LACERS

Comprehensive Annual Financial Report

for the year ended June 30, 1996

Los Angeles City Employees' Retirement System

Los Angeles, California

LACERS

Comprehensive Annual Financial Report

for the year ended June 30, 1996

Issued By:

Oscar Peters
Manager/Secretary

Los Angeles City Employees' Retirement System

A Component Unit of the City of Los Angeles

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ADMINISTRATION

OSCAR PETERS
GENERAL MANAGER

LORRAINE M. OSUNA
ASST. GENERAL MANAGER

CITY OF LOS ANGELES

CALIFORNIA

RICHARD J. RIORDAN
MAYOR

CITY EMPLOYEES' RETIREMENT SYSTEM
360 EAST SECOND STREET
8TH FLOOR
LOS ANGELES, CA 90012-4207

BENEFITS PROCESSING
(213) 485-2821
HEALTH & DENTAL INSURANCE
(213) 485-2440

LETTER OF TRANSMITTAL

January 23, 1997

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

Dear Commissioners:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ending June 30, 1996, the System's 60th year of operation. LACERS provides service and disability retirements, with health insurance, and death benefits for all permanent City employees except for the uniformed safety services and employees of the Department of Water and Power. This report is intended to provide information giving a complete and accurate review of the year's operations. LACERS management is responsible for the financial information contained in the CAFR. The financial statements in this report have been prepared in accordance with generally accepted accounting principles, the reporting guidelines of the Government Accounting Standards Board (GASB) and the City Charter. Deloitte & Touche LLP, independent auditors, have audited the financial statements. Management believes that the internal control structure is adequate and that the accompanying statements, schedules, and tables fairly represent the information provided.

Structure of the Report

This report is presented in four sections:

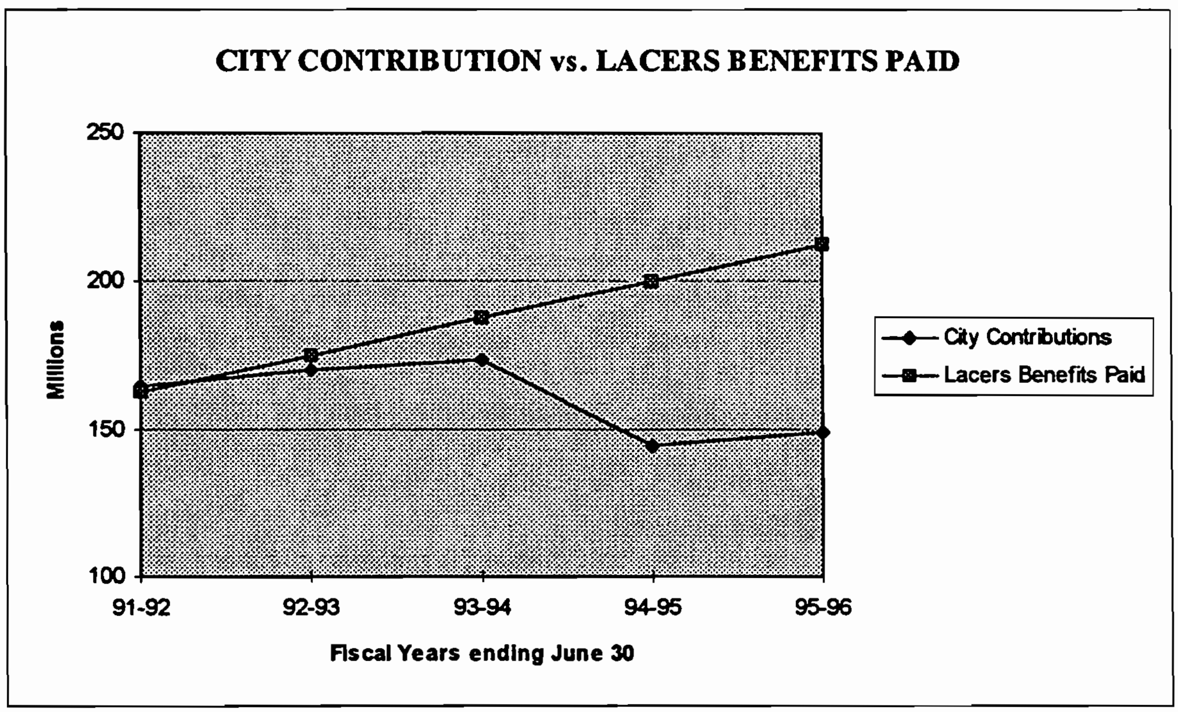
- The Introductory Section describes the Systems management and organizational structure. It includes a summary of plan provisions and a listing of professional services used.
- The Financial Section contains the opinion of the independent auditor, Deloitte & Touche LLP, and the general purpose financial statements of the System.
- 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 schedules with the comparative data related to revenue and expenses.

Financial and Economic Summary

The economy of the City continued to lag behind the economic recovery of the nation and the rest of California. This has placed severe budgetary pressures on the City of Los Angeles. Because of good long term investment returns and modest inflation, the System's funding status approached 95% while over the last three years the annual City contributions have been reduced by $60 million.

This year for the first time in several years, retirement benefits were considered in labor negotiations. The resulting benefit increases which were effective in October of 1996, were factored into the current year actuarial calculations. In addition, several strategic severance plans were offered during the fiscal year. This resulted in a decrease in active members and a demographic shift in membership which further increased the actuarial liabilities of the System. Even with the new benefits and the change in demographics, the City contribution required to actuarially fund the System remained constant because of good investment returns.

The graph below illustrates the trend of an increased allowance expense and a decrease in the size of the City contribution over the last five years.



Retirement benefits are deferred salary. Consistent with this concept, LACERS' goal is for the System to be 100% funded. When this occurs, the City contributions will equal the present value of retirement benefits accrued by the membership during the year. Under this structure taxpayers will pay for the services received during the current year, and not be paying for services provided in prior years or passing the cost of current services on to future generations. During this fiscal year the funding ratio of the System increased from 92.9% to 94.7% and the actuarial value of the assets increased $551.5 million.

Displayed below are the ten largest holdings in each asset class along with their market and share values.

FIXED HOLDINGS

Asset Description	Market Value	Shares/Par Value
US Treas 5.0 NT Due 1-31-1998	53,788,720	54,660,000.00
US Treas 7.5 BD Due 11-15-2024 REG	52,621,247	49,967,000.00
US Treas 6.25 NT Due 8-31-2000	39,959,009	40,350,000.00
US Treas SER G-1998 8.25 NT Due 7-15-1998	36,259,282	34,975,000.00
US Treas SER B 5.75 DUE 8-15-2003 REG	34,032,123	35,900,000.00
US Treas 6.0 NT DUE 8-31-1997	30,000,000	30,000,000.00
FNMA Pool #330086 6.5 GTD MTG Pas Thru CTF DUE 1-1-2025 REG	27,833,500	29,629,649.34
US Treas SER B-1997 8.625 NT D DUE 8-15-1997 REG	26,094,474	25,425,000.00
US Treas NT 5.125 BD DUE 11-30-98	25,808,250	26,470,000.00
TENN VAL AUTH PWR 1989 SER G 8.625 BD DUE 11-15-2025	23,575,198	22,220,000.00
TOTAL	349,973,803	349,596,649.34

EQUITY HOLDINGS

Asset Description	Market Value	Shares/Par Value
PHILLIP MORRIS COMPANIES INC. COM	39,687,192	379,328.00
GENERAL ELECTRIC CO COM STK $2.50 PAR	28,708,622	349,041.00
INTEL CORP CAP	25,733,318	342,540.00
COCA COLA CO COM	25,135,031	536,214.00
MERCK & CO INC COM	22,321,992	347,424.00
EXXON CORP COM	21,400,381	260,187.00
F.N.M.A.	20,528,407	646,564.00
NATIONSBANK CORP COM	19,152,114	222,699.00
JOHNSON & JOHNSON	18,796,692	393,648.00
AT&T CORP STK	17,569,010	336,249.00
TOTAL	239,032,759	3,813,894.00

Investment Summary
This year the portfolio had a net return of 16.7%. In achieving this return every asset class out performed the return of its benchmark index. With this return the portfolio's annualized return for the last five years was 11.7%. This significantly exceeds the actuarial assumed rate of 8%. Year over year, the market value of the portfolio went from $4,491 billion to $5,190 billion.

Conclusion
I would like to express my appreciation of the entire Board for effectively working together to set investment policies which allowed the Fund to participate in the exceptional returns of the financial markets without subjecting the City to additional risk and for setting policies which helped the members and the staff in providing benefits. I would like to thank staff for providing members with prompt efficient service while the City and the

Department are going through massive structural changes. Finally I would like to thank the consultants and advisors who provided the high quality of services that the Board and staff needed to appropriately serve as fiduciaries to the members and City.

Respectfully Submitted,

Oscar Peters

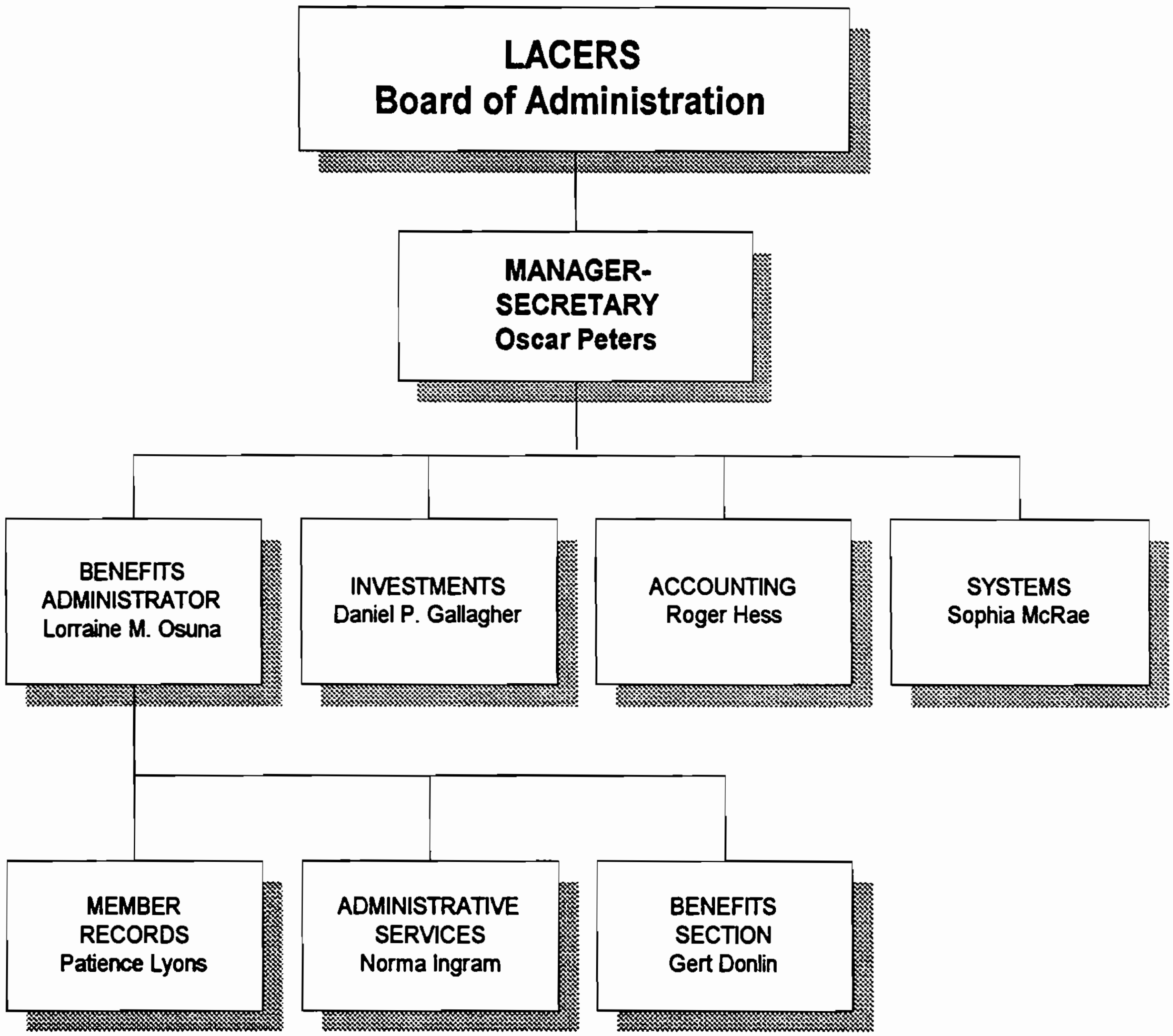
OSCAR PETERS
Manager-Secretary

Members of the Board of Administration Los Angeles City Employees' Retirement System

as of June 30, 1996

William H. Doheny, Jr.	Appointed Member President Appointed by the Mayor Term Expires June 30, 1997
Michael J. Galvin	Elected Member - Active Employees Vice President Term Expires June 30, 1998
Jan Charles Gray	Appointed Member Appointed by the Mayor Term Expires June 30, 2000
Beverly Ryder	Appointed Member Appointed by the Mayor Term Expires July 1, 2001
Shelley I. Smith	Elected Member - Active Employees Term Expires June 30, 1999
Ken Spiker	Elected Member - Retired Employees Term Expires June 30, 2000
Beverly B. Thomas	Appointed Member Appointed by the Mayor Term Expires June 30, 2000

Organizational Chart



Consulting Services

ACTUARY
Watson Wyatt Worldwide
Sherman Oaks, CA

REVIEW ACTUARY
William M. Mercer, Inc.
Los Angeles, CA

AUDITOR
Deloitte & Touche LLP
Costa Mesa, CA

CUSTODIAN
The Northern Trust Company
Chicago, IL

INVESTMENT CONSULTANTS
Asset Strategy Consulting
Los Angeles, CA
The Townsend Group
Cleveland, OH
Pathway Capital Management
Irvine, CA

INVESTMENT ADVISORS

EQUITY - DOMESTIC
BZW Barclay's Global Investors
San Francisco, CA
Chancellor Capital Management, Inc.
New York, N.Y.
Dimensional Fund Advisors, Inc.
Santa Monica, CA
Fiduciary Trust International
New York, N.Y.
Loomis Sayles & Company, Inc.
Pasadena, CA
Rhumbline Advisers
Boston, MA
Thompson, Horstmann & Bryant, Inc.
Saddle Brook, N.J.
Valenzuela Capital Management, Inc.
New York, N.Y.

EQUITY - INTERNATIONAL
Capital Guardian Trust
Los Angeles, CA
Daiwa International Capital Management
New York, N.Y.
Schroder Capital Management International
New York, N.Y.
State Street Global Advisors
Boston, MA
Templeton International
Fort Lauderdale, FL

FIXED INCOME - DOMESTIC
WR Lazard & Company
New York, N.Y.
Lincoln Capital Management Co.
Loomis Sayles & Company, Inc.
San Francisco, CA
Smith, Graham & Company
Houston, TX

GLOBAL FIXED INCOME
Morgan Grenfell Investment Services, Ltd.
New York, N.Y.

CASH & SHORT-TERM
Managed In-House

REAL ESTATE
Aldrich, Eastman & Waltch, Inc. - AEW
Boston, MA
DLJ Real Estate Capital Partners, L.P.
Los Angeles, CA
Greystone Realty Corporation
Greenwich, CT
K/B Opportunity Investors
New York, N.Y.
La Salle Advisors, Ltd.
Chicago, IL
The L & B Group
L & B Real Estate Counsel
Dallas, TX
Lowe Enterprises
Alternative Investments
The O'Connor Group
New York, N.Y.
RREEF Funds
San Francisco, CA
TA Associates Realty
Boston, MA
Westmark Realty Advisors
Los Angeles, CA

ALTERNATIVE VESTMENTS
CGW Southeast Partners, L.P.
Atlanta, GA
CVC Capital Partners
London, England, U.K.
Golder, Thoma, Cressey and Renner
Chicago, IL
Interwest Partners
Menlo Park, CA
Oaktree Capital Management, LLC
Los Angeles, CA
Welsh, Carson & Stowe
New York, N.Y.

PRE-RETIREMENT PLANNING SERVICES
Watson Wyatt Worldwide
San Francisco, CA

FINANCIAL SECTION

Financial Statements and Supplementary Information

Deloitte &
Touche LLP

Suite 1200
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INDEPENDENT AUDITORS' REPORT

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

and

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

We have audited the accompanying balance sheet of the Los Angeles City Employees' Retirement System (the System) as of June 30, 1996 and the related statement of revenues, expenses and changes in fund balances for the year then ended. These general purpose financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The System's general purpose financial statements as of and for the year ended June 30, 1995 were audited by other auditors whose report, dated October 17, 1995, expressed an unqualified opinion on those statements.

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

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the Los Angeles City Employees' Retirement System as of June 30, 1996 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic 1996 general purpose financial statements taken as a whole. The supplemental schedules of funding progress, actuarial values and percentages covered by net assets available for benefits, and revenues by source and expenses by type are presented for the purpose of additional analysis and are not a required part of the basic general purpose financial statements. These schedules are the responsibility of the System's management. Such schedules for the fiscal year ended June 30, 1996 have been subjected to the auditing procedures applied in our audit of the basic general purpose financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic general purpose financial statements taken as a whole. The information included in the supplemental schedules for the other fiscal years presented was subjected to auditing procedures by other auditors whose report dated October 17, 1995, referred to above, stated that the schedules present fairly the information therein in conformity with the provisions of the Governmental Accounting Standards Board.

Deloitte + Touche LLP

November 20, 1996

Balance Sheets
As of June 30, 1996 and 1995
(in thousands)

	1996	1995
ASSETS		
CASH	$ 297	$ 1
RECEIVABLES:		
Accrued interest and dividends	35,338	30,552
Proceeds from sales of investments	34,558	36,401
Other receivables	7,154	9,579
Total receivables	77,050	76,532
INVESTMENTS:		
Short-term investments	383,547	426,629
Bonds	1,511,016	1,247,174
Common stocks	2,379,901	2,210,427
Real estate	128,465	120,991
Alternative investments	9,650	
Total investments	4,412,579	4,005,221
Total assets	$4,489,926	$4,081,754
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued expenses	$ 3,914	$ 4,635
Purchases of investments	53,499	127,934
Total liabilities	57,413	132,569
FUND BALANCES:		
City contributions	3,510,967	3,080,652
Member contributions	637,737	604,261
Family death benefits	19,626	18,855
Health insurance benefits	264,183	245,417
Total fund balances	4,432,513	3,949,185
Total liabilities and fund balances	$4,489,926	$4,081,754

See notes to general purpose financial statements.

Statements of Revenue, Expenses and Changes in Fund Balances
For the Year Ended June 30, 1996 and 1995
(in thousands)

	City Contributions	Member Contributions	Family Death Benefits	Health Insurance Benefits	Year ended June 30, 1996	Year ended June 30, 1995
OPERATING REVENUES:						
Member contributions	$ -	$ 47,323	$ 189	$ -	$ 47,512	$ 43,570
City contributions	120,660		190	28,186	149,036	144,562
Investment income	500,914	27,630	902	11,765	541,211	232,293
Total operating revenues	621,574	74,953	1,281	39,951	737,759	420,425
OPERATING EXPENSES:						
Allowance expenditures	211,396		510		211,906	200,025
Refund of member contributions	579	8,277			8,856	7,742
Administrative expenses	12,405				12,405	10,157
Health insurance benefits				21,185	21,185	21,829
Total operating expenses	224,380	8,277	510	21,185	254,352	239,753
OTHER CHANGES IN FUND BALANCES:						
Annuities awarded	33,141	(33,141)				
Other	(20)	(59)			(79)	(93)
Total other changes in fund balances	33,121	(33,200)			(79)	(93)
NET OPERATING INCOME	430,315	33,476	771	18,766	483,328	180,579
FUND BALANCES, beginning of year	3,080,652	604,261	18,855	245,417	3,949,185	3,768,606
FUND BALANCES, end of year	$ 3,510,967	$ 637,737	$ 19,626	$ 264,183	$ 4,432,513	$ 3,949,185

Notes to General Purpose Financial Statements
Fo the Year Ended June 30, 1996 and 1995

1. DESCRIPTION OF THE PLAN AND SIGNIFICANT ACCOUNTING POLICIES

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

The System operates as a single-employer defined benefit 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 System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 1996, the System's actuary recommended the rate of 15.06% (including health benefits) as the City's contribution to the plan. The recommended rate for the year ended June 30, 1995 was 14.46% (including health 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 (Note 5). Members entering subsequent to February 1983 contribute a flat rate of 6%. Members of the System have a vested right to their own contributions and accumulated investment earnings. After five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member with five or more years of service terminates employment, the member has the option of receiving retirement benefits when eligible or withdrawing from the System and having his or her contributions and accumulated investment earnings refunded. Benefits are based upon age, length of service and compensation.

The components of the System's membership were as follows at June 30:

	1996	1995
Active nonvested	3,873	4,198
Active vested	18,447	18,341
Terminated vested	342	358
Retired members and beneficiaries	12,242	11,962
Total	34,904	34,859

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

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

Short-term investments, bonds, stocks and alternative investments are carried at cost. Real estate investments are recorded in the financial statements under the equity method and are carried at the lower of cost or market value. Management's investment strategy as it relates to the bond portfolio is to achieve market appreciation and not hold bonds to their maturities; therefore, premiums and discounts on bonds are not amortized. The fair values of real estate investment funds are provided by the individual real estate fund managers and are evaluated by the Board's real estate consultant. The fair value of futures and forward contracts have been determined using available market information.

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

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 balance sheets as receivables and labeled proceeds from sales of investments, and amounts payable for purchases are reported as payables and labeled purchases of investments. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned.

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

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

> *Member Contributions* - Active member contributions to the plan and investment earnings distributions credit to members' accounts, less refunds of members' contributions and transfers to the annuity and cost-of-living reserves.

Notes to General Purpose Finacial Statements
For the Year Ended June 30, 1996 and 1995 (Continued)

City 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.

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

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

Family Death Benefits - Member contributions, matching City contributions, and investment earnings distributions reserved to pay benefits under the family death benefits insurance plan established by the System.

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

Use of Estimates in Preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Recent Accounting Developments - The Governmental Accounting Standards Board (GASB) has issued GASB statement (GASBS) No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASBS No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*; GASBS No. 27, *Accounting for Pensions by State and Local Government Employers*; and GASBS No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. GASBS Nos. 25 through 27 will establish new financial reporting standards for the System. GASBS Nos. 25 and 26 are effective for the period beginning July 1, 1996 and GASBS No. 27 is effective for the period beginning July 1, 1997. GASBS No. 28 establishes accounting and financial reporting standards for securities lending transactions and is effective for financial statements beginning July 1, 1996. The System has not evaluated the impact that will result from adopting GASBS Nos. 25 through 28.

Reclassification - Certain amounts in 1995 have been reclassified to conform to the 1996 financial statement presentation.

2. FUNDING STATUS AND PROGRESS

The amount shown below as Total Pension Benefit Obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other pension funds. The measure is independent of the actuarial funding method used to determine contributions to the System, discussed in Note 3. The total pension benefit obligation was determined as part of an actuarial valuation at June 30, 1996. The valuation was performed using the projected unit credit cost method as allowed by GASB, with an 8% interest earnings assumption, 4% annual total payroll increases, annual individual salary increase assumption which varies by age averaging 6% per year over a full 30-year career, and a 3% cost-of-living factor on retirement benefit payments. The actuary also conducts a triennial investigation and actuarial valuation to examine noneconomic assumptions and determine the System's funding status.

At June 30, 1996 and 1995, the unfunded pension benefit obligation was $327.3 million and $395.9 million, respectively, as follows (amounts in thousands):

	1996	**1995**
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$2,357,798	$2,229,230
Current employees:		
Accumulated employee contributions	637,737	604,261
Employer-financed vested	1,480,489	1,247,275
Total pension benefit obligation	4,476,024	4,080,766
Net assets available for benefits, at cost (actuarial value is $4,468,433 (1996) and $3,940,056 (1995))	4,148,704	3,684,913
Unfunded pension benefit obligation	$ 327,320	$ 395,853

For purposes of determining the funding requirements of the System, the actuarial valuation for net assets available for benefits was calculated using an average of cost and market in the prior year. The methodology was changed in the current year to use a market-related method, 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%. The effect of the change was not material to the total pension benefit obligation. For purposes of this report, the net assets available for benefits is stated at cost which results in a different unfunded pension benefit obligation. The actuarial valuation for unfunded pension benefit obligation at June 30, 1996 and 1995 was $7.6 million and $140.7 million, respectively.

The City is currently actuarially funding retiree health insurance benefits for current retirees and for active members eligible for a retired health insurance subsidy. The liability is determined separately from the pension benefit obligation. The health insurance benefits liability was determined as part of an actuarial valuation at June 30, 1996.

At June 30, 1996 and 1995, the unfunded health insurance benefits liability was $279.5 million and $195.2 million, respectively, as follows (amounts in thousands):

	1996	**1995**
Health insurance benefits liability:		
Retired members	$269,889	$233,238
Active members	273,797	207,391
Total health insurance benefits liability	543,686	440,629
Reserve for health insurance benefits, at cost (actuarial value is $284,544 (1996) and $262,410 (1995))	264,183	245,417
Unfunded health insurance benefits liability	$279,503	$195,212

The actuarial valuation for the unfunded health insurance benefits liability at June 30, 1996 and 1995 was $259.1 million and $178.2 million, respectively.

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System currently uses the projected unit credit cost method to determine the required annual contribution amount. The required annual contribution amount is comprised 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. Smaller pieces of the UAAL are amortized as a level dollar amount over various periods.

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

The contributions to the System for the years ended June 30, 1996 and 1995 of $196.5 million and $188.1 million, respectively, were made in accordance with actuarially-determined requirements computed through the above mentioned actuarial valuation.

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

	1996		1995	
	Amount	Percentage of current covered payroll	Amount	Percentage of current covered payroll
Covered payroll	$ 957.4	100.00%	$ 911.3	100.00%
Normal cost	$ 112	11.72%	$ 102	11.16%
Amortization of the unfunded actuarial accrued liability	55.7	5.81%	57.0	6.25%
Contribution for retired health insurance benefits	28.2	2.95%	29.1	3.19%
Family death benefits insurance plan	0.4	0.04%	0.4	0.04%
Total	$ 196.5	20.52%	$ 188.1	20.64%
Total city contribution	$ 149.0	15.56%	$ 144.4	15.84%
Employee contribution	47.5	4.96%	43.7	4.80%
Total	$ 196.5	20.52%	$ 188.1	20.64%

4. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year 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 16 through 19.

5. DEFRAYAL OF PORTION OF MEMBER CONTRIBUTIONS

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

The amount payable by the City, based upon the actuarial valuations, was approximately 80% and 78% of subsidized member contributions for the years ended June 30, 1996 and 1995, respectively. The City contributed $21.3 and $20.7 million in this manner for the years ended June 30, 1996 and 1995, respectively.

6. INVESTMENTS

At June 30, 1996 and 1995, the carrying amount and market value of investments were as follows (in thousands):

	1996		1995	
Investment type	**Carrying amount**	**Market value**	**Carrying amount**	**Market value**
Money Market:				
Certificates of deposit	$ 5,001	$ 5,001	$ 36,846	$ 36,846
Commercial paper			136,526	136,526
Bank acceptance notes	86,439	86,439	50,268	50,268
Discount notes			35,644	35,644
Repurchase agreements (repos)	117,000	117,000	41,000	41,000
International STIF	159,226	159,226	97,668	97,668
Collective STIF	7,527	7,527	13,545	13,545
Futures initial margin	8,354	8,354	15,132	15,132
	383,547	383,547	426,629	426,629

	1996		1995	
Investment type	**Carrying amount**	**Market value**	**Carrying amount**	**Market value**
Fixed income - Domestic:				
Corporate	$ 221,914	$ 222,696	$ 181,769	$ 187,942
U.S. Government and federal agencies	966,804	957,689	783,111	803,058
Mortgage-backed securities	97,264	96,172	115,274	117,976
Municipal bonds	22,192	22,339	19,306	20,104
Other	15,849	15,379	15,237	15,123
	1,324,023	1,314,275	1,114,697	1,144,203
Fixed income - Foreign:				
Corporate	17,465	17,063	6,726	7,015
Government	169,528	170,562	125,751	133,515
	186,993	187,625	132,477	140,530
Stocks:				
Domestic	1,594,929	2,257,734	1,503,678	1,960,046
Foreign	784,972	890,806	706,749	759,705
	2,379,901	3,148,540	2,210,427	2,719,751
Real estate investment funds	128,465	131,753	120,991	120,991
Alternative investments	9,650	9,650		
	138,115	141,403	120,991	120,991
Total investments	$4,412,579	$5,175,390	$4,005,221	$4,552,104

Cash and cash equivalents of $296,657 and $1,000 as of June 30, 1996 and 1995, respectively, represent amounts held in the System's general operating accounts with the City Treasurer. These monies are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable.

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

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the System's name. At June 30, 1996 and 1995, substantially all of the System's investments were classified in Category 1.

7. SECURITIES LENDING AGREEMENT

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

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

The borrower has all incidents of ownership with respect to borrowed securities and collateral including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify the System as a result of the custodian's failure to: (1) make a reasoned determination of the creditworthiness of a potential borrower before lending and during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action, (2) demand adequate collateral, or (3) otherwise maintain the securities lending program in compliance with the *Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.*

These agreements provide for the return of the securities and revenue determined by the type of collateral received (from which the custodian's fee is deducted). The securities on loan to brokers continue to be shown at their cost basis on the balance sheets.

The market value of securities lent was $1,111.8 million and $825.1 million as of June 30, 1996 and 1995, respectively, and the collateralized value of cash and securities was $1,132.1 and $846.2 million, respectively. The System's pro rata share in the collateral pool was 5.5% and 5.3% as of June 30, 1996 and 1995, respectively.

8. FUTURES AND FORWARD CONTRACTS

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

At June 30, 1996, the System had net outstanding futures and forward commitments with a notional amount of $596.7 million which mature through September 1996. These commitments are not recorded in the financial statements. The System maintains margin collateral on the positions with its custodian, consisting of cash and U.S. Treasury Bills. The total collateral margin was $8.4 and $15.1 million as of June 30, 1996 and 1995, respectively. The realized gain on foreign currency translation was $2.2 and $5.1 million as of June 30, 1996 and 1995, respectively.

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

9. REAL ESTATE INVESTMENT PORTFOLIO

Investments in real estate are carried at the lower of cost or market value. Market value exceeded cost by $3.3 million at June 30, 1996. Cost was reduced to market value, which was lower than cost by $2.9 million at June 30, 1995.

10. ADMINISTRATIVE EXPENSES

Administrative expenses of the System for the years ended June 30, 1996 and 1995 were as follows (in thousands):

	1996	1995
Investment management fees	$ 6,839	$ 5,557
Real estate management fees	1,295	1,250
Contract services	1,701	1,109
Salaries	1,766	1,621
Rent	451	457
Other administrative expenses	353	163
	$ 12,405	$ 10,157

11. OPERATING LEASE

The System leases building facilities under a noncancelable operating lease which expires in 1998, at which time a five-year renewal option is available. This lease also contains provisions for the System to pay their prorated share of subsequent increases in operating costs and taxes over the base rate established during the initial year of the lease.

The future minimum commitment under the lease is $410,502 for each of the years ended June 30, 1997 and 1998.

Supplimental Schedules of Funding Progress
(in Thousands)

Pension Benefit Obligation

Fiscal year	(1) Net assets available for benefits	(2) Pension benefit obligation	(3) Percentage funded (1)÷(2)	(4) Unfunded pension benefit obligation	(5) Annual covered payroll	(6) Unfunded pension benefit obligation as a percentage of covered payroll (4)÷(5)
1987	$ 1,923.4	$2,535.8	75.8 %	$ 614.7	$ 646.0	95.2 %
1988	2,106.4	2,712.8	77.6 %	613.9	718.0	85.5 %
1989	2,175.8	2,934.9	74.1 %	745.8	752.9	99.1 %
1990	2,469.5	3,108.0	79.5 %	639.2	815.8	78.4 %
1991	2,683.8	3,312.0	81.0 %	628.2	833.1	75.4 %
1992	2,975.2	3,597.4	82.7 %	622.3	915.3	68.0 %
1993	3,128.8	3,634.2	88.6 %	415.4	898.1	46.3 %
1994	3,523.0	3,817.8	92.3 %	294.9	884.9	33.3 %
1995	3,684.9	4,080.8	90.3 %	395.9	911.3	43.4 %
1996	4,148.7	4,476.0	92.7 %	327.3	957.4	34.2 %

Health Insurance Benefits Liability

Fiscal year	(1) Net assets available for benefits	(2) Health insurance benefit obligation	(3) Percentage funded (1)÷(2)	(4) Unfunded health insurance benefit obligation	(5) Annual covered payroll	(6) Unfunded health benefit obligation as a percentage of covered payroll (4)÷(5)
1989	$146.7	$235.6	62.3 %	$ 88.9	$752.9	11.8 %
1990	158.7	403.9	39.3 %	245.2	815.8	30.1 %
1991	162.7	490.0	33.2 %	327.3	833.1	39.3 %
1992	188.8	500.7	37.7 %	311.9	915.3	34.1 %
1993	209.3	497.3	42.1 %	288.0	898.1	32.1 %
1994	227.5	473.1	48.1 %	245.6	884.9	27.8 %
1995	245.4	440.6	55.7 %	195.2	911.3	21.4 %
1996	264.2	543.7	48.6 %	279.5	957.4	29.2 %

Supplemental Schedules of Funding Progress
(dollars in millions)

As of June 30, 1987, the System began funding insurance benefits for current retirees and for active members eligible to retire. As of June 30, 1989, a reserve was established for the health insurance benefits liability and $146.7 million was transferred to the reserve from the City contributions, based on actuarial estimates. Beginning in fiscal year 1989, the pension benefit obligation and the health insurance benefits liability are separately stated. The schedule of the health insurance benefits liability above will be expanded through experience to the ten-year historical trend data required by GASBS No. 5, in conformance with GASB implementation guidelines.

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

Supplemental Schedule of Actuarial Values and Percentages Covered by Net Assets Available for Benefits

(dollars in millions)

Fiscal year	Member contributions (1)	Current retirees and beneficiaries (2)	City-financed portion (3)	Net assets available for benefits	Percentage of actuarial values covered by net assets available for benefits (1)	(2)	(3)
1987	$323.5	$1,420.2	$ 758.4	$1,923.4	100.0 %	100.0 %	23.7 %
1988	346.4	1,530.4	836.0	2,106.4	100.0 %	100.0 %	27.5 %
1989	377.7	1,558.5	996.7	2,175.8	100.0 %	100.0 %	24.0 %
1990	411.4	1,617.0	1,080.2	2,489.5	100.0 %	100.0 %	40.8 %
1991	450.8	1,729.6	1,131.6	2,683.8	100.0 %	100.0 %	44.5 %
1992	491.7	1,866.6	1,239.1	2,975.2	100.0 %	100.0 %	49.8 %
1993	528.6	2,029.2	1,076.3	3,218.8	100.0 %	100.0 %	61.4 %
1994	562.1	2,157.5	1,098.2	3,523.0	100.0 %	100.0 %	73.2 %
1995	604.3	2,229.2	1,247.3	3,684.9	100.0 %	100.0 %	68.3 %
1996	637.8	2,357.8	1,480.5	4,148.7	100.0 %	100.0 %	77.9 %

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

Supplemental Schedule of Revenues by Source and Expenses by Type

(dollars in millions)

Revenues by Source

Fiscal year	Member contributions	City contributions	Investment income	Subtotal	Gain on investments	Total
1987	$ 24.9	$ 120.6	$ 130.8	$ 276.3	$ 123.9	$ 400.2
1988	28.1	126.2	145.1	299.4	27.7	327.1
1989	32.6	134.0	162.4	329.0	55.7	384.7
1990	37.1	146.4	180.0	363.5	99.4	462.9
1991	41.8	151.3	193.5	386.6	19.6	406.2
1992	43.2	164.9	182.2	390.3	129.2	519.5
1993	42.7	170.6	164.3	377.6	101.5	479.1
1994	42.3	173.6	170.3	386.2	167.1	553.3
1995	43.6	144.6	176.9	365.1	55.4	420.5
1996	47.5	149.0	186.2	382.7	355.0	737.7

Expenses by type

Fiscal year	Benefits	Administrative expenses	Refunds and transfers	Total
1987	$ 119.0	$ 5.2	$ 5.6	$ 129.8
1988	130.4	6.2	6.6	143.2
1989	141.5	5.9	6.6	154.0
1990	156.0	7.1	7.2	170.3
1991	170.3	8.2	8.6	187.1
1992	184.4	8.7	8.0	201.1
1993	197.0	10.3	6.9	214.2
1994	210.7	11.1	8.5	230.3
1995	221.9	10.2	7.7	239.8
1996	233.1	12.4	8.9	254.4

ACTUARIAL SECTION

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November 18, 1996

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, 1996 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,

Sharon A. Peake
RC

Sharon A. Peake, FSA
Consulting Actuary

Judy C. Ocaya, FSA
Consulting Actuary

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Actuarial Valuation As Of June 30, 1996

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, 1996 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 the funded status and disclosure information required under Government Accounting Standards Board (GASB) Statement Number 5, as this statement is still applicable as of the fiscal year ending June 30, 1996. Note that effective with the fiscal year beginning July 1, 1996, new GASB Statements 25 and 26 will apply to this plan. Also, beginning July 1, 1997, GASB Statement 27 will apply. While we have not presented disclosure amounts based on these new statements in this report, we have made some assumption changes to comply with these statements.

The following changes were made to the plan provisions effective October 2, 1996:

- Domestic partners are now eligible for spousal benefits, both health and pension benefits.
- Early retirement factors were changed.
- Unreduced benefits for employees retiring at age 50 with 30 years of service are available until September 30, 1999.
- Death benefits for spouses of Members eligible for disability retirement have been enhanced.
- Spouses and domestic partners can now receive continued health benefits after the Member's death.
- The post-retirement death benefit was increased to $2,500 from $500.

The current provisions are summarized in Exhibits IV and V.

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

- 8.0% annual interest
- 4.0% annual total payroll increases (reduced from 6% with this valuation)
- Annual individual salary increases, which vary by age, averaging 6% per year over a full 30-year career

3.0% annual increases in the Consumer Price Index

Changes were made to some of the actuarial assumptions. Some changes were due to the changes in plan provisions.

- Medical trend rates were reduced to better reflect expectations for medical cost increases in the near future.
- The assumed percentage of employees with an eligible "spouse" was increased by 1% to reflect the addition of domestic partner benefits.
- We assumed that 25% of employees eligible for an enhanced retirement benefit during the three year window period ending September 30, 1999 will retire during this window.
- An assumption at 70% of current surviving spouses will elect health subsidy coverage was added.

In addition, the following changes were adopted for compliance with the new GASB statements:

- The assumed payroll increase was changed from 6% to 4% . This is to comply with the requirement that unfunded liabilities be amortized in a manner that does not anticipate future growth in the Member population.
- The asset valuation method was changed to one that phases in market appreciation and depreciation over five years, as required by GASB.

The effect of these changes on the contribution can be found later in this report.

All other valuation 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, 1996.

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.

Summary of Significant Valuation Results

		June 30, 1996	June 30, 1995	Percent Change
I.	Total Membership			
	A. Active Members	22,319	22,538	-1.0%
	B. Pensioners	12,242	11,962	+2.3%
II.	Salaries at June 30			
	A. Total Annual Payroll	$957,422,907	$911,292,385	+5.1%
	B. Average Monthly Salary	$3,576	$3,369	+6.1%
III.	Benefits to Current Pensioners and Beneficiaries			
	A. Total Annual Benefits	$219,872,033	$205,047,801	+7.2%
	B. Average Monthly Benefit Amount	$1,497	$1,429	+4.8%
IV.	Total System Assets (Actuarial Value)	$4,774,115,864	$4,222,626,665	+13.1%
V.	Unfunded Actuarial Accrued Liability			
	A. Retirement Benefits	$7,590,852	$140,708,767	-94.6%
	B. Health Subsidy Benefits	$259,142,412	$178,219,962	+45.4%
VI.	Budget Items	FY 1997-1998	FY 1996-1997	
	A. Retirement Benefits			
	1. Normal Cost as a Percent of Pay	5.64%	5.03%	+12.1%
	2. Amortization of Unfunded Actuarial Accrued Liability			
	i) Percent of Pay, plus	0.87%	2.31%	-62.3%
	ii) Fixed Dollar Amount	$0	$2,724,502	-100.0%
	3. Total Retirement Contribution	6.51%	7.34%	-11.3%
	B. Health Subsidy Contribution, as a Percent of Pay	3.18%	2.30%	+38.3%
	C. Total Contribution (A+B)			
	i) Percent of Pay, plus	9.69%	9.64%	+0.5%
	ii) Fixed Dollar Amount	$0	$2,724,502	-100.0%
VII.	Funded Ratio (Based on Actuarial Value of Assets)			
	A. Retirement Benefits	99.8%	96.6%	+3.3%
	B. Health Subsidy Benefits	52.3%	59.6%	-12.2%
	C. Total	94.7%	92.9%	+1.9%

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.

- 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 and method 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 increased by 0.05% of payroll from last year.

Recommended City Contributions For Fiscal Year 1997 - 1998

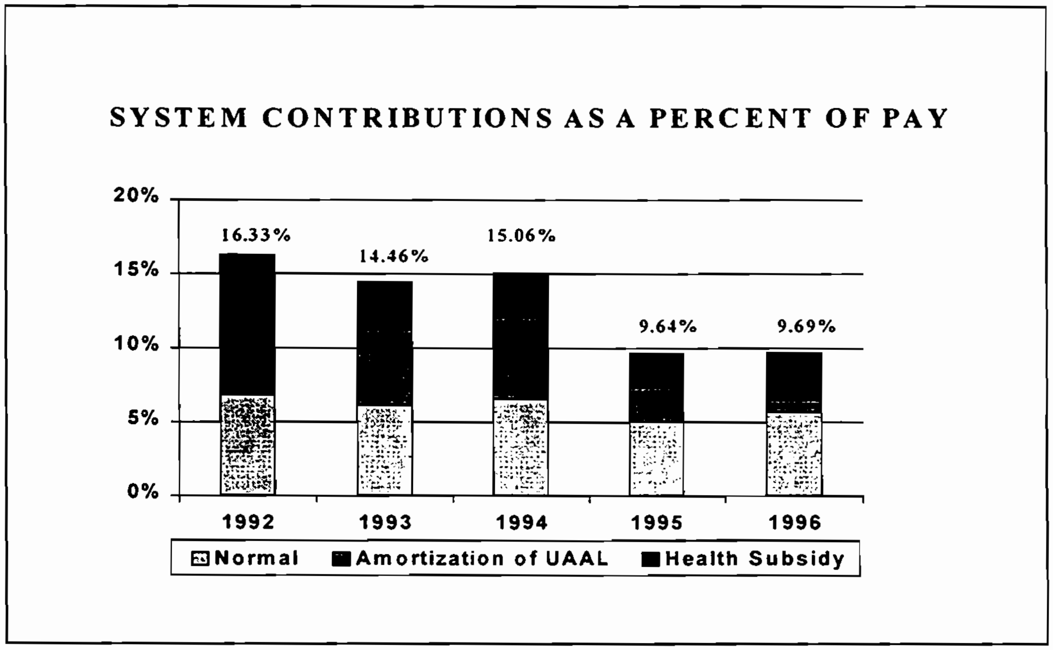
	Percentage of Salary		Fixed Dollar Amount
Contribution for Retirement, Disability, and Death Benefits	6.51%	plus	$0
Contribution for Health Subsidy Benefits	3.18%		
Total Contribution	9.69%	plus	$0

A fixed dollar amount of $2,724,502 has been part of prior years' recommended contributions to amortize the initial liability for this plan. The last installment is payable in the fiscal year ending June 30, 1997. Beginning July 1, 1997, this fixed payment is no longer necessary.

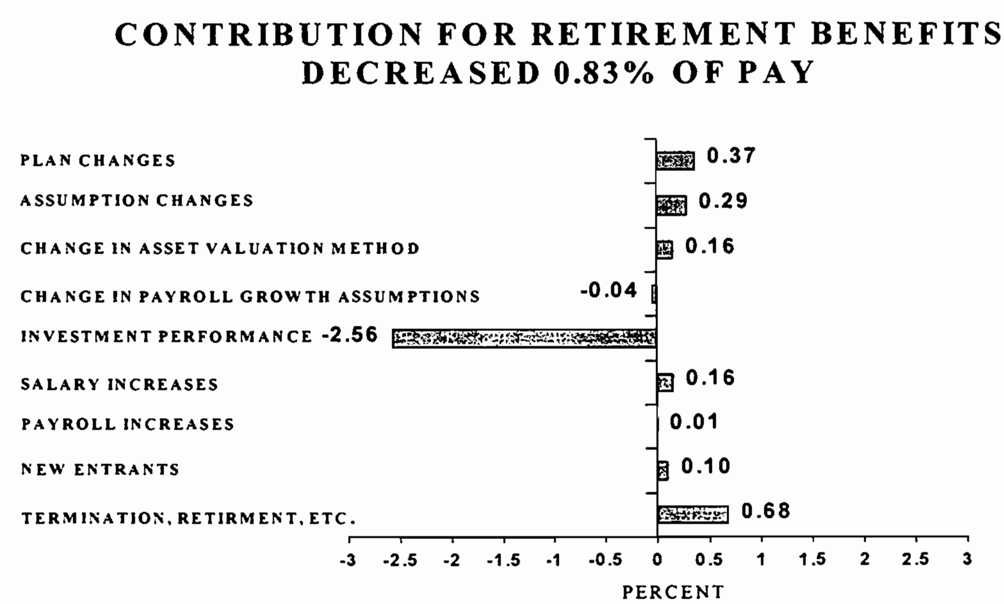
A more detailed explanation of these results can be found in the Valuation Detail section of this report.

As part of the valuation of the System, we determine the required funding amount for the Family Death Benefit Plan. Currently, Members and the City each contribute $2.90 per month to participate in this Plan. We completed a study of the funded status and provisions of this Plan in January 1996. Some changes in plan provisions may be under consideration. Pending any decision on such changes, we recommend that Members and the City continue to contribute the current rate.

The following graph illustrates the funding levels of the past few years for both the retirement benefits and the health subsidy benefits. These percent-of-pay amounts do not include the small pieces of the UAAL, amortized as a level dollar amount through June 30, 1997.



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 for retirement benefits.



Over the past year, there was a cost increase of .16% of pay due to salary increases. This is the effect of individual salary increases being greater than assumed. We have also shown a cost increase of 0.01% of pay due to total payroll increases being less than assumed.

The combined changes in plan provisions, assumptions and asset valuation method led to increases in the contribution rates. However, investment performance overrode all causes of contribution rate increases, for a net decrease in the retirement contribution rate.

Funded Status At June 30, 1996

In order to assess the funded status of the System, disclosure of a standardized measure of pension liability is required by Government Accounting Standards Board (GASB) Statement No. 5 - *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers*. This measure of funded status compares the present value of benefits accrued to June 30, 1996 to the value of accumulated plan assets. For retired Members and beneficiaries, the present value of remaining benefit payments is disclosed. For active Members, the present value of the benefits accrued to June 30, 1996 is disclosed. In the latter calculation, we calculate accrued benefits based upon service to June 30, 1996. We also recognize assumed future salary increases. GASB No. 5 covers only pension type benefits provided by public employee retirement systems.

Under GASB Statement No. 12, *Disclosure of Information on Post Employment Benefits Other Than Pensions by State and Local Government Employers*, issued in November 1989, the expenditures and expenses for the period are the only financial information that needs to be disclosed for post-retirement health subsidy benefits. However, the statement encourages more complete disclosures of information, if available. Therefore, we have included a GASB No. 5 figure for the health subsidy benefits of the System in this report, as if GASB No. 5 applied to health subsidy benefits.

On the next page, we present the funded status of the System under GASB No. 5, along with a comparison of the System's funded status in the prior year. The current System assets available at actuarial value for retirement benefits are 189.5% of the present value of retirement benefits for current retired members and their beneficiaries. When the present value of accrued retirement benefits for active Members is added, the System assets available for retirement benefits at actuarial value represent 99.8% of the total present value of accrued retirement benefits on June 30, 1996.

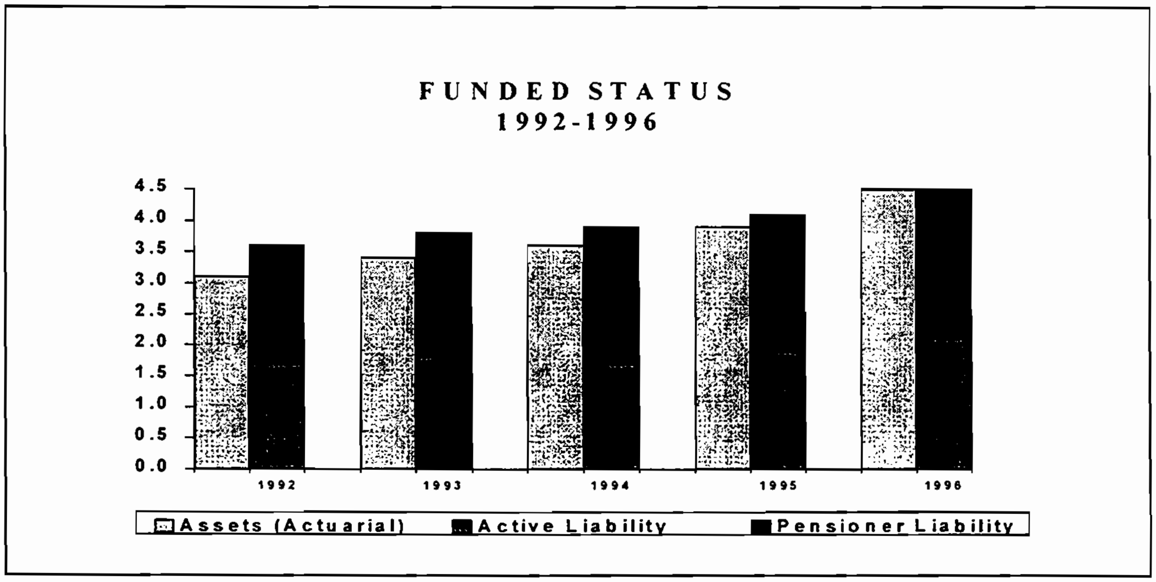
Current health subsidy reserves at actuarial value are 105.4% of the present value of health subsidy benefits for current retired Members. When the present value of health subsidy benefits for active Members with ten or more years of service is added, the funded ratio becomes 52.3%. The funded status of the health subsidy benefits has significantly improved due to the combined effect of actuarial gains in both assets and liabilities.

The combined funded ratio for retirement and health subsidy benefits is 103.0% using the market value of assets and 94.7% using the actuarial value of assets.

Funded Status

	June 30, 1996	June 30, 1995	Percent Change
Retirement Benefits			
Present Value of Retirement Benefits Earned			
- Inactive Members	$2,357,798,073	$2,229,229,915	+5.8%
- Active Members	2,118,226,278	1,851,535,958	+14.4%
- Total	$4,476,024,351	$4,080,765,873	+9.7%
Value of Assets Available for Retirement Benefits			
· Market	$4,859,597,248	$4,195,200,306	+15.8%
· Actuarial	$4,468,433,499	$3,940,057,106	+13.4%
Funded Ratio for Retirement Benefits			
· Market	108.6%	102.8%	+5.6%
· Actuarial	99.8%	96.6%	+3.3%
Health Subsidy Benefits			
Present Value of Health Subsidy Benefits Earned			
- Inactive Members	$269,889,363	$233,237,872	+15.7%
- Active Members With Ten or More Years of Service	273,797,077	207,391,476	+32.0%
- Total	$543,686,440	$440,629,348	+23.4%
Value of Assets Available for Health Subsidy Benefits			
· Market	$309,452,038	$279,402,025	+10.8%
· Actuarial	$284,544,028	$262,409,386	+8.4%
Funded Ratio for Health Subsidy Benefits			
· Market	56.9%	63.4%	-10.3%
· Actuarial	52.3%	59.6%	-12.2%
Combined Retirement and Health Subsidy Funded Ratio			
· Market	**103.0%**	**99.0%**	**+4.0%**
· Actuarial	**94.7%**	**92.9%**	**+1.9%**

The graph below compares assets to liabilities under GASB No. 5 for retirement benefits only, for the last five years. Assets exceed liabilities for pensioners, and are about 108.6% of total retirement liabilities using market value of assets and 99.8% of total retirement liabilities using actuarial value in 1996.



In late 1994, the Board issued GASB Statement No. 25 - *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* effective with the fiscal year after June 15, 1996, and GASB Statement No. 26 - *Financial Reporting for Post Employment Healthcare Plans Administered by Defined Benefit Pension Plans* effective with the fiscal year after June 15, 1996. We have determined that the current valuation methods used for the System satisfy the standards established in these GASB statements. We will present disclosures under these statements beginning with the June 30, 1997 valuation report.

System Assets

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

	June 30, 1996	June 30, 1995	Percent Change
Total System Assets			
Market Value	$5,192,038,000	$4,496,068,000	+15.5%
Book Value	4,432,513,431	3,949,185,329	+12.2%
Actuarial Value	4,774,115,864	4,222,626,665	+13.1%

Rate of Return July 1, 1995 - June 30, 1996	
The rate of return on total plan assets was as follows:	
Market Value	16.95%
Book Value	13.87%
Actuarial Value (old basis)	15.51%
These rates of return were based on the following cash flow information:	
Contributions	
City	$ 149,036,489
Members	47,512,414
Pensions Paid	
Retirement Allowances	211,396,773
Family Death Benefits	509,680
Health Benefits	21,184,649
Refunds of Member Contributions	8,856,575
Administration Expenses	12,490,598
Investment Earnings	
Realized	541,217,474
Unrealized	212,641,898

The 15.51% 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.

Derivation of Actuarial Value of Assets

	YEAR ENDING			
	June 30, 1996	**June 30, 1995**	**June 30, 1994**	**June 30, 1993**
1. Beginning of Year Market Value	$4,458,509,000	$3,996,980,000	$3,846,821,000	$3,416,697,000
2. Contributions	196,548,903	188,132,339	215,921,473	213,264,712
3. Benefit Payments	241,947,677	229,596,515	219,198,961	203,886,421
4. Expected Return Based on 8% Assumption	354,864,769	318,099,833	307,614,580	273,710,892
5. Expected End of Year Market Value (1)+(2)-(3)+(4)	4,767,974,995	4,273,615,657	4,151,158,092	3,699,786,183
6. Actual End of Year Market Value	5,192,038,000	4,458,509,000	3,996,980,000	3,846,821,000
7. Gain/(Loss)	424,063,005	184,893,343	(154,178,092)	147,034,817

1.	Market Value at June 30, 1996	$5,192,038,000
	1996 (Gain)/Loss x 80%	(339,250,404)
	1995 (Gain)/Loss x 60%	(110,936,006)
	1994 (Gain)/Loss x 40%	61,671,237
	1993 (Gain)/Loss x 20%	(29,406,963)
2.	Actuarial Value at June 30, 1996	4,774,115,864
3.	80% of Market Value at June 30, 1996	4,153,630,400
4.	120% of Market Value at June 30, 1996	6,230,445,600
5.	Actuarial Value at June 30, 1996 (2), but no less than (3) and no more than (4)	**$4,774,115,864**

In the preceding valuation, the actuarial value of assets was determined as the average of the book and market values. This method does not fall under the guidelines of the new GASB Statements 25 and 27. As such, we have revised the derivation of the actuarial value of assets to be a market related value, where gains and losses are recognized over a 5-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%. We believe that this asset valuation method complies with the new GASB requirements

Summary of System Funding

As of June 30, 1996, the System had assets at actuarial value equal to 94.7% of the present value of benefits accrued to that date, as calculated under GASB No. 5. 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 73.0% of liabilities. This remaining unfunded liability is to be funded by future City and Member contributions to the System.

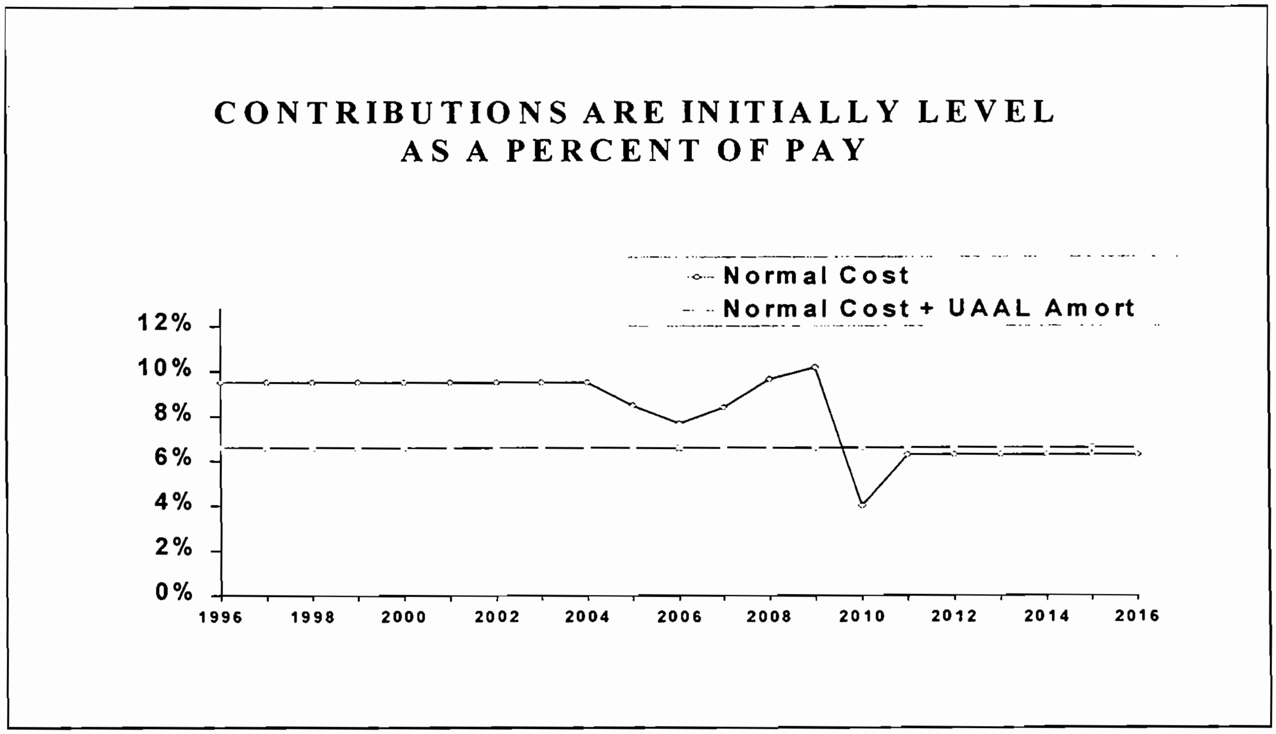
The City contributions are made up of two parts:

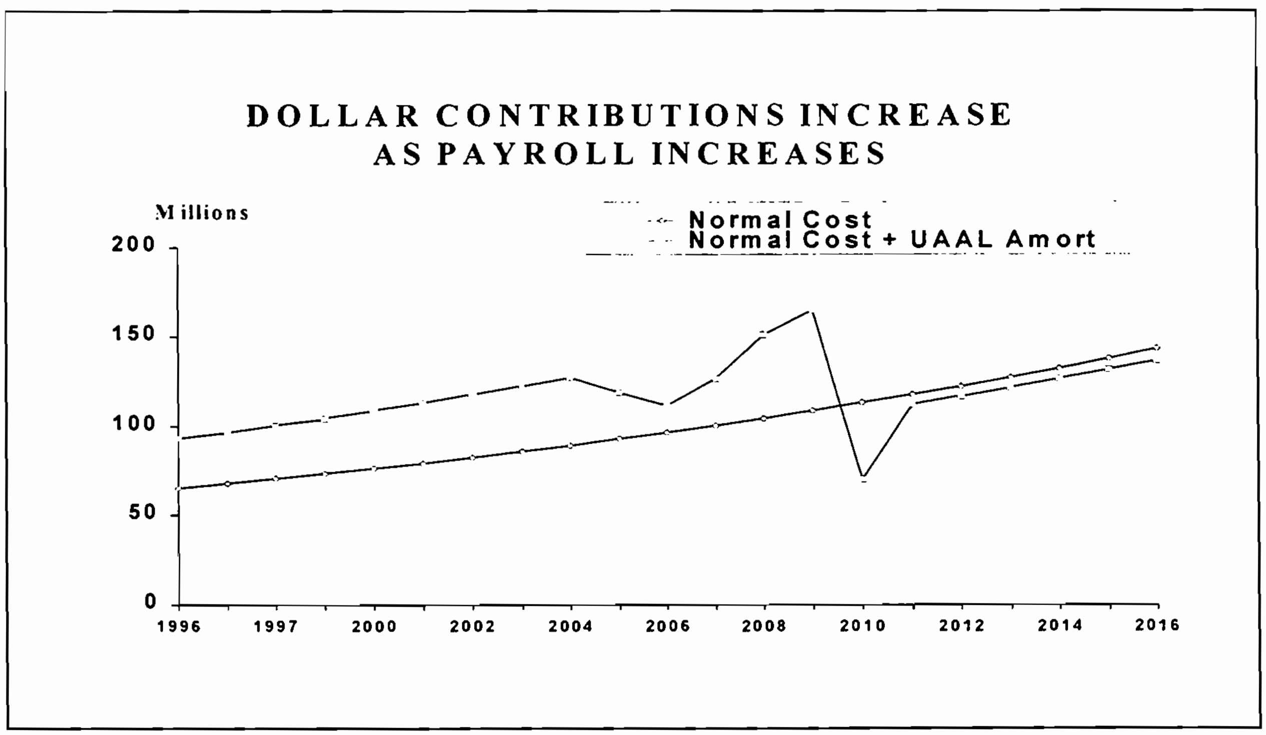
- Normal Cost Contributions: These contributions are determined as the cost of the System benefits accruing each year. If all assumptions are realized and there are no gains or losses, this amount will remain unchanged as a percent of pay unless the average age of the population increases. In this case, contributions as a percent of pay will increase. The contributions will also increase as a dollar amount as total covered payroll increases.

- Funding of Unfunded Actuarial Accrued Liability (UAAL): The UAAL represents liabilities accrued to date, that have not been funded by prior years' normal costs. Most of the UAAL is funded as a level percent of payroll until the year 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. If in the future all assumptions are realized and if there are no future gains or losses, the current contribution percentage will not change until the pieces that make up the UAAL are fully amortized. However, it will increase as a dollar amount as the total covered payroll increases.

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

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


CONTRIBUTIONS ARE INITIALLY LEVEL
AS A PERCENT OF PAY
Normal Cost
Normal Cost + UAAL Amort
12%
10%
8%
6%
4%
2%
0%
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016


DOLLAR CONTRIBUTIONS INCREASE
AS PAYROLL INCREASES
Millions
Normal Cost
Normal Cost + UAAL Amort
200
150
100
50
0
1996
1997
2000
2002
2004
2006
2008
2010
2012
2014
2016

System Membership

Computer tapes containing data on System membership as of June 30, 1996 were supplied to us by the Retirement Office. On the following schedule we present a summary of System membership at June 30, 1996 and June 30, 1995. Pension amounts shown do not include the cost-of-living adjustments that were effective on July 1, 1996. All July 1 increases were reflected in our valuation calculations.

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

The number of total active Members decreased by 1.0% since the last valuation. The total number of retired Members and their beneficiaries increased by 2.3%, while the average retirement benefit amount increased by 4.8%.

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, 1996	June 30, 1995	Percent Change
I. Active Members			
a. Number	22,319	22,538	-1.0%
b. Average Age	43.9	43.5	+0.9%
c. Average Years of Service	12.5	12.2	+2.5%
d. Salary			
i) Total Annual Salary	$957,422,907	$911,292,385	+5.1%
ii) Average Monthly Salary	$3,575	$3,369	+6.1%
II. Pensioners and Beneficiaries			
a. Number	12,242	11,962	+2.3%
b. Average Age	71.6	71.5	+0.1%
c. Allowance			
i) Total Annual Allowance	$219,872,033	$205,047,801	+7.2%
ii) Average Monthly Amount	$1,497	$1,429	+4.8%

Applicable Assets At June 30, 1996

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

	Book Value	Market Value	Actuarial Value
1. Total Value of Assets at June 30, 1996	$4,432,513,431	$5,192,038,000	$4,774,115,864
2. Less Reserves and Liabilities Established for:			
a. Family Death Benefit Insurance	19,625,778	22,988,714	21,138,337
b. Retiree Health Subsidy	264,183,412	309,452,038	284,544,028
c. Total	283,809,190	332,440,752	305,682,365
3. Net Assets Available for Retirement Benefits at June 30, 1996 (Item 1 less Item 2)	$4,148,704,241	$4,859,597,248	$4,468,433,499

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.

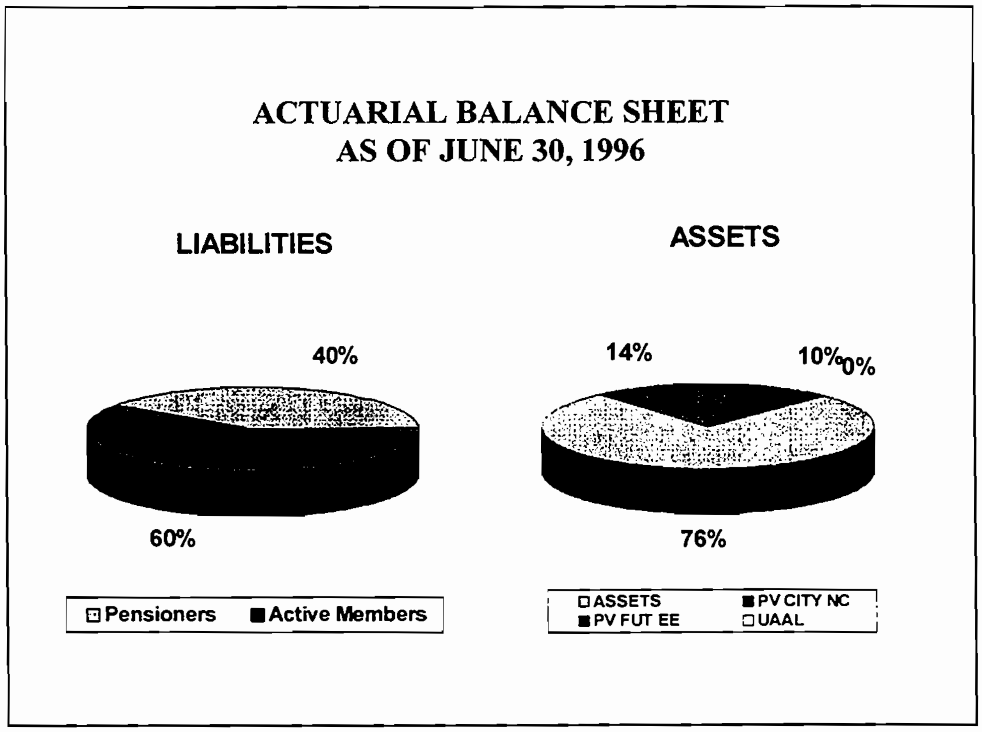
The last item, the present value of future City contributions, is made up of two parts:

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 1996-1997 fiscal year, the normal cost percentage is 5.64% 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 less than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

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

The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the retirement benefits of the System. It shows that about 40% of the System's liabilities are for retired Members and their beneficiaries and 60% are for active Members. About 76% of the System's assets consist of currently available assets with 24% consisting of future contributions from the City and the Members.



VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet As Of June 30, 1996

ASSETS		
1. Applicable Assets		$4,468,433,499
2. Present Value of Future Member Contributions		$599,921.902
3. Present Value of Future Contributions by the City For:		
a. Basic Pensions		
i. Normal Cost	$586,803,756	
ii. Amortization of Certain Liabilities	(434,961,457)	
iii. Total		$151,842,299
b. Cost-of-Living Pensions		
i. Normal Cost	$216,083,166	
ii. Amortization of Certain Liabilities	442,552,309	
iii. Total		$658,635,475
4. Total Assets		$5,878,833,175
LIABILITIES		
5. Present Value of Benefits Already Granted (Inactive Members)		
a. Basic	$1,456,001,087	
b. Cost-of-Living	901,796,986	
c. Total		$2,357,798,073
6. Present Value of Benefits to be Granted (Active Members)		
a. Basic	$2,776,542,737	
b. Cost-of-Living	744,492,365	
c. Total		$3,521,035,102
7. Total Liabilities		$5,878,833,175

VALUATION OF RETIREMENT BENEFITS

Budget And Recommended Contributions

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

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

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

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

The recommended retirement contribution decreased primarily due to asset performance. Actuarial assets were $317.4 million greater than anticipated. This favorable asset experience reduced the Unfunded Actuarial Accrued Liability, which in turn led to a reduction in contribution rate by 2.56% of pay.

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.

VALUATION OF RETIREMENT BENEFITS

Recommended City Contributions For Fiscal Year 1997 - 1998

	Percentage of Salary
For Basic Retirement Benefits	
Normal Cost	3.97%
Unfunded Actuarial Accrued Liability	(3.59%)
Total Contributions for Basic Retirement Benefits	0.38%
For Cost-of-Living Retirement Benefits	
Normal Cost	1.67%
Unfunded Actuarial Accrued Liability	4.46%
Total Contributions for Cost-of-Living Retirement Benefits	6.13%
Total Basic and Cost-of-Living Contributions for Retirement Benefits	6.51%

VALUATION OF RETIREMENT BENEFITS

Detail of Amortization of Unfunded Actuarial Accrued Liability

Item	Remaining Years	Balance to be Amortized 06/30/96	Amortization Amount	Percentage of Salary
Basic Pensions				
1. Prior Service Pensions	1	$927,955	$927,955*	N/A
2. Change in Asset Valuation Method at 06/30/89	23	(117,516,392)	(7,789,892)	(.81%)
3. Change in Assumptions at 06/30/89	23	(59,380,548)	(3,936,200)	(.41%)
4. Ad Hoc COLA Increase at 12/01/89	9	19,803,608	2,644,807	.28%
5. Actuarial Loss at 06/30/90	9	13,921,898	1,859,294	.19%
6. Actuarial Loss at 06/30/91	10	13,419,486	1,641,854	.17%
7. Actuarial Gain at 06/30/92	11	(71,732,087)	(8,120,352)	(.85%)
8. Change in Assumptions at 06/30/93	27	(147,631,198)	(8,885,392)	(.93%)
9. Actuarial Gain at 06/30/93	12	(105,952,728)	(11,188,947)	(1.17%)
10. Actuarial Loss at 06/30/94	13	13,541,798	1,343,212	.14%
11. Actuarial Gain at 06/30/95	14	(37,020,520)	(3,469,192)	(.36%)
12. Actuarial Gain at 06/30/96	15	(251,200,686)	(22,350,894)	(2.33%)
13. Plan Amendment at 06/30/96	30	30,525,467	1,732,465	0.18%
14. Change in Assumption at 06/30/96	30	39,408,087	2,236,596	0.23%
15. Change in Asset Valuation Method at 06/30/96	30	28,448,171	1,614,568	0.17%
16. Remaining UAAL	14	195,476,232	18,318,073	1.91%
Total		$(434,961,457)	$(33,422,045)	(3.59%)

* Final amortization is payable in the fiscal year July 1, 1996 to June 30, 1997.

VALUATION OF RETIREMENT BENEFITS

Detail of Amortization of Unfunded Actuarial Accrued Liability (Continued)

Item	Remaining Years	Balance to be Amortized 06/30/96	Amortization Amount	Percentage of Salary
Cost-of-Living Pensions				
1. Increase Due to 1967 Amendments	1	$1,796,547	$1,796,547*	N/A
2. Change in Assumptions at 06/30/89	23	(55,145,698)	(3,655,482)	(.38%)
3. Actuarial Gain at 06/30/90	9	(11,188,683)	(1,494,268)	(.16%)
4. Actuarial Gain at 06/30/91	10	(6,396,874)	(782,648)	(.08%)
5. Actuarial Loss at 06/30/92	11	37,309,713	4,223,605	.44%
6. Change in Assumptions at 06/30/93	27	(40,953,021)	(2,464,815)	(.26%)
7. Actuarial Loss at 06/30/93	12	2,655,540	280,434	.03%
8. Actuarial Gain at 06/30/94	13	(24,689,920)	(2,448,995)	(.26%)
9. Actuarial Loss at 06/30/95	14	15,698,116	1,471,070	.15%
10. Actuarial Loss at 06/30/96	15	25,251,393	2,246,774	.23%
11. Plan Amendment at 06/30/96	30	5,954,806	337,963	.04%
12. Change in Assumptions at 06/30/96	30	20,133,348	1,142,663	.12%
13. Change in Asset Valuation Method at 06/30/96	30	7,269,075	412,554	.04%
14. Remaining UAAL	14	464,857,967	43,561,829	4.55%
Total		$442,552,309	$44,627,231	4.46%

* Final amortization is payable in the fiscal year July 1, 1996 to June 30, 1997.

VALUATION OF RETIREMENT BENEFITS

Funded Status Of The System

The following table presents a breakdown of the funded status of the System into basic and cost-of-living retirement pensions. This information is calculated using the guidelines of GASB No. 5 (see page 7). These figures do not include assets or liabilities of the health subsidy.

	June 30, 1996	June 30, 1995
Present Value of Benefits Earned to Valuation Date		
Basic Benefits	$3,124,068,849	$2,834,235,122
Cost-of-Living Benefits	1,351,955,502	1,246,530,751
Total	$4,476,024,351	$4,080,765,873
Actuarial Value of Assets Available for Retirement Benefits		
Basic Benefits	$3,559,030,306	$3,094,328,472
Cost-of-Living Benefits	909,403,193	845,728,634
Total	$4,468,433,499	$3,940,057,106
Funding Ratio		
Basic Benefits	113.9%	109.2%
Cost-of-Living Benefits	67.3%	67.8%
Total	99.8%	96.6%

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 84% 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 78% 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%.

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.

Currently, the City and Members share the cost of the Plan. Each contributes $2.90 per month. This contribution rate is reviewed every two years to determine if the level of contributions is appropriate

A study of the funded status of this Plan was completed in January 1996. Certain possible changes in the benefit structure were presented in that report. Pending decisions on changes in benefits, we recommend that Members and the City each continue to contribute $2.90 per month.

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. 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, 1996 is $284,544,028. The City provides the book value of the health subsidy reserve, which we use along with estimates of the market value, to determine the actuarial value used in funding calculations.

This section of the report contains the results of the June 30, 1996 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the fiscal year 1997-1998, 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. These trend assumptions were reduced since the last valuation, to reflect expectations of lower medical cost increases in the near future. A summary of the economic assumptions follows:

- 8.0% annual interest
- graded medical cost rates of 9.0% in 1996-1997, decreasing gradually to 6.0% in 2008 and beyond for benefits paid before age 65, and rates of 8.5% in 1996-1997 decreasing to 6.0% in 2006 and beyond for benefits paid after age 65.
- graded dental rates of 9.0% in 1996-1997 decreasing to 6.0% in 2007 and beyond.
- graded rates of increases in reduced premiums beginning with 6.75% in 1997-1998 decreasing to 6.0% in 2000 and beyond.

The health cost trend rates start out lower, as compared to the assumed rates in the preceding valuation, but end up at the same ultimate rate.

We believe the new trend rate assumptions, along with the other actuarial assumptions, are appropriate for use in the valuation of health subsidy liabilities of the City Employees' Retirement System at June 30, 1996. These assumptions are described in more detail in Exhibit VII.

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet

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

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

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

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

No Member contributions are required for health subsidy benefits.

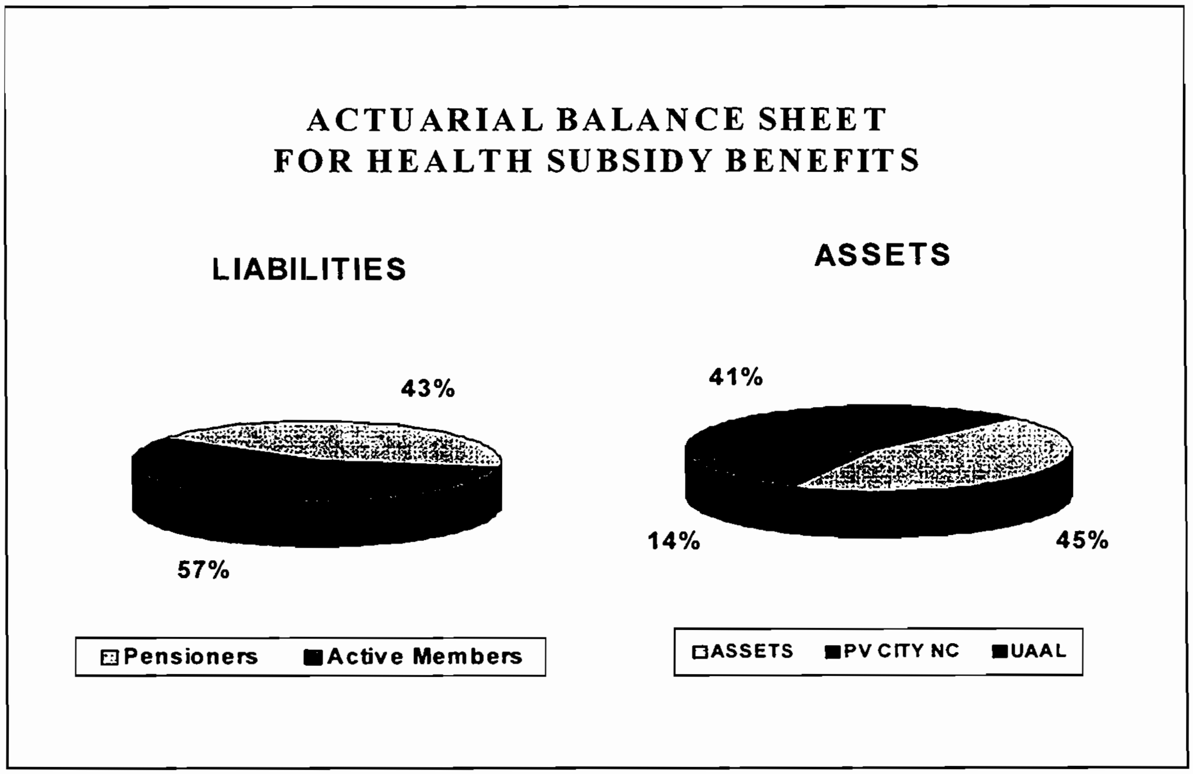
The last item, the present value of future City contributions, is made up of two parts:

1. The Present Value of Future City Normal Costs: Using the Projected Unit Credit Cost Method, the City budgets a certain percentage of payroll to fund benefits for System Members. The Normal Cost is the cost of benefits earned in each year. Normal Cost is funded from a Member's date of employment to the average expected retirement date. For the 1997-1998 fiscal year, the normal cost percentage for health subsidy benefits is 1.17% 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 less than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all health subsidy benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

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

The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the health subsidy benefits of the System. It shows that about 43% of the System's liabilities are for retired Members and their beneficiaries and 57% are for active Members with ten or more years of service. About 45% of the System's assets consist of currently available assets with 55% consisting of future contributions from the City.



VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet As Of June 30, 1996

ASSETS		
1. Applicable Assets		$284,544,028
2. Present Value of Future Member Contributions		0
3. Present Value of Future Contributions by the City:		
a. Normal Costs	$ 85,607,220	
b. Amortization of Certain Liabilities	259,142,412	
c. Total		$344,749,632
4. Total Assets		$629,293,660
LIABILITIES		
5. Present Value of Benefits Already Granted (Inactive Members)		$269,889,363
6. Present Value of Benefits to be Granted (Active Members With Ten or More Years of Service)		359,404,297
7. Total Liabilities		$629,293,660

VALUATION OF HEALTH SUBSIDY BENEFITS

Recommended City Contribution For Fiscal Year 1997-1998

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.

The City is currently building reserves for, or advance funding, the Retiree Health Insurance Subsidy for current retirees and for active Members with sufficient service to receive a health subsidy (10 years). The actuarial value of the reserve available at June 30, 1996 is $284,544,028. The City provides the book value of the health subsidy reserve, which we use along with estimates of the market value, to determine the actuarial value used in funding calculations.

Based on the actuarial value for this reserve, we have calculated the required funding amount for the fiscal year beginning July 1, 1997. The dollar amounts shown on the next page are based on total payroll at July 1, 1996, for illustrative purposes.

The contribution for health subsidy benefits increased from 2.30% of payroll for 1996-1997 to 3.18% of payroll for 1997-1998, primarily because of the recent changes to the plan.

VALUATION OF HEALTH SUBSIDY BENEFITS

Recommended City Contribution For Health Subsidy Benefits For Fiscal Year 1997-1998

		Dollar Amount	Percent of Pay
1.	Normal Cost at 06/30/96	$ 11,238,967	1.17%
2.	Actuarial Accrued Liability at 06/30/96	543,686,440	-
3.	Actuarial Value of Assets Available for Health Subsidy Benefits at 06/30/96	284,544,028	-
4.	Unfunded Actuarial Accrued Liability (UAAL): (2) - (3)	259,142,412	-
5.	Amortization of UAAL		
	- Initial Base as a Level Percent of Pay through 06/30/2010	$2,961,037	.31%
	- Change in Assumptions at 06/30/89	1,596,078	.17%
	- Change in Funding Method at 06/30/89	9,958,759	1.04%
	- Actuarial Loss at 06/30/90	6,599,928	.69%
	- Actuarial Loss at 06/30/91	7,069,561	.74%
	- Actuarial Gain at 06/30/92	(2,992,264)	(.31%)
	- Change in Assumptions at 06/30/92	844,472	.09%
	- Actuarial Gain at 06/30/93	(1,105,185)	(.12%)
	- Change in Assumptions at 06/30/93	(1,303,525)	(.14%)
	- Actuarial Gain at 06/30/94	(3,724,538)	(.39%)
	- Actuarial Gain at 06/30/95	(4,074,424)	(.43%)
	- Change in Assumptions at 06/30/95	(898,223)	(.09%)
	- Actuarial Gain at 06/30/96	(1,853,271)	(.19%)
	- Plan Amendment at 06/30/96	9,240,404	.97%
	- Change in Assumptions at 06/30/96	(3,225,478)	(.34%)
	- Change in Asset Valuation Method at 06/30/96	129,043	.01%
	Total	$19,222,374	2.01%
6.	Recommended Contribution: (1) + (5)	$30,461,341	3.18%

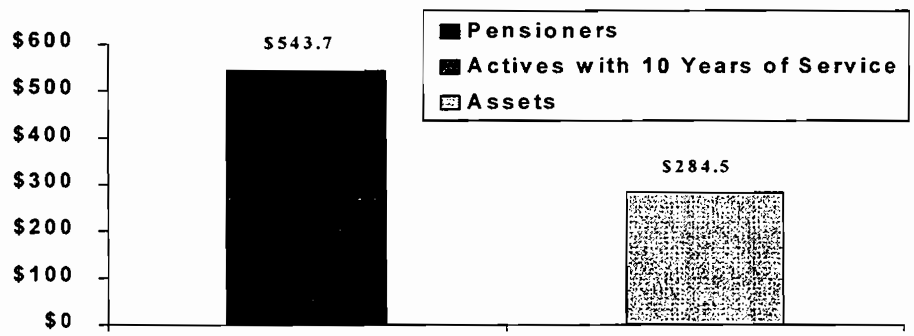
VALUATION OF HEALTH SUBSIDY BENEFITS

Funded Status of Health Subsidy Benefits
At June 30, 1996

This information is calculated using the guidelines of GASB No. 5 (see page 7). 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, 1996	
- Retired Members	$269,889,363
- Active Members with Ten Years of Service	273,797,077
- Total	$543,686,440
Value of Assets Available for Health Subsidy Benefits	
Market	$309,452,038
Actuarial	$284,544,028
Funded Ratio	
Market	56.9%
Actuarial	52.3%

FUNDED STATUS OF HEALTH SUBSIDY BENEITS AS OF JUNE 30, 1996



VALUATION OF HEALTH SUBSIDY BENEFITS

Assumptions And Methods

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

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

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

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

Effective with the June 30, 1992 Study of Plan Experience, the medical and dental trend rates were updated. Separate rates were used for pre- and post-age 65 benefits to reflect the differences in cost increases after Medicare eligibility. Effective with the June 30, 1993 valuation, the ultimate trend rate has been 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, 1996. While the ultimate trend rate was kept, the trend rates for the immediate future have been reduced. For details on these new 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, 1996 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.

Exhibits
Table of Contents

Exhibit I

System Assets (Book Value)		
	June 30, 1996	**June 30, 1995**
ASSETS		
Cash	$296,657	$1,000
Receivable		
Accrued Interest and Dividend Income	35,337,729	30,551,887
Other Receivable	7,154,074	9,579,037
Proceeds from Investment	34,558,157	36,401,166
Total Receivable	77,049,960	76,532,090
Investments		
Temporary, at Cost	383,546,927	426,628,761
Bonds, at Amortized Cost	1,511,015,933	1,247,173,702
Common Stocks, at Cost	2,379,901,527	2,210,426,963
Real Estate	128,465,008	120,991,637
Alternative Investment, at Cost	9,650,000	N/A
Total Investments	4,412,579,396	4,005,221,063
Total Assets	4,489,926,013	4,081,754,153
LIABILLITIES		
Accounts Payable and Accrued Expenses	(57,412,582)	(132,568,824)
NET ASSETS AVAILABLE FOR PLAN BENETIFS	$4,432,513,431	$3,949,185,329

Exhibit II

Statement Of Reserve And Fund Balance Accounts	June 30, 1996	June 30, 1995
ACTUARIAL		
Member Contributions	$637,736,799	$604,260,897
Annuities	364,545,077	350,886,442
Basic Pensions	2,381,806,683	2,014,336,734
Cost-of-Living	764,615,681	715,429,834
Family Death Benefit Insurance	19,625,778	18,854,676
Health Benefits	264,183,412	245,416,746
Total Actuarial	$4,432,513,431	$3,949,185,329
OTHER		
Undistributed Earnings	$0	$0
Fund Balance	0	0
Total Other	0	0
TOTAL RESERVE AND FUND BALANCE	$4,432,513,431	$3,949,185,329

Exhibit III

Statement of Changes in Net Assets Available For Plan Benefits

	Year Ended June 30, 1996	Year Ended June 30, 1995
REVENUES		
City Contributions	$149,036,489	$144,384,788
Members' Contributions	47,512,414	43,747,551
Income from Investments		
Interest Earned	116,120,927	107,795,817
Dividends	58,709,403	59,190,322
Real Estate	11,378,660	9,979,835
Total	186,208,990	176,965,974
Total Revenues	$382,757,893	$365,098,313
EXPENDITURES		
Pensions		
Retirement Allowances	$211,396,773	$199,532,937
Family Death Benefit Insurance	509,680	492,103
Health Benefits	21,184,649	21,828,675
Total	233,091,102	221,853,715
Refund of Members' Contributions	8,856,575	7,742,800
Administrative Expenses	12,490,598	10,275,416
Total Expenditures	$254,438,275	$239,871,931
NET REVENUES	$128,319,618	$125,226,382
CAPITAL GAIN ON INVESTMENTS SOLD	$355,008,484	$55,353,069
NET REVENUES PLUS CAPITAL GAIN	$483,328,102	$180,579,451
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF THE YEAR	$3,949,185,329	$3,768,605,878
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF THE YEAR	$4,432,513,431	$3,949,185,329

Exhibit IV

Summary of Retirement Benefits

1.	Eligibility:	Members are eligible on their first day of City employment.
2.	Final Compensation:	Highest 12-month average salary.
3.	Service Retirement:	
	A) Eligibility:	Age 55 with 10 years of service, or any age with 30 years of service, or age 70.
	B) Benefit:	2.16% of Final Compensation for each year of service.
	C) Reduction for Early Retirement:	Unreduced for retirement after age 60, or after age 55 with at least 30 years of service. Reduction factors apply for earlier retirement.
	D) Form of Payment:	Benefit payable for life with 50% continuance to eligible spouse or domestic partner if employee had that coverage at time of retirement. Larger continuances are available with actuarial reduction.
	E) Special Early Retirement Benefit	Unreduced pensions are available for employees age 50 with 30 years of service who retire prior to September 30, 1999.

4. Disability Retirement:

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

5. Deferred Service Retirement:

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

6. Pre-retirement Death Benefits:

A) Not Eligible for Disability or Service Retirement:

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

Member receives (i) and (ii) where:

Death: (i) = 100% of the benefit the Member would have received if he or she had been granted a disability benefit on the day before death, payable for the lifetime of the Member's spouse or domestic partner.

(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: Member 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 84% of the amounts otherwise paid by the Member. Post-January, 1983 participants: Members contribute 6% of pay.
10.	Family Death Benefit Insurance Plan:	
	A) Eligibility:	Employee may elect coverage after 18 months of City retirement service.
	B) Benefits:	Benefits similar to those provided by Social Security Survivors' Insurance are payable if Member dies in active service after 18 months of Family Death Benefit Plan membership.
	C) Cost:	It is recommended that the Member and City each contribute \$2.90 per month.

Exhibit V

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, 1996, this amount is $472 per month.

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

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

For eligible surviving spouse or domestic partners:

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

Dental

4% per year of service to a maximum of $28.24 for Connecticut General and $10.24 for Safeguard.

Exhibit VI

Summary of Actuarial Assumptions And Methods Used For Valuation Of Retirement Benefits

Interest Rate: 8.0% per year.

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

Annual salary increases for individuals vary by age.

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

Cost-of-Living: 3.0% per year.

Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

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

Sample Rates

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

B. For Pensioners on Disability Retirement:

1981 Disability Mortality Table

Sample Rates

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

Rehire for Former Employees:

All former employees are assumed not to be rehired.

Dependents:	Where no other information is available, Members are assumed to have two children with a three year difference in age. The eldest is assumed to reach age 21 when the participant reaches age 45.
Proportion of Members with Spouses or Domestic Partners at Retirement:	76% of male employees and 56% of female employees are assumed to be married or to have a qualified domestic partner at retirement: Wives are assumed four years younger than husbands.
Funding Method:	For retirement benefits: The Projected Unit Credit Cost Method. For the Family Death Benefit Insurance Plan: One year term cost funding method.
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 1996-1999 window period are assumed to retire at the rate of 25% per year.

Exhibit VII

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: Beginning with this June 30, 1996 valuation, the rates are:

	Medical Inflation		Dental Inflation
	Pre-65	Post-65	Pre and Post-65
1996-1997	9.00%	8.50%	9.00%
1997-1998	8.50%	8.25%	8.50%
1998-1999	8.25%	8.00%	8.25%
1999-2000	8.00%	7.75%	8.00%
2000-2001	7.75%	7.50%	7.75%
2001-2002	7.50%	7.25%	7.50%
2002-2003	7.25%	7.00%	7.25%
2003-2004	7.00%	6.75%	7.00%
2004-2005	6.75%	6.50%	6.75%
2005-2006	6.50%	6.25%	6.50%
2006-2007	6.50%	6.00%	6.25%
2007-2008	6.25%	6.00%	6.00%
2008 +	6.00%	6.00%	6.00%

Medicare Premium Inflation Rate:

Year	Increase
1996-1997	$43.15*
1997-1998	6.75%
1998-1999	6.50%
1999-2000	6.25%
2000+	6.00%

*Estimated average of 1996 and 1997 Medicare Part B premiums.

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: The prefunding of projected cash flows is determined using the 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.

Exhibit VIII

Average Monthly Subsidy Rates For Health Subsidy Benefits

	Premium Per Month Per Year of Service (Maximum 25 Years)
Medical	
Less Than Age 65	
Married Male	$16.12
Single Male	12.93
Married Female	15.30
Single Female	13.80
Age 65 and Over	
Married Male	7.44
Single Male	8.50
Married Female	8.15
Single Female	9.67
Dental	0.95

Exhibit IX

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.

LACERS

STATISTICAL SECTION

Supplemental Schedule of Revenues by Source and Expenses by Type

(dollars in millions)

Revenues by Source

Fiscal year	Member contributions	City contributions	Investment income	Subtotal	Gain on investments	Total
1987	$ 24.9	$ 120.6	$ 130.8	$ 276.3	$ 123.9	$ 400.2
1988	28.1	126.2	145.1	299.4	27.7	327.1
1989	32.6	134.0	162.4	329.0	55.7	384.7
1990	37.1	146.4	180.0	363.5	99.4	462.9
1991	41.8	151.3	193.5	386.6	19.6	406.2
1992	43.2	164.9	182.2	390.3	129.2	519.5
1993	42.7	170.6	164.3	377.6	101.5	479.1
1994	42.3	173.6	170.3	386.2	167.1	553.3
1995	43.6	144.6	176.9	365.1	55.4	420.5
1996	47.5	149.0	186.2	382.7	355.0	737.7

Expenses by type

Fiscal year	Benefits	Administrative expenses	Refunds and transfers	Total
1987	$ 119.0	$ 5.2	$ 5.6	$ 129.8
1988	130.4	6.2	6.6	143.2
1989	141.5	5.9	6.6	154.0
1990	156.0	7.1	7.2	170.3
1991	170.3	8.2	8.6	187.1
1992	184.4	8.7	8.0	201.1
1993	197.0	10.3	6.9	214.2
1994	210.7	11.1	8.5	230.3
1995	221.9	10.2	7.7	239.8
1996	233.1	12.4	8.9	254.4

LACERS MEMBERSHIP

	1996	1995	1994	1993	1992	1991	1990
Active Non Vested	3,873.00	4,198.00	5,161.00	7,007.00	8,180.00	9,283.00	10,419.00
Active Vested	18,447.00	18,341.00	16,784.00	15,483.00	14,944.00	14,289.00	13,452.00
Terminated Vested	342.00	358.00	325.00	287.00	275.00	260.00	224.00
Retired Members & Beneficiaries	12,242.00	11,962.00	11,894.00	11,641.00	11,359.00	10,862.00	10,604.00
Total	34,904.00	34,859.00	34,164.00	34,418.00	34,758.00	34,694.00	34,699.00