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*Annual Report
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CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM



**ANNUAL REPORT
FOR THE FISCAL YEAR ENDING
JUNE 30, 1988**

**360 EAST SECOND STREET
EIGHTH FLOOR
LOS ANGELES, CALIFORNIA 90012**

BOARD OF ADMINISTRATION
CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE
CITY OF LOS ANGELES
CALIFORNIA
FISCAL YEAR 1987-88

HENRY W. HURD, President
WILLIAM T. WOODS, Vice President
JOSE L. FIGUEROA
MOISES LUNA
OLGA MARCUS
JERRY F. BARDWELL, Manager-Secretary

ELECTED OFFICIALS
OF THE
CITY OF LOS ANGELES

TOM BRADLEY
Mayor

JAMES KENNETH HAHN
City Attorney

RICK TUTTLE
City Controller

MEMBERS OF THE CITY COUNCIL

Gloria Molina
First District

John Ferraro
Fourth District

Ernani Bernardi
Seventh District

Nate Holden
Tenth District

Michael Woo
Thirteenth District

Joel Wachs
Second District

Zev Yaroslavsky
Fifth District

Robert C. Farrell
Eighth District

Marvin Braude
Eleventh District

Richard Alatorre
Fourteenth District

Joy Picus
Third District

Ruth Galanter
Sixth District

Gilbert W. Lindsay
Ninth District

Hal Bernson
Twelfth District

Joan-Milke Flores
Fifteenth District

CITY OF LOS ANGELES

CALIFORNIA



TOM BRADLEY
MAYOR

BOARD OF ADMINISTRATION

OLGA MARCUS
PRESIDENT
JOSE L. FIGUEROA
VICE-PRESIDENT
HENRY W. HURD
MOISES LUNA
WILLIAM T. WOODS
COMMISSIONERS

CITY EMPLOYEES' RETIREMENT SYSTEM

360 EAST SECOND STREET
8TH FLOOR
LOS ANGELES, CA 90012-4207

JERRY F. BARDWELL
GENERAL MANAGER

(213) 485-2824

December 1, 1988

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

The annual report of the Board of Administration of the City Employees' Retirement System for the fiscal year ending June 30, 1988 is submitted, in accordance with the provisions of Section 64 of the City Charter.

CHANGES IN THE BOARD OF ADMINISTRATION

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

Jose Figueroa was elected by members of the System to fill the vacancy created by the retirement of Chester Bachry.

Moises Luna was appointed by the Mayor to the position previously held by Esther Torrez.

Henry Hurd was re-elected to a five year term on the Board.

FINANCIAL INFORMATION:

BACKGROUND

The City Employees' Retirement System is a diversified fund with investment in bonds, stocks, and short term securities. The Board's investment policy provides for an allocation of 40% of assets to equity-type investments and 60% to fixed income investments. These investments are managed by two fixed income and six equity advisors. Managers are hired on the basis of performance with management styles that complement the investment objectives established by the Board.

PERFORMANCE

The Fund's investment performance is measured by SEI Corp. The firm compares the market performance of the Fund's investment to other pension fund portfolios. Since the indicated returns are based on market value, they do not fully impact the actuarial funding for the year.

These rates of return measure the performance of our portfolio managers relative to other investment managers in the SEI Universe with diverse investment objectives. The following table shows the Fund's ranking in the SEI Universe of public funds for 1986-87 and 1987-88. The ranking is from 1 to 100, with a number 1 ranking representing the best performance.

	<u>1987-88</u>		<u>1986-87</u>	
	RETURN	RANK	RETURN	RANK
CERS Equities	-5.3	41	20.9	47
CERS Bonds	8.0	39	6.2	31
CERS TOTAL FUND	2.2	32	11.9	57

The Fund's five year performance relative to other indices is indicated below.

	<u>1987-88</u>	<u>1986-87</u>	<u>1985-86</u>	<u>1984-85</u>	<u>1983-84</u>
CERS EQUITIES	-5.3%	20.9%	36.5%	32.6%	-12.2%
STANDARD AND POORS 500	-6.9%	25.2%	35.9%	31.0%	-4.6%
CERS BONDS	8.0%	6.2%	22.7%	37.3%	-3.7%
SHEARSON-LEHMAN KUHN LOEB (MEDIUM TERM)	7.5%	4.7%	20.6%	28.7%	1.8%
SALOMON BROS. (LONG TERM)	8.5%	5.6%	19.9%	41.9%	-6.3%
CERS TOTAL FUND	2.2%	11.9%	27.3%	33.5%	-4.5%
CONSUMER PRICE INDEX	3.9%	3.7%	1.7%	3.7%	4.2%

INVESTMENTS

Assets are valued at cost for actuarial calculations. As a result, realized income, including net realized capital gains and losses, impact the level of actuarial funding. Realized returns with capital gains for the last five years on stocks, bonds and short term investments are indicated below:

	<u>1987-88</u>	<u>1986-87</u>	<u>1985-86</u>	<u>1984-85</u>	<u>1983-84</u>
STOCKS	6.39%	20.34%	22.70%	8.88%	9.29%
BONDS	10.26%	12.27%	11.80%	11.01%	10.46%
SHORT TERM	7.54%	6.37%	8.44%	10.05%	10.21%
TOTAL	8.68%	14.45%	14.84%	10.35%	10.21%

These returns, together with the City and member contributions, account for the rapid growth of the Fund. At the end of this fiscal year, the Fund had invested assets totalling \$2.1 billion compared with \$1.9 billion at the end of the previous fiscal year. The following table

illustrates the Fund's growth in the last two years.

	<u>1988</u>		<u>1987</u>	
	<u>COST</u>	<u>MARKET</u>	<u>COST</u>	<u>MARKET</u>
BONDS	\$1,145,191,949	\$1,132,748,302	\$1,021,162,794	\$1,024,843,835
STOCKS	774,774,197	843,262,841	673,588,419	855,109,252
TEMPO RY	161,054,570	161,054,570	215,642,383	215,642,383
TOTAL	\$2,081,020,716	\$2,137,065,713	\$1,910,393,596	\$2,095,595,470

SIGNIFICANT CHANGES:

TERMINATION OF ADVISORS

In the on-going review of investment policy and performance, the Board, determined that two equity investment advisors should not be retained. Therefore, in December, 1987, the contracts with Provident Capital Management and Investment Advisors were terminated. The cash reserves held by the advisors were transferred to the Loomis Sayles fixed income account. The stocks held by these advisors were divided among the Loomis Sayles, Alliance Capital Management and Security Pacific Investment Managers portfolios.

APPOINTMENT OF AN ASSET ALLOCATION CONSULTANT

The Board decided that long term investment results could be significantly improved by diversifying into additional asset classes and by actively allocating funds to different classes as economic and market conditions dictate. As a result, the Board entered into a contract with Bailard, Beihl and Kaiser, an asset allocation consultant.

APPOINTMENT OF A REAL ESTATE CONSULTANT

The Board retained Institutional Property Consultants as real estate advisor in January, 1988. In May, 1988, the Board adopted a real estate investment policy with the intent of committing funds to this asset category.

APPOINTMENT OF INVESTMENT ADVISORS

Two additional equity advisors were hired: Westwood Management and Ariel Capital Management. Both firms received a commitment of \$25 million. Funding began with \$10 million on October 1, 1987, and was completed by the end of the fiscal year.

Respectfully Submitted,

BOARD OF ADMINISTRATION


HENRY W. HURD, President

CITY EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT PORTFOLIO

	<u>June 30, 1988</u>	<u>Percent</u>	<u>June 30, 1987</u>	<u>Percent</u>	<u>Increase (Decrease)</u>
Short-term Investments (at Cost)	\$ 164,297,322	7.9	\$ 215,642,383	11.2	\$ (51,345,061)
Fixed Income (at Amortized Cost)	1,145,191,949	54.9	1,021,162,794	53.5	124,028,155
Stocks (at Cost)	<u>774,774,197</u>	<u>37.2</u>	<u>673,588,419</u>	<u>35.3</u>	<u>101,185,778</u>
TOTAL	\$ 2,084,263,468	100.0	\$ 1,910,393,596	100.0	\$ 173,868,872

GENERAL STATISTICS

	<u>June 30, 1988</u>	<u>June 30, 1987</u>
Active Members	<u>21,406</u>	<u>20,840</u>
Retirement:		
Service Retirements	7,339	7,163
Disability Retirements	708	693
Survivorships	494	496
Continuance to Spouse of Deceased Retirees	1,573	1,413
Limited Pensions	10	10
Family Death Benefit Plan Beneficiaries	<u>175</u>	<u>168</u>
TOTAL	<u>10,299</u>	<u>9,943</u>
Monthly Retirement Allowances	\$10,245,774	\$ 9,356,151

SERVICE RETIREMENTS

	<u>1987-88</u>	<u>1986-87</u>
Average Age	61.63	61.14
Average Service Credit (Years)	25.00	24.20
Average Allowance Granted During Fiscal Year 1988	\$1,523.41	\$1,379.17
Average Allowance Paid	\$1,173.79	\$1,089.00



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

3580 Wilshire Boulevard, Suite 1200
Los Angeles, California 90010
(213) 380-0642

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

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

Independent Auditor's Report

We have audited the accompanying balance sheets of the City Employees' Retirement System of the City of Los Angeles (CERS) as of June 30, 1988 and 1987 and the related statements of revenues, expenditures and changes in fund balance, and statement of changes in financial position for the years then ended. These financial statements are the responsibility of CERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CERS' as of June 30, 1988 and 1987, and the results of its operations and changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Juynada Navarro & Co

Los Angeles, California
December 8, 1988

**CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF LOS ANGELES
BALANCE SHEETS**

	June 30 (in thousands)	
	<u>1988</u>	<u>1987</u>
<u>ASSETS</u>		
Cash	\$ 3,243	\$ 1,956
Receivables		
Accrued interest and dividends	33,876	28,787
Proceeds from sale of investments	2,908	3,705
Other receivables	7,771	3,075
Investments		
Temporary, at cost	161,055	215,642
Bonds, at amortized cost	1,145,192	1,021,163
Common stocks, at cost	<u>774,774</u>	<u>673,589</u>
TOTAL ASSETS	2,128,819	1,947,917
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	<u>9,216</u>	<u>12,101</u>
NET ASSETS AVAILABLE FOR PLAN BENEFITS	<u>\$2,119,603</u>	<u>\$1,935,816</u>
<u>FUND BALANCE</u>		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	\$1,530,377	\$1,453,849
Actuarial present value of credited projected benefits for active employees		
Member contributions	346,414	323,513
City-financed portion	<u>835,986</u>	<u>758,441</u>
	<u>1,182,400</u>	<u>1,081,954</u>
TOTAL ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS	2,712,777	2,535,803
Unfunded actuarial present value of credited projected benefits	<u>613,917</u>	<u>614,665</u>
	<u>2,098,860</u>	<u>1,921,138</u>
Reserve for family death benefit insurance	13,205	12,420
Reserve for retiree medical subsidy	5,129	-
Reserve for undistributed earnings	<u>2,409</u>	<u>2,257</u>
TOTAL FUND BALANCE	<u>\$2,119,603</u>	<u>\$1,935,815</u>

The notes are an integral part of these financial statements.

**CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF LOS ANGELES
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

	Year ended June 30 (in thousands)	
	1988	1987
<u>REVENUES</u>		
City contributions	\$ 126,202	\$ 120,647
Member contributions	28,085	24,926
	154,287	145,573
Income from investments		
Interest	117,457	109,508
Dividends	27,673	21,278
Stocks and bond option premiums	-	(31)
	145,130	130,755
TOTAL REVENUES	299,417	276,328
<u>EXPENDITURES</u>		
Pensions		
Retirement allowance	129,744	118,245
Family death benefit insurance	721	731
Refund of members' contributions	6,585	5,559
Administrative expenses	6,181	5,249
TOTAL EXPENDITURES	143,231	129,784
EXCESS OF REVENUES OVER EXPENDITURES BEFORE GAIN ON DISPOSITION OF INVESTMENTS	156,186	146,544
Gain on disposition of investments	27,600	123,909
EXCESS OF REVENUES OVER EXPENDITURES	183,786	270,453
Fund balance, beginning of the year	1,935,816	1,665,363
FUND BALANCE, END OF THE YEAR	\$2,119,602	\$1,935,816

The notes are an integral part of these financial statements.

**CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF LOS ANGELES
STATEMENTS OF CHANGES IN FINANCIAL POSITION**

	Year ended June 30 (in thousands)	
	1988	1987
<u>SOURCES OF FUNDS</u>		
Excess of revenues over expenditures	\$ 183,786	\$ 270,453
Increase (decrease) in temporary investments	54,587	(81,671)
Increase (decrease) in payable and accrued expenses	(2,885)	(3,609)
	235,488	185,173
<u>USE OF FUNDS</u>		
Increase in bond investments	124,029	44,794
Increase in common stock investments	101,185	146,389
Increase in accrued interest and dividends	5,089	1,853
Increase (decrease) in proceeds from sale of investments receivable	(797)	(7,264)
Increase (decrease) in other receivables	4,696	(453)
	234,202	185,319
INCREASE (DECREASE) IN CASH	\$ 1,286	\$ (146)

The notes are an integral part of these financial statements.

**CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1988**

Note 1 - General Information

The City Employees' Retirement System of the City of Los Angeles (CERS) is under the exclusive management and control of the Board of Administration whose authority was granted by the Los Angeles City Charter (Article XXXIV).

The accounting records are maintained on the accrual method and CERS follows the accounting principles and reporting guidelines as set forth in Statement 1, Governmental Accounting and Financial Reporting Principles, issued by the National Council on Governmental Accounting.

Note 2 - Summary of Significant Accounting Policies

Reserve for Retirement Allowances

As provided in the Charter of the City of Los Angeles, the City Employees' Retirement System is maintained on a reserve basis, determined in accordance with accepted actuarial methods.

Investments

Investments in bonds are carried at amortized cost. Bonds that are held to maturity are redeemed at par. Exchanges of bonds are accounted for pursuant to the deferral and amortization method, whereby the amortized cost of the bonds disposed of is transferred at the cost of the bonds acquired, plus or minus any cash principal differentials. Resulting premiums and discounts are recorded as yield adjustments and amortized against investment income to be realized from the bonds acquired.

Investments in common stock are carried at cost.

Income from Investments

The Charter of the City of Los Angeles provides that income from investments, exclusive of capital gains or losses, shall be credited to member contribution accounts and to City reserve accounts. Realized capital gains and losses on bonds are recognized in the City's actuarial funding calculation.

Note 3 - Deposits and Investments

CERS maintains all deposits and investments with its Custodian Trustee, except for \$3.2 million, held by the City Treasurer of the City of Los Angeles at year end.

Funds are invested pursuant to the Los Angeles City Charter or CERS' investment policy. In addition, Board resolutions, with limited exceptions, prohibit deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa.

Deposits

At June 30, 1988, the carrying amount of CERS' deposits and Custodian Trustee balance was \$83.0 million all of which was covered by federal depository insurance.

Investments

Investments are categorized to give an indication of the level of risk assumed by CERS at year end. Category 1 includes investments that are held by CERS or its agent in CERS' name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in CERS' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency but not in CERS' name.

At June 30, 1988, the carrying value and market value of investments were as follows (in thousands):

<u>Type of Investment</u>	<u>Category 3</u>	<u>Market Value</u>
Short-Term Investment Fund	\$ 78,056	\$ 7 78,056
U.S. Government Obligations	309,405	308,325
U.S. Treasury Obligations	231,045	237,476
Corporate Obligations	519,405	532,763
Foreign Obligations	49,582	50,922
Preferred Stock	2,060	2,071
Common Stock	771,340	840,226
Other	<u>4,525</u>	<u>4,228</u>
	<u>\$1,965,631</u>	<u>\$2,054,067</u>

There were no Category 1 or 2 investments at June 30, 1988.

Securities Lending

CERS has entered into various short-term arrangements with its Custodian Trustee whereby investments were loaned to various brokers. The cost basis of investments lent were \$488.1 and \$363.0 million as of June 30, 1988 and 1987, respectively. The market values were \$496.8 and \$382.9 million as of June 30, 1988 and 1987, respectively.

These lending arrangements were collateralized by cash and marketable securities and by irrevocable letters of credit. The amount of the cash and securities collateralized was \$499.3 and \$319.3 million as of June 30, 1988 and 1987, respectively.

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

Note 4 - Retirement Plan and Actuarial Valuation

CERS' retirement plan is a defined benefit plan to which contributions are made by members and by the City of Los Angeles. Members who entered the System prior to February 1983 contribute from 8.64% to 12.94% of their salaries. Contributions are subsidized by the City for certain members under a collective bargaining agreement (see Note 6). Members entering subsequent to February 1983 contribute 6%.

Benefit payments are made for service disability retirements, death benefits, surviving spouse continuances, family death benefit insurance and health insurance subsidies.

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

	<u>1988</u>	<u>1987</u>
Active members	<u>21,485</u>	<u>21,082</u>
Retired members:		
Continuous pensions	10,067	9,766
Limited pensions	10	10
Family death benefits	<u>175</u>	<u>167</u>
Total pensioners	<u>10,252</u>	<u>9,943</u>

CERS engages a consulting actuary to prepare an actuarial valuation on an annual basis. The valuation is made using assumptions that are based upon prior historical trends and statistical data developed during an actuarial investigation, which is performed at intervals no greater than five years. The most recent investigation was performed as of June 30, 1986. Valuation results reflect all plan modifications that have an impact on actuarial calculations.

The most significant assumptions underlying the actuarial computations for both 1988 and 1987 are as follows:

- Interest rate - The assumed rate of return on investments is 8%.
- Salary increases and scales - The salary scale used by the actuary in making the actuarial valuation consists of two elements: one element for service, merit and promotion, and another element for anticipated increases arising from future inflation. These elements totaled 5-3/4%.
- Cost of living annual increase - The year-end valuations were prepared utilizing an assumption of a 3% annual rate of increase for both retired members and for active members when they retire.
- Mortality after service and disability retirements - The valuation is based upon the use of the 1971 Group Annuity Mortality Table and the 1981 Disability Tables for Safety and Miscellaneous (nonsafety) Members.
- Employee turnover and retirement - Expected rates of employee turnover and retirement were developed during the last actuarial investigation, June 30, 1986, based on actual experience of CERS. These rates will be used until the next actuarial investigation.
- Funding method for retirement - The projected unit credit cost funding method is used. Under this method, normal costs are calculated as the present value of projected benefits deemed to be accrued to date.
- Funding method for family death benefits - The term Cost Funding Method is used whereby the amount contributed in any one year is the present value of expected claims arising during the year.
- Funding of prior and past service costs - These costs are generally being funded over a 30-year period ending June 30, 2004, as a fixed dollar amount.

Note 5 - Explanation of Actuarial Values and Changes

The total actuarial present values of credited projected benefits were \$2.713 and \$2.536 billion at June 30, 1988 and 1987, respectively, consisting of:

	June 30 (in millions)	
	<u>1988</u>	<u>1987</u>
Actuarial Present Value of Projected Benefits Payable to Current Retirees and Beneficiaries	\$ 1,530.4	\$ 1,453.8
Actuarial Present Value of Credited Projected Benefits for Active Participants:		
Member Contributions	346.4	323.5
City Contributions	<u>836.0</u>	<u>758.5</u>
Total Actuarial Present Value of Credited Projected Benefits	<u>\$ 2,712.8</u>	<u>\$ 2,535.8</u>

The total actuarial present value of credited projected benefits increased by \$177 million from June 30, 1987 to June 30, 1988. There were no changes in actuarial assumptions and no changes in benefit provisions during the year. The actuarial present values expressed as a percentage of active member payroll are as follows:

	June 30	
	<u>1988</u>	<u>1987</u>
Actuarial Present Value of Projected Benefits Payable to Current Retirees and Beneficiaries	213.1%	225.1%
Actuarial Present Value of Credited Projected Benefits for Active Participants:		
Member Contributions	48.2	50.1
City Contributions	<u>116.4</u>	<u>117.4</u>
Total Actuarial Present Value of Credited Projected Benefits	<u>377.7%</u>	<u>392.6%</u>

Note 6 - Defrayal of Portion of Member Contributions

For members prior to February 1983, the City subsidizes a portion of certain member contributions. Payments made by the City in this manner are not refundable to members upon their withdrawal from the plan prior to retirement. Therefore, the City does not have to contribute the total amount of member contributions that it subsidizes. The amount payable by the City, based upon the actuarial valuations, is approximately 68.82% of subsidized member contributions. For the years ended June 30, 1988 and 1987 the City contributed \$21.2 and \$20.9 million respectively, in this manner.

Note 7 - Operating Lease

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

The future minimum commitment under the lease is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Amount</u>
1989	\$ 331,056
1990	344,292
1991	370,776
1992	384,024
1993	384,024
Thereafter	<u>1,589,028</u>
	<u>\$3,403,200</u>

Note 8 - Real Estate Investment Objectives

The Board of Administration plans to appropriate 5% of CERS' asset value, up to \$100 million, for real estate investments during the fiscal year ending June 30, 1989.

Los Angeles City Employees'
Retirement System

ACTUARIAL BALANCE SHEET

AS OF JUNE 30, 1988

ASSETS

1. Total Applicable Assets				\$2,098,859,774
2. Present Value of Future Contributions of Members				508,028,400
3. Present Value of Future Contributions by the City on Account of:				
a. Basic Pensions:				
i. Normal Cost			\$344,014,828	
ii. Amortization of Certain Liabilities:				
- Prior Service Pensions	\$	5,796,831		
- Increase due to 1965 Amendments		1,081,777		
- Remaining Unfunded Actuarial Accrued Liability		<u>209,005,160</u>	215,883,768	
b. Cost-of-Living Pensions:				
i. Normal Cost			179,238,372	
ii. Amortization of Certain Liabilities:				
- Increase due to 1967 Amendments		11,222,828		
- Remaining Unfunded Actuarial Accrued Liability		<u>386,810,648</u>	<u>398,033,476</u>	<u>1,137,170,444</u>
4. Total Assets				3,744,058,618

Los Angeles City Employees'
Retirement System

ACTUARIAL BALANCE SHEET

AS OF JUNE 30, 1988

LIABILITIES

5. Present Value of Benefits Already Granted:		
a. Basic	\$ 968,538,354	
b. Cost-of-Living	<u>561,838,764</u>	\$1,530,377,118
6. Present Value of Benefits to Be Granted:		
a. Basic	1,725,639,900	
b. Cost-of-Living	<u>488,041,600</u>	<u>2,213,681,500</u>
7. Total Liabilities		3,744,058,618

SUMMARY OF MAJOR PLAN PROVISIONS

1. Membership Requirements

First of month following employment.

2. Final Monthly Compensation

Highest 12-month average salary.

3. Service Retirement

A. Eligibility

Ten years of service and age 55, or 30 years of service any age, or age 70.

B. Allowance

"Beta" Formula - 2.16% of final monthly compensation for each year of service (reduced if retirement before age 60); however, member may retire on full accrued pension if he or she has completed at least 30 years of service and has attained age 55.

Prior Formula - 2% of final monthly compensation for each year of service (reduced if retirement before age 58-3/4).

C. Form of Payment

Monthly allowance payable for life with 50% continuance to eligible spouse. Larger continuance available as option with reduced allowance.

4. Disability Retirement

A. Eligibility

Five or more years of continuous service and physically or mentally incapacitated so unable to perform duties of position.

Los Angeles City Employees'
Retirement System

B. Allowance

1/70 of final monthly compensation for each year of continuous service. If service is less than 23-1/3 years, then service is projected to retirement, with a maximum total service (actual plus projected) of 23-1/3 years.

C. Form of Payment

Monthly allowance payable for life, with 50% continuance to eligible surviving spouse if employee had that coverage at time of retirement.

5. Deferred Service Retirement

A. Eligibility

Terminate City service with five or more years of retirement credit, apply in writing within three years after termination, and agree to leave accumulated contributions on deposit.

Application required for retirement at any time after attaining age 55, provided at least 10 years have elapsed when employee first became a member, or at age 70 without any elapsed time requirement.

B. Allowance

Same as service retirement.

C. Form of Payment

Same as service retirement.

Los Angeles City Employees'
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6. Death Prior to Retirement

A. Not Eligible to Retire

The sum of:

- i. accumulated contributions,
- ii. a monthly pension to the surviving spouse, minor children, or dependent parents of the deceased member, payable for a period equal to two months times the number of completed years of service credit to a maximum period of 12 months at the rate of half of the average monthly salary for the year before death, and
- iii. if deceased member was a qualified member of the Family Death Benefit Insurance Plan, such benefits as are payable under that Plan.

B. Eligible for Disability Retirement or Duty-Related Death

The sum of the following:

- i. 60% of the allowance the member would have received if he or she had been granted a disability retirement allowance the day before he or she died, payable for the lifetime of the member's surviving spouse, and
- ii. if the deceased member was a qualified member of the Family Death Benefit Insurance Plan, such benefits as are payable under that Plan.

C. Eligible for Retirement

Surviving spouse receives a lifetime survivorship allowance based on an actuarially computed percentage of the retirement allowance the member would have been entitled to if he or she had been granted an Option 1 service retirement the day before he or she died. Benefits under the Family Death Benefit Insurance Plan, if any, are not payable. The surviving spouse may elect A or B in lieu of C.

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7. Death After Retirement

- A. 50% continuance to surviving eligible spouse, if covered under the plan.
- B. Upon the death of both the member and surviving spouse, designated beneficiary receives any unused contributions that may remain (provided the normal cash refund annuity was selected) and any accrued but unpaid retirement allowance due at time of death.
- C. \$500 death benefit paid to designated beneficiary of deceased member for assumption of obligation to pay burial expense.

8. Postretirement Cost-of-Living Benefits

As of each July 1, benefits currently being paid are increased (proportionately if paid less than 12 months) by the percentage increase in the Consumer Price Index (to a maximum of 3%). Increases in CPI above 3% are "banked" to apply in years when the CPI increase is less than 3%.

9. Employee Contributions

For purposes of this valuation, each member who entered the plan before February 1, 1983 is assumed to contribute to the System at the rates specified previously in the Section. These rates were recommended in our 1977 valuation and adopted through union negotiations; they were phased in and are assumed to be totally effective after June 30, 1981. To the extent that members contribute less than the full rates, the City should make compensating contributions as discussed in Section V. Contribution rates for members not covered by the BETA formula are 8% less than rates for members covered by the BETA formula. Members who entered the plan on or after February 1, 1983 are assumed to contribute at the rate of 6%.

Los Angeles City Employees'
Retirement System

10. Family Death Benefit Insurance Plan

A. Eligibility

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

B. Benefits

Benefits similar to those provided by Survivors' Insurance under Social Security are payable if member dies in active service after 18 months of plan membership.

C. Cost

Member and City share cost of plan (currently recommended to be \$3.50 per month contribution for each).

11. Retired Health Insurance Subsidy

A. Eligibility

Retirement after age 55 with 10 or more years of service or mandatory retirement at age 70.

B. Benefits

Up to a maximum \$273 per month. The benefits are vested at 40% after 10 years, increasing by 4% per year to 100% after 25 years of service.