.1800	0.1600	0.0025	0.0000	0.0061	0.0058	0.0048
64	0.0125	0.0250	0.2000	0.1700	0.0025	0.0000	0.0067	0.0065	0.0053
65	0.0000	0.0000	0.3000	0.2000	0.0000	0.0000	0.0074	0.0073	0.0059
66	0.0000	0.0000	0.2500	0.2000	0.0000	0.0000	0.0082	0.0084	0.0065
67	0.0000	0.0000	0.2500	0.2000	0.0000	0.0000	0.0090	0.0097	0.0072
68	0.0000	0.0000	0.2500	0.2000	0.0000	0.0000	0.0098	0.0111	0.0078
69	0.0000	0.0000	0.2500	0.2000	0.0000	0.0000	0.0106	0.0127	0.0086
70	0.0000	0.0000	1.0000	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.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Contribution Rates Assumed For Members Participating Before February 1, 1983

Age	Normal	Survivor	Total	Age	Normal	Survivor	Total
16	8.00%	0.22%	8.22%	40	10.19%	0.91%	11.10%
17	8.04	0.28	8.32	41	10.29	0.92	11.21
18	8.08	0.33	8.41	42	10.41	0.93	11.34
19	8.14	0.39	8.53	43	10.52	0.94	11.46
20	8.20	0.44	8.64	44	10.64	0.95	11.59
21	8.27	0.48	8.75	45	10.76	0.97	11.73
22	8.34	0.53	8.87	46	10.89	0.98	11.87
23	8.42	0.56	8.98	47	11.01	0.99	12.00
24	8.50	0.60	9.10	48	11.12	1.00	12.12
25	8.58	0.63	9.21	49	11.24	1.01	12.25
26	8.66	0.66	9.32	50	11.34	1.03	12.37
27	8.75	0.68	9.43	51	11.44	1.05	12.49
28	8.86	0.70	9.56	52	11.55	1.06	12.61
29	8.96	0.72	9.68	53	11.65	1.07	12.72
30	9.06	0.75	9.81	54	11.75	1.08	12.83
31	9.17	0.77	9.94	55	11.85	1.09	12.94
32	9.28	0.79	10.07	56	11.94	1.10	13.04
33	9.40	0.81	10.21	57	12.03	1.12	13.15
34	9.50	0.82	10.32	58	12.11	1.13	13.24
35	9.61	0.83	10.44	59 - Over	12.19	1.14	13.33
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				

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

Exhibit XI

Los Angeles City Employees' Retirement System
Age/Service/Salary Distribution by Attained Age for Active Members as of June 30, 2000

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	198	121	58	31	6	5	0	0	0	0	0	0	0	0	0	419
Average Salary	29,633	28,830	23,646	27,375	24,645	33,866	0	0	0	0	0	0	0	0	0	28,384
25 - 29	411	312	183	137	97	132	12	0	0	0	0	0	0	0	0	1,284
Average Salary	35,033	35,231	35,261	40,605	38,000	42,037	32,830	0	0	0	0	0	0	0	0	36,632
30 - 34	432	345	216	205	185	648	595	14	0	0	0	0	0	0	0	2,640
Average Salary	36,023	37,811	38,446	42,801	43,929	50,730	45,219	45,171	0	0	0	0	0	0	0	43,266
35 - 39	358	294	154	179	167	642	1,629	489	27	0	0	0	0	0	0	3,939
Average Salary	37,004	38,208	43,787	43,929	44,659	51,331	51,117	47,121	46,568	0	0	0	0	0	0	47,491
40 - 44	262	242	155	108	106	490	1,558	907	280	20	0	0	0	0	0	4,128
Average Salary	39,652	38,589	40,748	45,937	44,952	49,227	52,743	53,895	48,780	43,176	0	0	0	0	0	49,775
45 - 49	227	181	75	91	79	421	1,177	730	540	455	51	0	0	0	0	4,027
Average Salary	38,605	43,435	38,908	43,086	45,508	49,628	51,780	54,984	56,244	51,403	55,759	0	0	0	0	51,065
50 - 54	127	138	75	71	60	333	857	490	488	782	306	10	0	0	0	3,737
Average Salary	38,576	40,245	41,769	42,787	44,121	50,735	52,251	52,961	58,280	58,887	61,598	55,063	0	0	0	53,729
55 - 59	73	77	55	43	24	179	479	294	243	381	323	68	0	0	0	2,239
Average Salary	42,005	38,448	35,051	35,557	56,731	48,165	49,432	51,140	59,829	60,145	64,772	68,074	0	0	0	54,124
60 - 64	24	28	33	17	15	93	308	173	125	155	136	75	0	0	0	1,182
Average Salary	32,346	27,639	27,227	41,553	50,072	44,875	48,471	50,794	52,576	53,476	58,983	64,078	0	0	0	50,325
65 & up	3	20	8	8	8	59	197	79	76	80	62	39	0	0	0	639
Average Salary	31,865	24,850	24,304	36,492	35,239	40,339	41,739	49,183	47,134	51,814	53,408	64,952	0	0	0	46,042
Total	2,115	1,758	1,012	890	747	3,002	6,812	3,176	1,779	1,873	878	192	0	0	0	24,234
Average Salary	36,437	37,397	37,806	42,130	43,937	49,510	50,689	52,379	55,324	56,407	61,443	65,201	0	0	0	48,783
Average Age:	44.4															
Average Service:	12.3															

Exhibit XII

Los Angeles City Employees' Retirement System
 Distribution of Pensioners by Plan Year of Retirement and by Attained Age as of June 30, 2000
 Total for All Pensioners
 Retirement Benefits

Attained Age	Retirements in Plan Year Beginning in																Pre 1985	Total	Average Monthly Benefit Amount
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984			
Under 40	1	2	9	6	8	10	6	4	2	2	2	0	1	0	0	4	57	915	
40 - 44	1	8	9	5	8	9	3	4	5	3	4	0	3	1	0	1	64	972	
45 - 49	3	8	13	5	16	19	7	4	11	6	7	10	5	9	6	33	162	990	
50 - 54	95	68	44	21	20	11	10	6	11	10	11	9	8	8	6	56	394	2,076	
55 - 59	238	201	198	183	47	16	13	8	16	10	15	17	11	9	9	94	1,085	2,389	
60 - 64	168	136	188	186	169	165	134	111	85	36	27	21	15	15	16	139	1,611	2,276	
65 - 69	121	81	131	113	128	124	130	157	123	137	164	134	100	87	34	202	1,966	2,183	
70 - 74	59	54	66	64	76	72	101	103	101	120	147	136	145	157	129	791	2,321	1,925	
75 - 79	51	21	22	20	22	21	35	59	53	61	80	112	112	132	115	1,440	2,356	1,765	
80 - 84	25	3	10	2	16	10	12	17	9	4	21	25	43	54	48	1,406	1,705	1,467	
85 - 89	9	0	0	3	0	1	1	4	2	5	2	3	4	4	13	808	859	1,221	
90 - 94	3	1	0	0	0	1	1	0	0	0	2	2	1	1	1	359	372	902	
Over 94	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	104	106	845	
Total	774	583	690	608	510	460	453	477	418	394	482	469	448	478	377	5,437	13,058	1,856	
Average Monthly Benefit Amount	2,490	2,571	2,490	2,522	2,155	1,946	2,044	2,235	2,153	2,086	2,024	1,983	2,000	1,913	1,814	1,371	1,856	1,856	

Average Monthly Benefit Amount: \$1,856
 Total Annual Benefits: \$24,241,666

Los Angeles City Employees' Retirement System
 Distribution of Pensioners by Plan Year of Retirement and by Attained Age as of June 30, 2000
 Total for All Pensioners
 Health Subsidy Benefits*

Attained Age	Retirements in Plan Year Beginning in													Pre 1985	Total	Average Monthly Health Subsidy			
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987				1986	1985	
Under 40	0	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	0	0	0	0	0	0	0	0	0	0	0	0	
45 - 49	0	0	1	1	0	1	0	0	1	0	0	0	0	0	0	0	0	4	248
50 - 54	8	3	6	3	2	0	1	0	1	0	2	0	0	0	0	0	4	30	386
55 - 59	197	178	164	163	54	5	5	5	3	6	7	5	3	4	5	23	827	478	
60 - 64	126	116	169	151	125	128	113	102	79	51	14	8	7	7	7	42	1,245	461	
65 - 69	94	64	106	87	102	101	111	129	112	100	145	106	94	71	40	96	1,558	237	
70 - 74	36	39	49	47	53	49	74	78	81	92	101	116	100	123	97	578	1,713	166	
75 - 79	30	11	16	14	15	11	29	42	34	41	55	76	91	105	84	986	1,640	147	
80 - 84	10	2	5	1	7	4	6	12	6	2	8	12	34	33	36	925	1,103	149	
85 - 89	1	0	0	3	0	0	0	3	1	2	2	1	2	1	7	490	513	146	
90 - 94	1	0	0	0	0	0	1	0	0	0	0	2	1	0	1	179	185	157	
Over 94	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	46	46	181	
Total	503	413	516	470	358	299	340	371	318	294	334	326	332	344	277	3,369	8,864	243	
Average Monthly Health Subsidy	388	413	386	406	342	328	295	261	257	220	227	210	187	173	155	155	155	243	

Average Monthly Health Subsidy: \$243
 Total Monthly Health Subsidy: \$2,152,685

*Health Subsidy Benefits are based on premiums in effect at July 1, 2000

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Retention Rates			
Probability of Working to Age 55			
Age	Male	Female	60% male/40% female
under 25	10.91%	13.66%	12.0%
25-29	25.12%	24.88%	25.0%
30-34	39.43%	36.26%	38.2%
35-39	51.82%	47.07%	49.9%
40-44	62.53%	57.18%	60.4%
45-49	72.31%	66.91%	70.1%
50-54	85.86%	81.05%	83.9%
Probability of Working 10 Years			
Age	Male	Female	60% male/40% female
45-49	53.43%	51.15%	52.5%
50-54	23.62%	26.85%	24.9%
55-59	9.68%	14.32%	11.5%
60-64	5.80%	10.08%	7.5%

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Los
Angeles
City
Employees'
Retirement
System



Statistical Section





STATISTICAL SECTION

SCHEDULE OF ADDITIONS BY SOURCE (Dollars in Millions)

Year Ended	Member Contributions	Employer Contributions		Net Investment Income	Total
		Dollars	% of Annual Covered Payroll		
1995	\$ 43.60	\$ 144.60	16%	\$ 222.10	\$ 410.30
1996	47.50	149.00	16%	528.80	725.30
1997	53.27	113.26	11%	1,733.00 *	1,899.53
1998	58.31	117.21	12%	639.40 *	814.92
1999	62.56	109.36	10%	812.92 *	984.84
2000	64.58	106.61	9%	771.17 *	942.36

* Includes change in unrealized gain and loss of investment

SCHEDULE OF DEDUCTIONS BY TYPE (Dollars in Millions)

Year Ended	Benefits Payments	Refunds	Administrative Expenses	Misc. Expense	Total
1995	\$ 221.90	\$ 7.70	\$ 3.47	\$ 0	\$ 233.07
1996	233.10	8.90	4.36	0	246.36
1997	247.98	9.45	4.86	0	262.29
1998	270.76	7.50	5.76	0	284.02
1999	290.62	9.63	6.23	0	306.48
2000	319.38	12.99	7.55	0	339.92

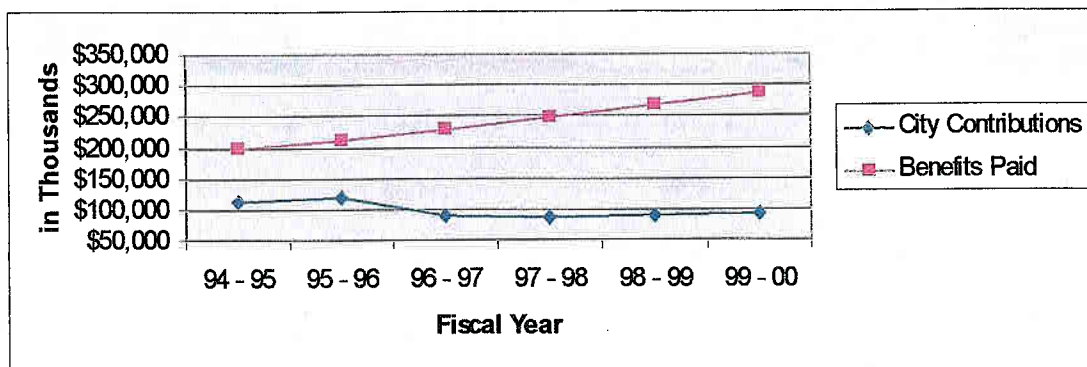


SCHEDULE OF BENEFIT EXPENSES BY TYPE * (Dollars in Thousands)

Year Ended	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Refunds	Total**
	Retirants	Survivors		Retirants	Survivors		
1995	\$ 164,512	\$ 17,013	\$ 2,305	\$ 6,770	\$ 1,191	\$ 7,743	\$ 199,533
1996	173,418	18,429	2,325	7,053	1,316	8,857	211,397
1997	186,235	20,071	2,345	7,411	1,394	9,448	226,903
1998	205,602	22,167	2,004	9,116	1,497	7,490	247,876
1999	220,278	24,348	2,754	8,229	1,507	9,628	266,745
2000	228,271	30,800	2,452	9,460	3,787	12,993	287,762

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

CITY CONTRIBUTIONS versus BENEFITS PAID (Dollars in Thousands)



Fiscal Year	94-95	95-96	96-97	97-98	98-99	99-00
City Contributions	\$ 114,130	\$ 120,660	\$ 88,982	\$ 85,439	\$ 89,863	\$ 92,364
Benefits Paid	199,533	211,397	226,903	247,876	266,745	287,762

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (June 30, 2000)

Amount of Monthly Benefits	Number of Retirees	Type of Retirement **							
		1	2	3	4	5	6	7	8
\$ 1-250	275	70	102	72	-	9	20	1	1
251-500	920	177	355	133	-	33	155	9	58
501-750	1,307	420	430	131	-	146	49	31	100
751-1,000	1,387	536	382	82	-	266	16	35	70
1,001-1,250	1,270	678	266	54	-	199	8	38	27
1,251-1,500	1,077	714	163	42	-	100	6	41	11
1,501-1,750	968	802	94	15	-	22	4	28	3
1,751-2,000	846	726	67	24	-	3	3	21	2
Over \$2,000	4,815	4,445	240	41	6	5	1	76	1
Total	12,865 *	8,568	2,099	594	6	783	262	280	273

* The Limited Pension, Temporary Disability, and Family Death Benefit payments are not included.

** Type of Retirement	
1 - Service Member	5 - Disability Member
2 - Service Continuance	6 - Disability Continuance
3 - Vested Right Member	7 - Service Survivorship
4 - Excess Benefit Member	8 - Disability Survivorship

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates July 1, 1994 to June 30, 2000	Years Credited Service				
	5-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs

Period 7/1/94 to 6/30/95:									
Average Monthly Benefit	\$ 604.92	\$ 933.54	\$ 1,406.43	\$ 1,731.24	\$ 2,439.88	\$ 3,383.67			
Average Final Monthly Salary *	3,117.47	3,123.11	3,396.43	3,312.94	3,871.14	4,445.27			
Number of Active Retirants	25	28	38	65	94	100			
Period 7/1/95 to 6/30/96:									
Average Monthly Benefit	661.88	970.71	1,375.52	1,982.01	2,367.92	3,653.22			
Average Final Monthly Salary *	3,328.94	3,487.15	3,218.77	3,859.82	3,776.93	4,622.84			
Number of Active Retirants	34	26	37	57	102	142			
Period 7/1/96 to 6/30/97:									
Average Monthly Benefit	654.96	1,021.58	1,382.79	2,624.26	2,540.79	3,608.10			
Average Final Monthly Salary *	4,388.37	3,469.18	3,501.98	3,796.82	3,938.31	4,728.55			
Number of Active Retirants	26	31	39	46	156	237			
Period 7/1/97 to 6/30/98:									
Average Monthly Benefit	545.24	1,164.15	1,447.90	2,161.69	2,749.24	3,457.21			
Average Final Monthly Salary *	2,825.24	4,051.46	3,557.03	4,195.29	4,299.93	4,576.89			
Number of Active Retirants	31	55	63	50	172	258			
Period 7/1/98 to 6/30/99:									
Average Monthly Benefit	579.26	1,076.52	1,521.64	1,962.69	2,856.95	3,585.53			
Average Final Monthly Salary *	3,443.95	3,845.49	3,942.61	3,816.46	4,550.51	4,898.68			
Number of Active Retirants	35	41	45	51	140	218			
Period 7/1/99 to 6/30/00:									
Average Monthly Benefit	706.78	1,223.85	1,813.29	2,138.57	3,190.91	3,868.89			
Average Final Monthly Salary *	3,401.12	4,198.07	4,263.52	4,124.91	4,877.67	5,230.50			
Number of Active Retirants	28	57	40	61	173	227			

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