We are LACERA

LACERA

Comprehensive Annual Financial Report for the year ended June 30, 2001

Los Angeles County Employees Retirement Association | *A Pension Trust Fund of the County of Los Angeles, California*

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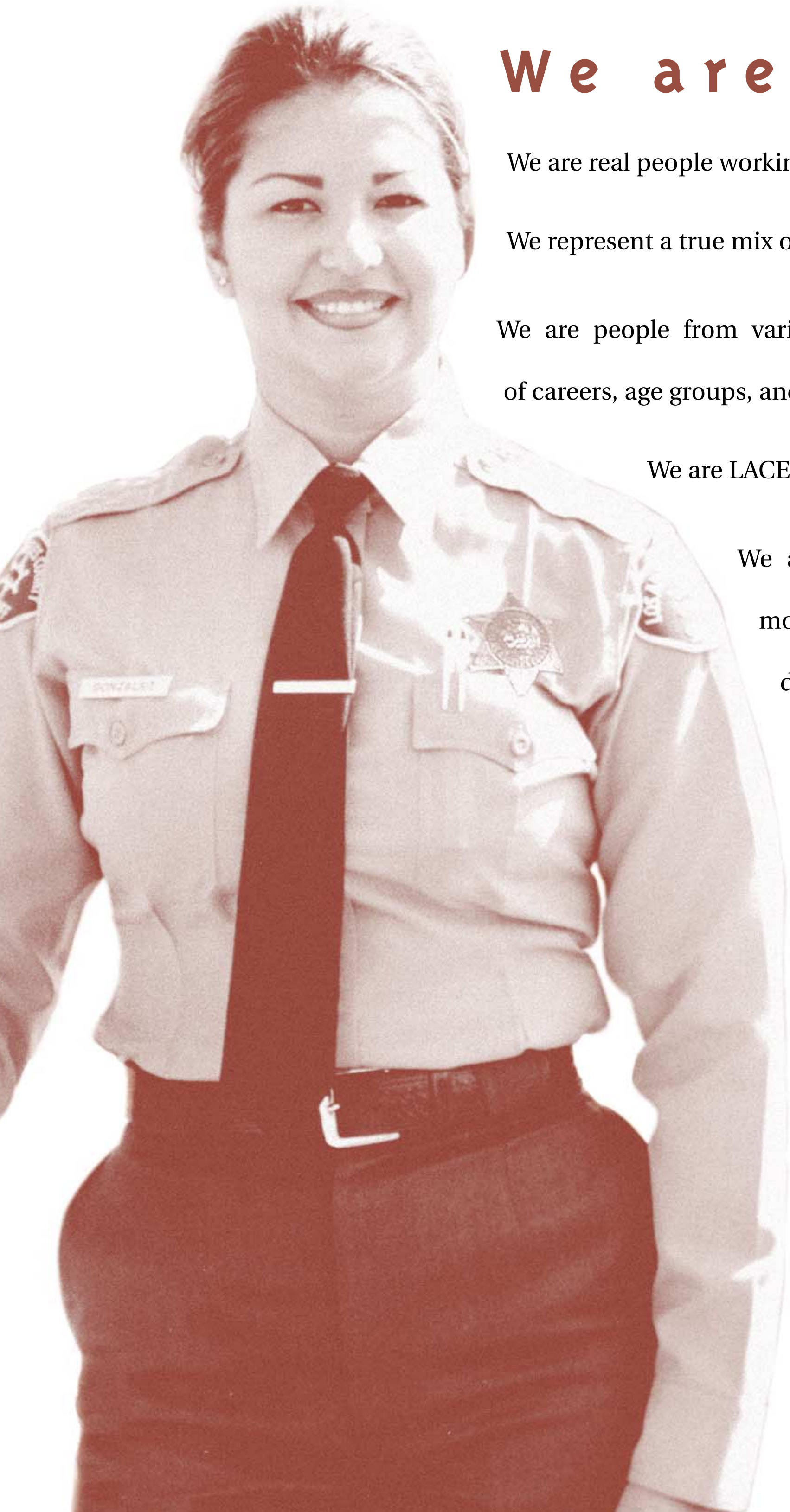


We are LACERA.

We are real people working together within LA County.

We represent a true mix of hardworking Americans.

We are people from various backgrounds and life experiences, a wide range of careers, age groups, and ethnic diversity.

We are LACERA.

We are parents, spouses, single folks getting up in the morning, going to work, putting in effort, achieving a goal, doing our best and contributing to the greater welfare of LA County, and each other.

We are LACERA.

We are a unique group of individuals whose combined efforts make this a great association.

We are LACERA – LA County employees.

We are LACERA – Excellence in customer service.

We are LACERA – Dedicated to strong fund investments and protection.

All photos in this book are of actual LA County employees.
Photography by Courtney Cook.

LACERA

Los Angeles County Employees
Retirement Association

A Pension Trust Fund of the County of Los Angeles, California

Comprehensive Annual Financial Report for the Years Ended June 30, 2001 and 2000

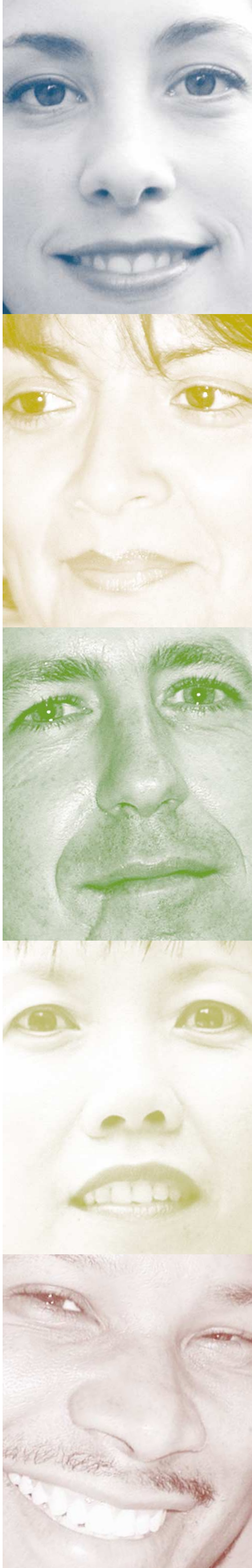
Issued by:

Marsha D. Richter
Chief Executive Officer

Gregg Rademacher
Assistant Executive Officer

Robert R. Hill
Assistant Executive Officer

300 N. Lake Avenue • Pasadena, CA 91101 • 626-564-6000 • www.lacera.com



As a sign of respect and gratitude to Mr. Stotelmeyer and Mr. Falabrino for their efforts and dedication to LACERA, we have permanently inscribed their names on the LACERA Honor Roll that resides in the boardroom. This plaque is LACERA's highest honor to bestow upon an individual. Thank you, Robert and Michael.

Michael L. Falabrino

With fondness and gratitude we remember

Mr. Falabrino left quite an impression on us through his gracious personal style, shared knowledge, and commitment to excellence. He served on the LACERA Board of Retirement for eleven years, and the Board of Investments for seven years. He felt the need to be a positive influence to the community, and many of us have benefited from his efforts.

LACERA staff and fellow Board members will miss him. He was a permanent fixture around here, and we have appreciated his diligence and steadfast commitment. A life well lived is its own reward, but in this case we have shared in his good fortune.

Robert A. Stotelmeyer

With fondness and gratitude we remember

Mr. Stotelmeyer had been a strong force on the Board of Retirement for over 22 years. His insight and commitment to help LACERA's retirees was undaunted. With his guidance and support, the Board accomplished positive measures that benefited LACERA's members.

Robert Stotelmeyer, a man of dedication, who gave of his time and energy to help make this world be a better place for a lot of people at LACERA. We will miss his presence, but his memory will remain with us.

This Table of Contents page contains direct links to each topic.
Click on the topic you wish to view.

table of contents

We are LACERA – customer service.

We strive to provide excellent service to all our members – new, active, and retired.

We are progressive with our methodologies, seeking the most efficient and effective way of doing business.

We administer LA County's retirement fund with the guidance of the Board of Retirement and other dedicated professionals.

Our goal is one call, one response, 100% accuracy.

We are LACERA – investors.

We wisely invest the members' fund through stocks, bonds, real estate, and alternative assets.

We are a fully funded retirement association.

Our Board of Investments and other experienced professionals provide guidance for our financially sound investment programs.

We invest today with our members' long-term financial future in mind.

The phrase "We are LACERA" represents us as a collective of hardworking LA County employees, the LACERA commitment to quality customer service, and LACERA's sound and prudent investing policies.

October 5, 2001

Los Angeles County Employees Retirement Association
Board of Retirement
Board of Investments
Gateway Plaza
300 North Lake Avenue, Suite 820
Pasadena, CA 91101

Dear Board Members:

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal years ended June 30, 2001 and 2000. The report is intended to provide users extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of LACERA.

We are proud of the achievements accomplished during the year and our continued focus to provide accurate and timely service to nearly 138,000 members including 45,000 benefit recipients. During this fiscal year, our service enhancement initiatives strongly reflect our goal of improving member services until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. We continue to search for new and innovative methods to deliver the highest quality customer service to our members. Our Vision is the driving force of our Association because our members deserve the best.

Marsha D. Richter
Chief Executive Officer

Report Contents

LACERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The annual report is divided into five sections:

The **Introductory Section** provides an overview of LACERA and the significant activities and events that occurred during fiscal year 2001. This section contains the Letter of Transmittal, the Certificate of Achievement for Excellence in Financial Reporting, a listing of the members of the Boards of Retirement and Investments, an overview of LACERA's administrative organization, and a list of the professional consultants LACERA utilizes.

The **Financial Section** presents the financial condition and funding status of LACERA. This section contains the opinion of the independent certified public accountants, PricewaterhouseCoopers, LLP, the financial statements, and the related supplementary financial information.

The **Investment Section** provides an overview of LACERA's investment program. This section contains the investment consultant's letter reviewing the investment activity results, the Chief Investment Officer's Report, investment performance results, a list of the external managers who provide investment services to LACERA, and other portfolio information.

The **Actuarial Section** communicates the Plan's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, Milliman USA, Inc., actuarial statistics, and general plan provisions.

The **Statistical Section** presents information pertaining to LACERA's operations on a multi-year basis.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other agencies, namely:

Little Lake Cemetery District

Local Agency Formation Commission

Los Angeles County Office of Education

South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the by-laws, procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, who is delegated the responsibility for the day-to-day management of LACERA.

Financial Information

Internal Control

The accounting firm of PricewaterhouseCoopers, LLP provides both financial statement audit services and specified procedures accounting services. The financial attest audit states that LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The specified procedures review examines LACERA's processes, procedures, and internal controls in selected operational areas each year. Maintaining appropriate internal controls and the financial statement presentation are the responsibility of management, with oversight by LACERA's Internal Audit Services staff.

Additions to and Deductions from Plan Net Assets

The primary sources to finance the retirement benefits LACERA provides are accumulated through income on investments and through the collection of member (employee) and employer retirement contributions. Due to volatile financial markets, weak asset returns, and low interest rates, net investment losses were greater than contributions by $2 billion. These investment losses are consistent with the overall market. As of June 30, 2001, LACERA's market value is $28 billion, representing an increase of 40% over the past five years. The overall growth is due to the steady contributions by plan participants and to the robust market growth in the overall investment portfolio.

Additions

For the Fiscal Years ended June 30, 2001 and 2000
(dollars in thousands):

	2001	2000
Net Investment Income/(Loss)	$(2,382,548)	$4,335,941
Employer Contributions	193,650	130,319
Member Contributions	216,297	198,618
Other	2,972	2,536
Total	**$(1,969,629)**	**$4,667,414**

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the Plan. These deductions for fiscal year 2001 totaled $1.2 billion and are largely due to the growth in the number and average amount of benefits paid to members and their beneficiaries.

The Boards of Retirement and Investments jointly approve the annual budget, which restricts administrative expenses and represents less than 0.12 percent of total Plan assets.

Deductions

For the Fiscal Years ended June 30, 2001 and 2000
(dollars in thousands):

	2001	2000
Benefits	$1,138,030	$1,048,015
Administrative Expenses	33,417	29,401
Refunds	17,640	17,250
Retiree Healthcare Program	52,717	48,611
Other	653	2,096
Total	**$1,242,457**	**$1,145,373**

Actuarial Funding Status

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an actuarial valuation of the system every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial auditor to audit the results of each triennial valuation. In addition, LACERA's valuation policy requires annual valuations to monitor the funding status of the system.

During fiscal year 2000-2001, LACERA engaged Milliman USA, Actuaries & Consultants (Milliman), to serve as its independent actuary. Milliman completed the annual valuation as of June 30, 2000 and determined the funding status (the ratio of system assets to system liabilities) to be 102.9%. The funding status was established based on the entry age normal actuarial cost method, an assumed 8% investment return, an assumed 4% annual total payroll growth rate (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25–year career), an inflation rate of 4%, and an actuarial value of assets using a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

In August 1994, LACERA and the County entered into a Retirement System Funding Agreement. Under this Agreement, the County fully funded the retirement system by issuing pension obligation bonds and transferring the proceeds to LACERA. The Agreement provides that the County must discharge any remaining unfunded actuarial accrued liability component identified in the June 30, 2000 through June 30, 2008 actuarial valuations by making annual contributions to LACERA over a 5-year period, to maintain a 100% funded status. Since the June 30, 2000 valuation determined the funding ration to be 102.9%, no County contribution for unfunded liability is required at this time.

Service Efforts and Accomplishments

Fiscal year 2000-2001 was eventful and productive for LACERA. During this fiscal year, the following significant accomplishments were achieved:

LACERA's Disaster Recovery Plan was implemented and extensively tested. Related activities included hotsite testing of informational technology platforms, tabletop business recovery exercises involving simulated disaster scenarios, and quarterly distributions of the updated disaster recovery plan via CD-ROMs to appropriate recovery team members.

Our web site, www.lacera.com, was successfully launched in November 2000. It has been developed as a member-friendly, content driven site. It covers a myriad of information divided into five sections: About LACERA, Benefits, Healthcare, Investments, and Publications. The web site is expanding into a useful tool for all LACERA members. The "Order Now" page offers members the ability to read, print, or order forms and brochures. Currently in development are the retirement calculator, interactive workshops, real estate section, and member's secure direct access to their personal information.

To help secure members' confidential information, LACERA communications no longer reference our members' social security numbers. In lieu of the easily recognizable printed social security numbers, LACERA uses machine readable bar codes.

Staff completed the following projects in our continuing efforts to be compliant with the American with Disabilities Act (ADA) requirements:

- Installed assistive listening devices in the boardroom for the hearing impaired;
- Established access to American Sign Language (ASL) interpreters;
- Installed handicapped seating signs in the boardroom and public counter reception area;
- Enabled acceptance of all TTY/TDD (assistive telephone equipment for the hearing impaired) operator relay calls when they come in; and
- Provided notice that LACERA publications can be obtained in alternative formats.

In our continuing efforts to help members better understand their retirement benefits, staff conducted nearly to 550 workshops at LACERA, County departmental locations, and other facilities. These outreach presentations included sessions covering members' careers (i.e., new membership, mid-career, pre-retirement, and post-retirement). To provide members with easy access to retirement information, staff established a regular and ongoing presence at various County facilities by bringing LACERA directly to the members at their job sites. Staff conducted 25 in-home counseling sessions, which is an ongoing service provided to terminally ill members and their families to assist them in making retirement decisions. Almost 11,200 members were assisted at our public counter and nearly 163,000 telephone inquiries were addressed.

Staff implemented an enterprise-wide integrated financial application that incorporates LACERA's various finance related functions. Benefits derived from the new, single integrated financial package included enhanced query and reporting capabilities, increased data integrity, improved functionality, and risk avoidance.

In Fiscal Year 1999-2000, the Board of Investments authorized the development of a new asset allocation plan. The asset allocation plan consisted of two stages. Stage I, implemented last fiscal year, determined the target allocations for strategic asset classes which included domestic and international equities, fixed income, and real estate. Stage II, completed this fiscal year, focused on implementing target allocations for sub-asset classes such as public and private equity investments. As a result of that process, the allocation to international investment-grade bonds was eliminated. Subsequently, staff began redeploying assets from international fixed income to international equities.

Other Programs and Services

Supplemental Targeted Adjustment for Retirees (STAR)

On December 20, 1989, the Board of Retirement approved the STAR program under the authority granted to them by the County Employees Retirement Law of 1937. STAR is a supplemental cost-of-living benefit for retirees or their survivors who have lost 20% or more of the purchasing power of their original retirement benefit. The Board of Retirement, together with the Board of Investments, has unanimously supported the STAR program through their annual program approval and fund appropriations. In April 2001, the Board of Retirement voted to vest the 2001 STAR program at an 80% level as authorized in the California Government Code at a cost of $297 million. The STAR program benefit costs for calendar year 2000 were $35.4 million, and are anticipated to be similar for calendar year 2001. Currently, close to 13,000 retirees receive this benefit.

Healthcare Benefits Program

Under an agreement with the County of Los Angeles, LACERA administers a Healthcare Benefits Program, which includes medical and dental/vision plans for over 66,600 retirees/survivors and their eligible dependents, and a Long Term Care Program for nearly 2,400 participants.

During fiscal year 2000-2001, in our continued efforts to provide a health care benefits program of the highest quality, staff accomplished the following:

- Conducted LACERA's 9th Annual Health Fair, which is sponsored by participating healthcare providers and organizations. More than 1,000 members attended the Health Fair.
- Completed medical plan transfers for SmartCare members upon termination of the contract to other LACERA-sponsored medical plans effective June 2001.
- Completed medical plan transfers for members of CIGNA HealthCare for Seniors Plan to other LACERA-sponsored medical plans effective January 2001. The relationship with CIGNA was terminated due to the fact that CIGNA closed the Seniors Plan and discontinued offering this option to its members.
- Conducted the mailing of the annual letter and insurance rate booklet to about 33,000 members in May 2000, and implemented the new rate tables effective July 1, 2000.
- Completed the mass mailing of the Medicare Letter to nearly 14,400 LACERA members currently enrolled in one of the LACERA-sponsored Medicare plans. In compliance with the Balanced Budget Act of 1997, Medicare beneficiaries were informed that they will be receiving the "Medicare & You" handbook, which explains the changes to the Medicare program for the year 2001.

Economic and Market Review

As fiscal year 2000-2001 arrived, increasing interest rates and stretched valuations started dampening investor enthusiasm for stocks, particularly technology securities. As a result, the S&P 500 returned a –14.8% for the fiscal year ending June 2001. Technology stocks led the S&P down during this period, returning a –52.2% as measured by Russell Mellon Analytical Services.

The technology heavy Russell 1000 growth index, which had driven the market up during the late 1990s, was trounced during the fiscal year, returning a –36.2%. Conversely, the Russell 1000 value index, which has little technology exposure, returned a positive 10.3% for the fiscal year after significantly lagging the growth index for the last couple of years.

Several factors contributed to these declines including high stock valuations, concerns about declining corporate earnings, and weakening economic growth. Compounding this problem was the precipitous drop in business investment spending occurring in the fourth quarter 2000. While business spending was being curtailed, consumer spending, which comprises two-thirds of the Gross Domestic Product (GDP), remained strong, helping to sustain US economic growth during the second half of the fiscal year.

Investor concern about stocks quickly spread globally with international markets providing no solace during the fiscal year with the Morgan Stanley All Country World excluding the United States (MSCI-ACWI) returning a –23.8%. The ACWI benchmark contains three major regions: Europe, Pacific Basin and Emerging Markets.

MSCI-Europe returned a –21.7% during the fiscal year. MSCI-Pacific Basin which is dominated by Japan, returned a –27.4% during this period. Emerging markets also languished during the fiscal year returning a –25.8% as measured by MSCI. The dollar remained strong against all major currencies during the fiscal year, thereby reducing U.S. investors' returns.

With inflation fears abating, and concerns about a slowing economy increasing, the Federal Reserve cut short-term interest rates six times for a total rate reduction of 250% basis points in the first six months of the new year. While the Fed aggressively cut rates, it was not enough to curtail businesses from cutting employees with the unemployment rate increasing to 4.5% for month-ending June 2001 compared with 4.0% at June 2000.

Notwithstanding turbulent equity markets, there were some bright spots during the fiscal year. The Lehman Brothers Aggregate bond index returned 11.2% during the fiscal year. Lower interest rates, declining inflation fears and a slowing economy all bode well for the bond market. Finally, the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index returned an estimated 11% for the one-year period ending June 30, 2001.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. This was the 11th consecutive year that LACERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report on a timely basis is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I would like to express my sincere gratitude to the LACERA Boards and staff, as well as to all our professional service providers, who performed so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Marsha D. Richter

Marsha D. Richter
Chief Executive Officer

members of the board of retirement

At June 30, 2001

CHAIRMAN

Les Robbins

Elected by
Safety members
Term expires
12-31-03

VICE CHAIRMAN

Warren Bennett

Appointed by the Board
of Supervisors
Term expires
12-31-01

SECRETARY

Simon Russin

Elected by
General members
Term expires
12-31-03

MEMBER

Mark J. Saladino

Treasurer and Tax Collector
Ex-Officio member

MEMBER

Bruce Perelman

Elected by
General members
Term expires
12-31-02

MEMBER

William Pryor

(Alternate member)
Elected by
Safety members
Term expires
12-31-01

MEMBER

Michael L. Falabrino

Appointed by the Board
of Supervisors
Term expires
12-31-02
(Deceased)

MEMBER

Edgar H. Twine

Appointed by the Board
of Supervisors
Term expires
12-31-03

MEMBER

Robert A. Stotelmeyer

Elected by
Retired members
Term expires
12-31-02
(Deceased)

MEMBER

Sadonya Antebi

Appointed by the Board
of Supervisors
Term expires
12-31-02

members of the board of investments

At June 30, 2001

CHAIRMAN
Estevan R. Valenzuela
Appointed by the Board
of Supervisors
Term expires
12-31-01

VICE CHAIRMAN
Sandra J. Anderson
Elected by
Retired members
Term expires
12-31-02

SECRETARY
Les Robbins
Elected by
Safety members
Term expires
12-31-01

MEMBER
Mark J. Saladino
Treasurer and Tax Collector
Ex-Officio member

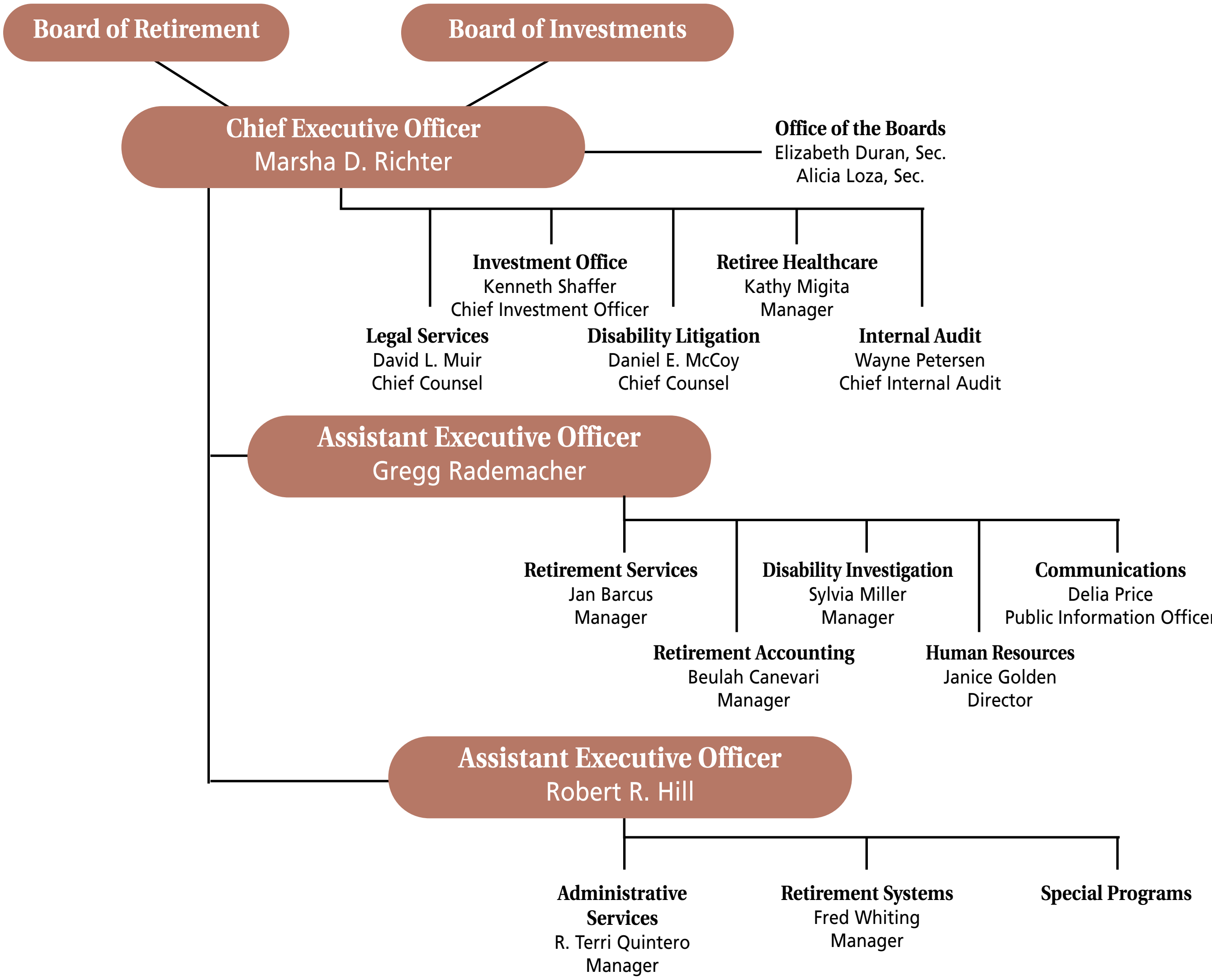
MEMBER
Simon S. Russin
Elected by
General members
Term expires
12-31-02

MEMBER
Daniel R. Cohen
Appointed by the Board
of Supervisors
Term expires
12-31-02

MEMBER
Brian C. Brooks
Elected by
General members
Term expires
12-31-03

MEMBER
Larkin Teasley
Appointed by the Board
of Supervisors
Term expires
12-31-02

MEMBER
Cody Ferguson
Appointed by the Board
of Supervisors
Term expires
12-31-03



Certificate of Achievement

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting each year. For the 11th year in a row LACERA has been awarded this prestigious Certificate of Achievement.

list of professional consultants

Actuary
Milliman USA

Auditors
Financial Control Systems, Inc.
PricewaterhouseCoopers, LLP
The Segal Company

Commercial Banking
Mellon Bank Global Cash Management

Custodian
Mellon Trust

Data Processing
Los Angeles County
Internal Services Department

Governance Consultant
Institutional Shareholder Services, Inc.

Investment Consultants
Frank Russell Company
The Townsend Group

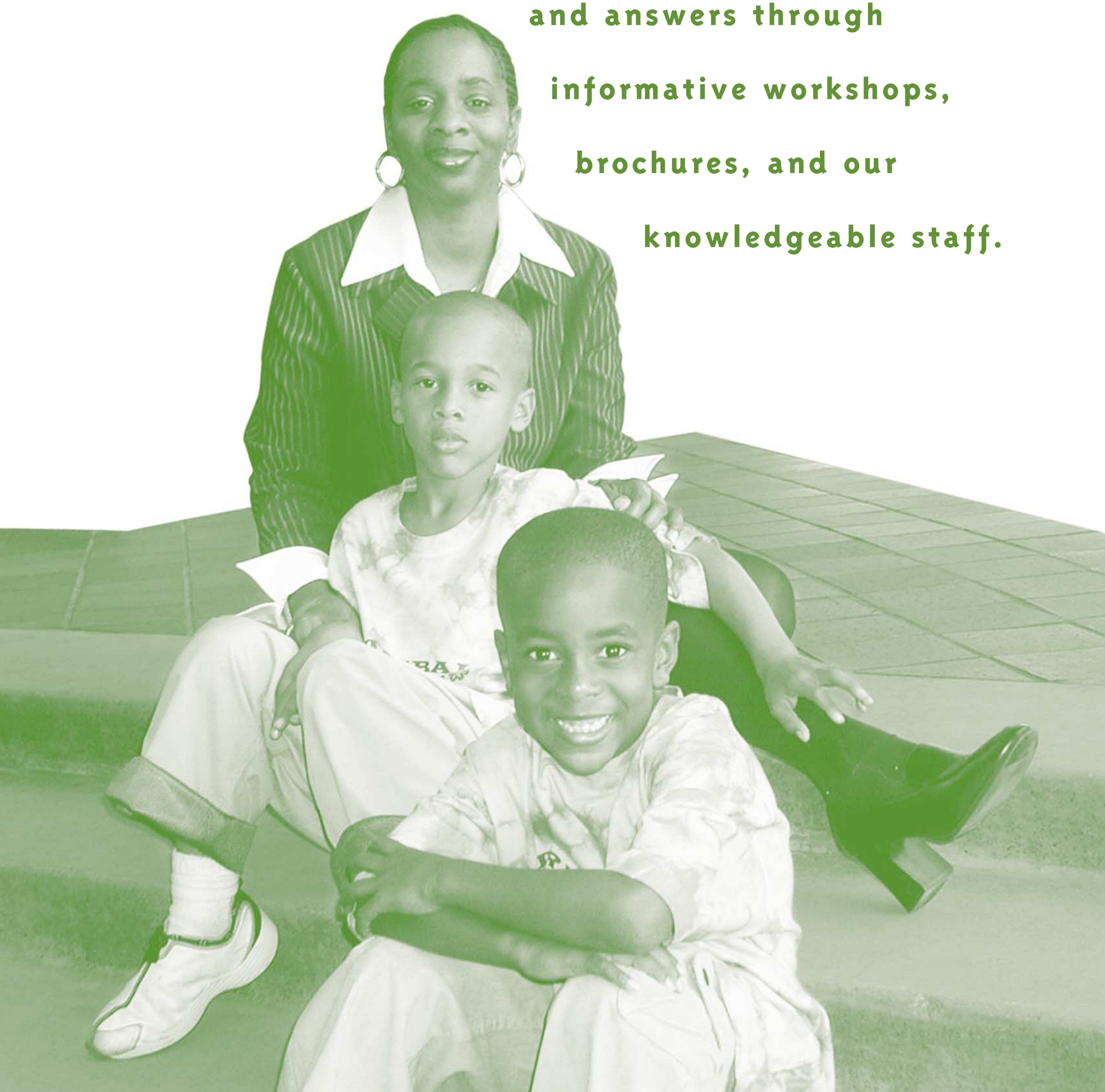
Legal Counsel
Cox, Castle & Nicholson
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, L.L.P.
D'Ancona & Pflaum
Graves, Roberson & Bourassa
Jones, Day, Reavis & Pogue
Morgan, Lewis & Brockius
Morrison & Foerster, L.L.P.
Orrick, Herrington & Sutcliffe
Paul, Hastings, Janofsky & Walker

Mortgage Loan Custodian
Bankers Trust Company
Chase Manhattan Bank

Assistant Executive Officer
Gregg Rademacher

Assistant Executive Officer
Robert R. Hill

We help you plan for your future retirement. We offer guidance and answers through informative workshops, brochures, and our knowledgeable staff.



f i n a n c i a l

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 South Hope Street
Los Angeles, CA 90071-2889
Telephone (213) 236-3000
Facsimile (213) 622-9062

Boards of Retirement and Investments

Los Angeles County Employees Retirement Association

In our opinion, the accompanying statement of plan net assets and the related statement of changes in plan net assets present fairly, in all material respects, the financial position of the Los Angeles County Employees Retirement Association ("LACERA") as of June 30, 2001 and 2000, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles in the United States of America. These financial are the responsibility of LACERA's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States which require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of LACERA. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audits, is fairly presented in all material respects in relation to the basic financial statements taken as whole.

The information included in the Investment, Actuarial and Statistical Sections as listed in the accompanying table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on these sections.

In accordance with **Government Auditing Standards**, we have also issued our report dated September 28, 2001 on our consideration of the LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be read in conjunction with this report in considering the results of our audit.

PriceWaterhouseCoopers LLP

September 28, 2001

Statement of Plan Net Assets

As of June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Assets		
Cash	$52,620	$23,862
Collateral on Loaned Securities	1,403,546	1,248,217
Receivables		
Accounts Receivable – Sale of Investments	324,573	195,882
Accrued Interest and Dividends	122,805	140,112
Accounts Receivable – Other	70,031	67,283
Total Receivables	517,409	403,277
Investments at Fair Value – Note M		
Stocks	14,266,086	16,755,863
Bonds	7,766,774	8,370,752
Short-Term Investments	1,638,688	1,691,210
Real Estate	3,494,232	3,050,785
Alternative Assets	1,485,588	1,934,450
Mortgages	201,826	193,244
Total Investments	28,853,194	31,996,304
Fixed Assets Net of Depreciation	330	750
Total Assets	**30,827,099**	**33,672,410**
Liabilities		
Accounts Payable – Purchase of Investments	1,013,021	786,379
Retiree Payroll and Other Payables	51	17,785
Accrued Expenses	20,191	20,951
Leasehold Incentives	0	209
Tax Withholding Payable	11,848	10,727
Obligations under Securities Lending Program	1,403,546	1,248,217
Accounts Payable – Other	25,180	22,794
Total Liabilities	**2,473,837**	**2,107,062**
Net Assets Held in Trust for Pension Benefits	**$28,353,262**	**$31,565,348**

(A Schedule of Funding Progress is presented in the Required Supplemental Information in this Section.)

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Additions		
Contributions		
Employer	$193,650	$130,319
Member	216,297	198,618
Total Contributions	409,947	328,937
Investment Income		
From Investing Activities		
Net (Depreciation)/Appreciation in Fair Value of Investments	(3,948,686)	1,835,707
Investment Income	1,644,455	2,556,372
Total Investing Activity Income	(2,304,231)	4,392,079
Less Expenses From Investing Activities	(85,296)	(61,769)
Net Investing Activity Income	(2,389,527)	4,330,310
From Securities Lending Activities		
Securities Lending Income	88,546	64,837
Less Expenses From Securities Lending Activities	(81,567)	(59,206)
Net Securities Lending Income	6,979	5,631
Total Net Investment Income	(2,382,548)	4,335,941
Miscellaneous	2,972	2,536
Total Additions	**(1,969,629)**	**4,667,414**
Deductions		
Retiree Payroll	1,136,296	1,046,802
Administrative Expense – Note B	33,417	29,401
Refunds	17,640	17,250
Lump Sum Death Benefits	1,734	1,213
Retiree Healthcare Program	52,717	48,611
Miscellaneous	653	2,096
Total Deductions	**1,242,457**	**1,145,373**
Net Increase/(Decrease)	(3,212,086)	3,522,041
Net Assets Held in Trust for Pension Benefits Beginning of Year	31,565,348	28,043,307
End of Year	**$28,353,262**	**$31,565,348**

The accompanying notes are an integral part of these financial statements.

NOTE A — Plan Description

On January 1, 1938, the Los Angeles County Employees Retirement Association (LACERA) was established. It is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the Retirement Law of 1937, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multi-employer defined benefit plan for Los Angeles County and four participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and South Coast Air Quality Management District. LACERA does not include non-employer contributors.

Membership

LACERA provides retirement, disability and death benefits to its active safety and general members, and administers the plan sponsor's retiree health benefit program. Safety membership includes law enforcement (Sheriff and District Attorney Investigators), fire fighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a noncontributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions in the Actuarial Section of this report.

At June 30, 2001 and 2000, LACERA membership consisted of:

	2001	**2000**
Active Members:		
Vested	55,956	55,155
Non-Vested	31,113	28,049
Total Active Members	87,069	83,204
Retired Members	45,397	44,628
Terminated Vested (Deferred)	5,504	5,238
Total Membership	**137,970**	**133,070**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the plan; age at retirement and length of service as of the retirement date, according to applicable statutory formula. Service connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for non-service connected disability eligibility according to applicable statutory formula, except for members of the noncontributory plan who are covered under separate long-term disability provisions not administered by LACERA.

Notes to Financial Statements - Note A continued

Cost-of-Living Adjustment

Under provisions in the California Government Code, the Board of Retirement (Board) shall, before April 1 each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1. Effective April 1 of each year, the Board must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of 1%, the percentage of annual increase or decrease in the cost-of-living as of the preceding January 1 for members and survivors who were retired prior to April 1. Plan A members may receive a 3% maximum increase while Plan B, C, and D members may receive a 2% maximum increase. Any CPI cost-of-living increase or decrease in any year, which is not met by the maximum annual change of 3% or 2% in allowances, will be accumulated to be met by increases or decreases in allowances for future years. The accumulated percentage carryover is known as the Cost-of-Living Adjustment Bank. There are no provisions for a cost-of-living increase for Plan E members.

STAR Program

In addition to cost-of-living increases, the California Government Code also provides the Board the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. In April 2001, the Board of Retirement voted to vest the 2001 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3. Although the 2001 STAR Program is a vested benefit, future supplemental cost-of-living increases based on future increases in the consumer price index will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. The STAR program is administered on a calendar year basis.

The following represents the STAR program experience from inception through June 30, 2001 (dollars in thousands):

	Funding	Costs	Available for Future Benefits
Inception 1990	$201,200	($47,411)	$153,789
Program Year 1991		(50,994)	102,795
Program Year 1992	172,000	(57,776)	217,019
Program Year 1993	51,726	(56,542)	212,203
Program Year 1994		(56,895)	155,308
Program Year 1995	165,815	(54,905)	266,218
Program Year 1996	48,770	(49,571)	265,417
Program Year 1997	269,168	(44,349)	490,236
Program Year 1998	267,098	(42,225)	715,109
Program Year 1999	347,397	(39,232)	1,023,274
Program Year 2000		(35,397)	987,877
Program Year 2001 through June 30		(21,102)	966,775
Vesting of 2001 STAR Program		(297,000)	669,775
Total	**$1,523,174**	**($853,399)**	

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). LACERA's Annual Financial Statements are included in the County's Annual Financial Report as a pension trust fund. Maintaining appropriate controls and preparing the financial statements are the responsibility of management, with oversight by LACERA's Internal Audit Services staff.

LACERA wholly owns numerous Title Holding Corporations (THCs) and four Limited Liability Companies (LLCs). The THCs are nonprofit corporations under Section 501 (c)(25) of the Internal Revenue Code. The LLCs do not have tax-exempt status, but their income is excludable from taxation under Internal Revenue Code Section 115. The THCs invest in commercial properties located throughout the United States and the LLCs invest in hotels and office buildings. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value. Additional detailed information for these entities can be obtained from LACERA's Retirement Accounting Division, 300 North Lake Avenue, Suite 720, Pasadena, CA 91101.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth in Statement 25 of the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Administrative Expenses

The LACERA Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against investment earnings and are limited to eighteen hundredths of one percent as set forth under Government Code Section 31580.2.

The following budget to actual analysis of administrative expenses is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses (dollars in thousands):

Total Projected Asset Base as of December 31, 2000 at fair value	$29,510,769
Maximum Allowable for Administrative Expense (.0018 x $29,510,769)	53,119
Operating Budget for Fiscal Year 2000-2001	38,933
Actual Administrative Expenses for the Fiscal Year ended June 30, 2001	33,417
Underexpended Operating Budget	**$5,516**

Notes to Financial Statements - Note B continued

Fixed Assets

In Fiscal Year 1999-2000, LACERA changed its policy on fixed assets whereby new fixed asset acquisitions are expensed instead of being capitalized. Fixed assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation. These assets are depreciated over their remaining useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and ten-years for furniture, structures, and leasehold improvements.

The cost and accumulated depreciation of fixed assets as of June 30, 2001 and 2000 were as follows (dollars in thousands):

	2001	2000
Furniture and Equipment	$4,278	$4,278
Structures and Improvements	2,829	2,829
Total Fixed Assets (at cost)	7,107	7,107
Less: Accumulated Depreciation		
Furniture and Equipment	3,949	3,671
Structures and Improvements	2,828	2,686
Total Accumulated Depreciation	6,777	6,357
Total Fixed Assets Net of Depreciation	**$330**	**$750**

Accrued Vacation and Sick Leave

Employees who resign or retire are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave for LACERA employees as of June 30, 2001 and 2000 were $1.7 million and $1.4 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings translated to US dollars using the exchange rates in effect at June 30, 2001 and 2000, which have original maturities of less than 90 days.

Investments

The cost of stocks and bonds is determined using the average cost method, while the cost for mortgage loans and short-term investments is determined using the specific identification method. Premiums or discounts on long-term bonds are amortized using the constant-yield amortization or straight-line method, depending on the nature of the security. Premiums or discounts on mortgage loans are amortized using the straight-line method over a period of 120 months. Unsettled investment trades as of year-end are reported in the financial statements on an accrual basis. The corresponding funds receivable from a sale and funds payable for a purchase are reported in Accounts Receivable–Sale of Investments and Accounts Payable–Purchase of Investments, respectively.

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded stocks and bonds, and issues of the US Government and its agencies	Most recent sales price as of the fiscal year end. International securities reflect currency exchange rates in effect at June 30, 2001 and 2000.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Fair value as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by property managers.
Alternative assets	Fair value as provided by the investment manager and reviewed by LACERA's alternative asset consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks which may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

New Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and subsequently in June 2001, issued Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus. GASB No. 34 and No. 37 provide a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis, government-wide and fund financial statements, notes to the financial statements, and required supplementary information. LACERA is required to implement GASB No. 34 and No. 37 for the year ending June 30, 2002. LACERA is currently evaluating the impact of these pronouncements on its financial statements, but does not expect there to be a significant change to net assets available for benefits.

NOTE C — Contributions

The employers and members contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments and Los Angeles County's Board of Supervisors. Contributory plan members are required to contribute between 4% and 15% of their annual covered salary.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Member rates for the contributory plan tiers are based upon age at entry to the system and plan enrollment. As a result of collective bargaining, member rates for various plans have been reduced through additional employer contributions, known as a surcharge rate. Member and employer contributions received from the participating agencies are considered part of LACERA's plan as a whole.

Through December of fiscal year 2000-2001, the County financed its employer contributions due LACERA in the form of monthly cash payments. As part of the Retirement System Funding Agreement (Agreement) between LACERA and the County, the County prepaid its contributions for the remaining six months for fiscal year ended June 30, 2001 through transfers from excess earnings (i.e. County Contribution Credit Reserve) as defined in the Agreement.

NOTE D — Reserves

The reserves represent the ownership of LACERA assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. LACERA's major classes of reserves are as follows:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump-sum death benefit payments to members' survivor(s), and supplemental disability payments.

For fiscal year 2000-2001, the County paid its employer contributions using a combination of cash and transfers from its portion of excess earnings (i.e., County Contribution Credit Reserve). For fiscal year ended June 30, 2001, the County paid approximately $193 million in cash, and utilized $197 million of the advanced funding made on June 30, 2000, leaving a balance of $165 million in advanced funding. On June 30, 2000, the County prefunded approximately $362 million from the County Contribution Credit Reserve, a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2001 and 2002.

County Contribution Credit Reserve represents the balance of the County's proportionate share (i.e., 75%) of excess earnings as stipulated in the Retirement System Funding Agreement between LACERA and the County. Additions include distributions from excess earnings, when available. Deductions include payments, as the County authorizes, for future employer contributions due LACERA and for funding the Retiree Healthcare Account. This Account is used to subsidize a portion of the Retiree Healthcare Program under the provisions of Internal Revenue Code Section 401(h).

STAR Reserve represents the balance of transfers from Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from Contingency Reserve. In April 2001, the Board of Retirement voted to vest the 2001 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3. Future increases not vested in the current STAR program will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. Deductions include COLA payments to retirees and vesting of benefits.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, and funding of the STAR Reserve, when excess earnings are available and authorized by LACERA's Boards. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve 1% of the assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The balance of the Contingency Reserve of $1.3 billion and $1.5 billion represent 4.6% and 4.8% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2001 and 2000, respectively, and as such, the Contingency Reserve is considered fully funded.

Reserves as of June 30, 2001 and 2000 are as follows (dollars in thousands):

	2001	**2000**
Member Reserves		
Active Members	$8,210,126	$7,671,157
Unclaimed Deposits		25
Total Member Reserves	8,210,126	7,671,182
Employer Reserves		
Actual Employer Contributions	12,935,367	12,076,144
Advanced Employer Contributions (FY 00-01 & 01-02)	164,716	361,745
Total Employer Reserves	13,100,083	12,437,889
County Contribution Credit Reserve	1,486,792	1,424,158
STAR Reserve	669,775	1,005,309
Contingency Reserve	1,325,312	1,516,949
Total Reserves at Book Value	24,792,088	24,055,487
Unrealized Investment Portfolio Appreciation	3,561,174	7,509,861
Total Reserves at Fair Value	**$28,353,262**	**$31,565,348**

NOTE E — Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an annual actuarial valuation. A system actuarial valuation is performed every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial auditor to audit the results of each triennial valuation. In addition, LACERA's valuation policy requires annual valuations to monitor the funding status of the system.

During fiscal year 2000-2001, LACERA engaged Milliman USA, Actuaries & Consultants, to serve as its independent actuary. Milliman USA completed the annual valuation as of June 30, 2000 and determined the funding status (the ratio of system assets to system liabilities) to be 102.9%. The funding status was established based on the entry age normal actuarial cost method, an assumed 8% investment return, an assumed 4% annual total payroll growth rate (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25–year career), an inflation rate of 4%, and an actuarial value of assets using a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

In August 1994, LACERA and the County entered into a Retirement System Funding Agreement. Under this Agreement, the County fully funded the retirement system by issuing pension obligation bonds and transferring the proceeds to LACERA. The Agreement provides that the County must discharge any remaining unfunded actuarial accrued liability (UAAL) component identified in the June 30, 2000 through June 30, 2008 actuarial valuations by making annual contributions to LACERA over a 5-year period, to maintain a 100% funded status. Since the June 30, 2000 valuation determined the funding ration to be 102.9%, no County contribution for unfunded liability is required at this time.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA will continue to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received $44.0 million and $45.0 million in related reimbursements during each of the years ended June 30, 2001 and 2000, respectively. Such amounts have reduced the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G — Postemployment Healthcare Benefits

Under an agreement with the County and participating outside agencies, LACERA administers a Healthcare Benefits Program (HBP) for retired members and their eligible dependents.

The LACERA sponsored HBP offers members an extensive choice of medical plans, as well as, two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as, Medicare supplement or Medicare risk contract plan. The Board reserves the right to amend or revise these plans and programs at any time.

The cost for insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution ranges from 40% of the benchmark plan for 10 years of service up to 100% of the benchmark plan with 25 years of service.

Plan net assets are not held in trust for postemployment healthcare benefits. The HBP is funded by the County and members on a pay-as-you-go basis. During fiscal year ending June 30, 2001, $182 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $160 million and $22 million, respectively. During fiscal year ending June 30, 2000, $161 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $142 million and $19 million, respectively.

The County elected to subsidize the premium payments for the HBP through LACERA to the extent permitted by law. Section 401(h) of the Internal Revenue Code permits the establishment of a separate account (a “401(h) Account”), and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA after the 401(h) Account is established.

Beginning in fiscal year 1997, the County and LACERA entered into an agreement establishing the healthcare funding account. Funding the HBP through a 401(h) Account allows the County to direct LACERA to use a portion of excess earnings from the County Contribution Credit Reserve to replace County retirement fund contributions designated by the County as a contribution to the 401(h) Account.

A summary of HBP participants is as follows:

	2001	2000
Medical Plans	33,636	32,915
Dental/Vision Plans	33,600	32,798
Total	**67,236**	**65,713**

NOTE H — Summary of Investment Policies

The County Employees Retirement Law of 1937 (Law) authorizes the Board of Investments (Board) with exclusive control over the investment of LACERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

Additionally, the Law requires the Board and its officers and employees to discharge their duties with respect to LACERA and the investment portfolio:

- Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

NOTE I — Portfolio Concentration

LACERA's Investment Portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the US government) that represented 5% or more of the total investment portfolio. The Board of Investments policy and guidelines mandate that LACERA's domestic equity composite be well diversified when measured against the broad based Russell 3000 benchmark. As of June 30, 2001, LACERA's largest industry concentration occurred in Drugs and Pharmaceuticals comprising approximately 7.9% of the domestic equity composite compared with 9.3% in the Russell 3000 benchmark.

NOTE J — Securities Lending Program

The Board's policies authorize LACERA to participate in a securities lending program, whereby securities are transferred to an independent broker or dealer with a simultaneous agreement to return the collateral for the same securities in the future. LACERA's custodian, Mellon Bank (Mellon), is the agent for its securities lending program.

Securities on loan must be collateralized with a value of 102%, for US securities, and 105%, for non-US securities, of the fair value of any security loaned, plus any accrued interest. Collateral received may include cash, and US government securities. Securities lent at year-end for cash collateral are presented as unclassified in the schedule of custodial credit risk in Note M; securities lent for securities collateral are classified according to the category for the collateral. Collateral is marked to market daily. A corresponding liability is recorded for the fair value of the cash collateral received. Non-cash collateral is not reported on the balance sheet.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. LACERA cannot pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2001, there were no significant violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2001.

Under the terms of the lending agreement, Mellon has agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. All loans on securities can be terminated on demand by either LACERA or the borrower.

Cash collateral is reinvested by an investment manager in short-term, highly liquid fixed income instruments. This separately managed portfolio is also subject to the policies and guidelines adopted by the Board. The primary objectives of these guidelines are to preserve capital and to provide sufficient liquidity for the management of the securities lending program. Maturities of investments made with cash collateral are not required to match the maturities of securities on loan.

As of June 30, 2001 and 2000, the fair values of the securities on loan were $1.404 billion and $1.282 billion, respectively. For the years ended June 30, 2001 and 2000, the value of cash collateral received for the securities on loan were $1.404 billion and $1.248 billion, respectively. Non-cash collateral received for the securities on loan were $43 million and $68 million, for the years ended June 30, 2001 and 2000, respectively. LACERA's income net of expenses from securities lending was $6.979 million and $5.631 million for the years ended June 30, 2001 and 2000, respectively.

NOTE K — Forward Currency Contracts and Foreign Currency

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency loss in fiscal year 2001 was $215 million. The net foreign currency loss in fiscal year 2000 was $29 million. At June 30, 2001, forward currency contracts receivable and payable totaled $891 million and $890 million, respectively. At June 30, 2000, forward currency contracts receivable and payable totaled $1.831 billion and $1.841 billion, respectively.

NOTE L — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 71 Title Holding Corporations (THCs) and four Limited Liability Companies (LLCs) as of June 30, 2001, and 62 Title Holding Corporations and three Limited Liability Companies as of June 30, 2000, respectively.

The following is a summary of the THCs' financial position as of June 30, 2001 and 2000 (dollars in thousands):

	2001	2000
Assets	$3,396,705	$2,964,873
Less: Liabilities	160,678	162,214
Net Assets	**$3,236,027**	**$2,802,659**
Net Income	$263,534	$227,623

NOTE M — Deposits and Investments

Three categories of risk level have been developed by the Government Accounting Standards Board Statement 3 to disclose the various custodial risks associated with the deposits and investments of LACERA:

Deposits

Category 1.
Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2.
Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3.
Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Investments

Category 1.
Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2.
Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.

Category 3.
Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any underlying securities.)

Based on these criteria, LACERA's deposits and investments as of June 30, 2001 are classified as follows (dollars in thousands):

	Investment Risk Category		June 30, 2001	June 30, 2000
	Category 1 Bank Balance	**Category 3 Bank Balance**	**Total Bank Balance**	**Total Bank Balance**
Deposits				
Cash	$44,489	$5,100	$49,589	$19,517
Certificates of Deposit				835,892
Total Categorized Deposits	44,489	5,100	49,589	855,409
	Fair Value		**Fair Value**	**Fair Value**
Investments				
US Government and Agency Instruments:				
Not on Securities Loan	2,051,980		2,051,980	2,170,284
On Securities Loan for Securities Collateral	41,774		41,774	65,644
Domestic Corporate Bonds	4,035,659		4,035,659	3,794,594
Global Bonds				1,171,973
Private Placement Bonds	539,981		539,981	341,392
Total Bonds	6,669,394		6,669,394	7,543,887
Domestic Stocks	9,242,763		9,242,763	10,967,489
Global Stocks:				
Not on Securities Loan	4,754,178		4,754,178	5,393,290
On Securities Loan for Securities Collateral				862
Global Convertible Debentures	4,245		4,245	5,779
Total Stocks & Convertibles	14,001,186		14,001,186	16,367,420
Corporate and Government	1,638,688		1,638,688	855,318
Total Short Term Investments	1,638,688		1,638,688	855,318
Total Categorized Investments	22,309,268		22,309,268	24,766,625
Investments not considered securities for purposes of custodial risk classification are as follows:				
Real Estate & Title Holdings			3,494,232	3,050,785
Alternative Assets			1,485,588	1,934,451
Mortgages			201,826	193,244
LA County Treasurer Investment Pool			3,031	4,344
Investments held by broker-dealer under securities loans with cash collateral:				
Stocks			264,900	388,443
Government Bonds			732,028	584,560
Corporate Bonds			365,352	242,305
Securities Lending Cash Collateral Invested in Short-term Fixed Income Fund			1,403,546	1,248,217
Total Uncategorized Investments			7,950,503	7,646,349
Total Deposits and Investments	**$22,353,757**	**$5,100**	**$30,309,360**	**$33,268,383**

Note: LACERA has no deposits or investments under Category 2.

NOTE N — Related Party Transactions

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into a lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated. However, LACERA is required to pay its proportionate share of the building operating expenses as defined in the lease. The agreement included a $4 million lease incentive, which LACERA used for build-out and other occupancy costs. These costs were capitalized and were depreciated over the life of the lease, which expired on December 31, 2000. The lease incentive liability was recognized over the life of the lease as a reduction to rent expense.

In January 2001, the original lease was extended for an additional five years, expiring December 31, 2005. The original lease was amended to include an additional 1,230 square feet of office space. A new Tenant Improvement Allowance was provided for structural improvements in the amount of $1.428 million over the 5-year lease term. LACERA changed its Fixed Assets Policy in fiscal year 1999-2000, whereby new fixed asset acquisitions are expensed, instead of being capitalized. Accordingly, the new Allowance will not be capitalized. As with the original lease, base rent for LACERA is abated, but LACERA is required to pay its proportionate share of the building operating expenses.

Total operating expenses charged to LACERA were $697,418 and $637,848 for the years ended June 30, 2001 and 2000, respectively.

LACERA has notes receivables of approximately $36 million from three of their Title Holding Corporations, as of fiscal year end June 30, 2001 and 2000. This amount is carried in the Accounts Receivable–Other balance.

NOTE O — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Leases

LACERA leases equipment and property under lease agreements which expire over the next seven years. In accordance with the revised Fixed Assets Policy implemented in fiscal year 1999-2000, any potential capital leases will not be capitalized. The annual commitments under such leases were $1.327 million and $1.333 million in fiscal years 2001 and 2000, respectively. The building space lease agreement entered in January 1991, and extended in January 2001 for an additional five years, requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in related party Note N.

Total rent expense for all leases, prior to the recognition of the lease incentive, was $2.024 million and $1.971 million in fiscal years 2001 and 2000, respectively. The lease incentive recognized in 2001 and 2000, as a reduction in rent expense, was approximately $209,000 and $418,000, respectively. The lease incentive was fully amortized as of December 31, 2000, which ended the life of the original lease term.

Capital Commitments

LACERA equity real estate and alternative investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity is controlled by the Manager Investment Plan, which identifies the limitations on each manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by the LACERA Board of Investments and may be updated as often as necessary to reflect LACERA investment preferences, as well as changes in market conditions.

As of June 30, 2001, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $1.585 billion. Subsequent to June 30, 2001, LACERA funded $51 million of these capital commitments.

Required Supplemental Information

Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
30-Jun-95	$16,503,672	$16,391,833	($111,839) [1]	100.7%	$3,442,231	-3.2%
30-Jun-96	17,724,744	17,277,651	(447,093) [1]	102.6%	3,355,551	-13.3%
30-Jun-97	19,642,355	19,383,641	(258,714) [1]	101.3%	3,373,314	-7.7%
30-Jun-98	20,851,133	20,959,946	108,813	99.5%	3,562,416	3.1%
30-Jun-99	23,536,116	22,784,706	(751,410) [1]	103.3%	3,858,090	-19.5%
30-Jun-00	25,426,507	24,720,380	(706,127) [1]	102.9%	4,398,443	-16.1%

[1] Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions

(dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions: Cash Payment	Actual Employer Contributions: Transfer from Reserve Account	Actual Employer Contributions: Total	Percentage of ARC Contributed
1996	$287,548	$132,452	$146,309	$278,761	97%
1997	277,929	1,168	277,151	278,319	100%
1998	243,489	9,420	239,777	249,197	102%
1999	317,285	84,226	248,403	332,629	105%
2000	342,060	130,319	211,832	342,151	100%
2001	378,655	193,650	185,005	378,655	100%

Notes to Required Supplemental Schedules

For Fiscal Year Ended June 30, 2001

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 2000 is as follows:

Actuarial Cost Method	Entry Age Normal Cost Funding Method
Asset Valuation Method	Three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective June 30, 2000.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	Under the Retirement System Funding Agreement, the County of Los Angeles (County) agreed that if the funding status of LACERA fell below a certain level, the County would make prescribed UAAL payments to achieve the required funding status. The UAAL payments are in addition to the annual Normal Cost contribution payments to LACERA. For the June 30, 1998 valuation the level was a 97.5% funding ratio, for valuation years 1999-2008, the level is a 100% funding ratio. For the valuation years 1998-2000, the County was not required to make UAAL payments because the required funding level was achieved. Each incremental positive amount of UAAL that should occur for the 2001-2008 valuations must be separately amortized over five years.
Amortization Period	Open.
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period. Based on the 2000 valuation, the actuarial valuation assets exceeded the actuarial accrued liability and there was no amortization of the excess amount under the Interim Funding Policy.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 8.00% to 5.00%, averaging 5.50%. In addition to increases in salary due to promotions and longevity, the scale includes an assumed 4.0% per annum rate of increases in the general wage level of membership. These rates were adopted June 30, 1998.
Cost-of-Living Adjustments	Post-retirement increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members do not receive post retirement benefit increases.
Consumer Price Index	Increase of 4% per annum.

Administrative Expenses

For the Years Ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Personnel Services		
Salaries and Wages	$12,706	$11,898
Employee Benefits	4,914	4,393
Total Personnel Services	17,620	16,291
Professional Services		
Network System Consulting Fees	22	125
Computer Software Services and Support	2,460	1,208
External Audit Fees	156	159
Investment Audit Services	350	350
Disability Medical Fees	745	929
Disability Hearing Officer Fees	90	129
Disability Stenographic Fees	36	55
Disability Attorney Fees	1	5
Temporary Personnel Services	3,848	2,839
Legislative and Other Legal Services	333	297
Other Professional Services	1,074	565
Total Professional Services	9,115	6,661
Communication		
Postage	637	635
Telecommunications	327	373
Transportation and Travel	444	304
Total Communications	1,408	1,312
Rentals		
Rents and Leases	1,408	1,542
Total Rentals	1,408	1,542
Miscellaneous		
Computer Equipment & Supplies	449	745
Office Furniture	570	65
Stationery and Forms	406	277
Other Office Expenses	168	204
Maintenance	580	320
Educational Expenses	474	533
Parking Fees	253	202
Other County Department Charges	97	92
Insurance	202	297
Administrative Support	127	117
Other Service Charges	120	84
Total Miscellaneous	3,446	2,936
Depreciation-Fixed Assets	420	659
Total Administrative Expenses	**$33,417**	**$29,401**

Other Supplemental Information

Fees and Other Investment Expenses

For the Years Ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Investment Activity		
Investment Management Fees		
Stock Managers		
Domestic	$10,672	$11,329
International	7,318	8,347
Bond Managers		
Domestic	14,091	12,977
International	2,773	3,075
Alternative Assets Managers	6,054	5,267
Real Estate Managers	40,991	17,836
Cash and Short Term Managers	836	554
Mortgage Loan Servicers	451	520
Total From Investment Activity	83,186	59,905
Securities Lending Activity		
Securities Lending Program Expense	81,567	59,206
Total From Securities Lending Activity	81,567	59,206
Total Investment Management Fees	164,753	119,111
Other Investment Expenses		
Consultants	671	576
Custodian	297	373
Legal Counsel	454	322
Other	688	593
Total Other Investment Expenses	2,110	1,864
Total Fees and Other Investment Expenses	**$166,863**	**$120,975**

Schedule of Payments to Consultants

For the Years Ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Audit		
External Audit Services	$156	$159
Investment Audit Services	350	350
Contract Systems Audits	46	2
Total	552	511
Legal		
Investment Legal Counsel	454	322
Disability Attorney Fees	1	5
Other Legal Services	297	272
Total	752	599
Actuarial		
Actuarial Valuations and Consulting Fees	592	1,305
Total	592	1,305
Management		
Legislative Consulting	36	25
Management and Human Resources Consulting	53	17
Network Consulting Fees	22	125
Other Software Consulting	456	31
Total	567	198
Total Payments to Consultants	**$2,463**	**$2,613**

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses in this Section.

We help the retirement fund to grow by diversifying the investments, and by always keeping your long-term financial future in mind.

investment

Independent Consultants Report

August 24, 2001

Russell Investment Group
909 A Street
Tacoma, Washington 98402-5120
253-572-9500
1-800-426-7969
Fax: 253-591-3495

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Annual Consultants Review

During the past fiscal year, Frank Russell Company continued to work with LACERA on its investment program. Over the long term, LACERA has enjoyed significant fund growth due to the strong performance of the capital markets and sound fund management. Annualized returns over the three and five-year periods ending June 30, 2001 were 7.3% and 10.9%, respectively. In the fiscal year ended June 30, 2001, total assets dropped to $28.9 billion from $32.0 billion, a decrease of $3.1 billion from a year earlier. The depressed equity markets were a major factor in this decrease; LACERA's returns were competitive with peers.

Projects that Russell worked on with the Board and Staff in the past year to enhance LACERA's investment program included:

1. *Refined the Asset Allocation within Fixed Income and Equity.* Specifically:

   Fixed Income Strategy Review: The strategic allocations to the sub–categories of fixed income were reviewed, and a decision was made to eliminate LACERA's strategic exposure to non-dollar investment grade bonds. Associated asset class and manager benchmarks were revised, and the international fixed income managers were terminated.

   Equity Strategy Review: The allocations to US equities, non-US equities, and alternative investments were analyzed to develop policy targets for each sub asset class. A decision was made to change the target allocation for US equity to 32%, non-US equity to 21%, and alternative investments to 7%.

2. *Implementation of a new Manager Monitoring and Review Policy*. A manager review policy was adopted to enhance LACERA's efficiency by delegating the responsibility to Staff for monitoring, reviewing and evaluating managers on an ongoing basis. "Tracking error," or performance deviation, triggers were established for each manager. With this new policy, a full Board review is required when a manager's performance falls outside of predetermined ranges for three consecutive quarters.

3. *Expansion of the Emerging Manager Policy*. The emerging manager policy was analyzed and extended beyond US equities to include fixed income, real estate, and alternative assets.

4. *Initiated a Search for Fixed Income Emerging Managers*. This project is expected to be completed late in 2001.

5. *International Equity Manager Review*. The allocations between regional and non-US equities were reviewed. Subsequent analysis focused on investment manager reviews, reweighting managers and strategies, and analysis of implementation considerations.

6. *Appointment of a New Cash Manager*. Russell assisted Staff in reviewing Requests for Proposals for replacing LACERA's current cash manager.

Russell acknowledges that LACERA's plan performance, calculated and presented by Russell/Mellon, has been compiled in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

The actions taken in the past year are part of the ongoing process of examining opportunities to improve the fund's investment performance and processes. In addition to the specific action items referred to above, Russell worked with Staff on manager monitoring, asset class monitoring, ad hoc projects, and providing market perspective. Staff visited our offices in Tacoma and attended our global consulting conference in April.

We look forward to working closely with LACERA staff and with the Board of Investments on the fund's investment program.

Sincerely,

Monica Butler
Director, Consulting

John Osborn, CFA
Senior Consultant

Russell
TACOMA LONDON AUCKLAND
NEW YORK PARIS SINGAPORE
TORONTO SYDNEY TOKYO

Chief Investment Officer's Report

General Information

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The Board of Investments (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. There are a total of nine Board members: the active and retired members elect four members, the Los Angeles County Board of Supervisors appoints four public members and the County Treasurer-Tax Collector serves as an ex-officio member.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. While recognizing the importance of the "preservation of capital," LACERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA's members and beneficiaries.

The Board has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board, investment staff, investment managers, master custodian, and consultants.

For the first time in seven (7) years, LACERA did not generate a positive double-digit return for the fiscal year. Due primarily to declining stock markets, the total fund return was a negative 5.2% for the fiscal year. This result, while disappointing, was not unexpected after the string of very good years. The five-year annualized return is still a positive double-digit number at 10.9%, but is down from last year. The performance information in this report is fully compliant with the AIMR Performance Presentation Standards.

Asset Allocation

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives.

Chief Investment Officer's Report – continued

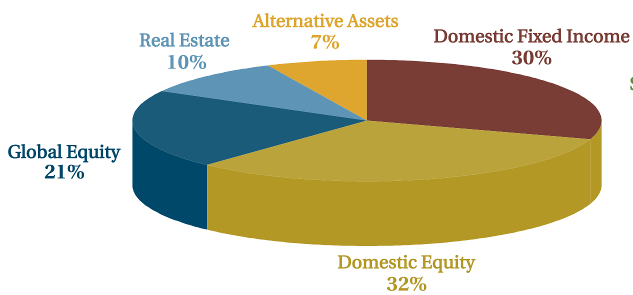
The following factors were evaluated to determine LACERA's asset allocation adopted in Fiscal Year 2000-2001:

- Projected actuarial assets, liabilities, benefit payments and contributions.
- Historical and expected long-term capital market risk and return behavior.
- Future economic conditions, including inflation and interest rate levels.
- LACERA's current and projected funding status.

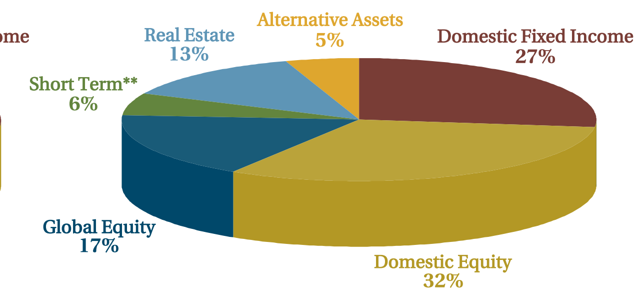
LACERA's asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as Alternative Assets and Real Estate. Therefore, the implementation process is planned over a five-year horizon. As a result, the actual allocation should not be expected to match the target allocation during the implementation period. Illustrated below are the 2001 target and actual asset allocations.

The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's investment staff closely monitors manager activities and assists the Board with the implementation of investment policies and long-term investment strategies.

2001 Target Asset Allocation



2001 Actual Asset Allocation*



* The 2001 Actual Asset Allocation is based upon the Investment Summary in this Section.

** Short-Term Investments may include Corporate and Government Bonds, Certificates of Deposits, and Overnight Deposits.

Investment Summary

For the Year Ended June 30, 2001
(dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
US Government and Agency Instruments	$2,825,782	9.79%
Domestic Corporate Bonds	4,401,011	15.25%
Private Placement Bonds	539,981	1.87%
Total Bonds	7,766,774	26.91%
Domestic Stocks	9,280,639	32.17%
Global Stocks	4,981,202	17.26%
Global Convertible Debentures	4,245	0.02%
Total Stocks & Convertibles	14,266,086	49.45%
Corporate and Government	1,638,688	5.68%
Total Short Term Investments	1,638,688	5.68%
Real Estate & Title Holdings	3,494,232	12.11%
Alternative Assets	1,485,588	5.15%
Mortgages	201,826	0.70%
Total Uncategorized Investments	5,181,646	17.96%
Total Investments	**$28,853,194**	**100%**

Investment Results Based on Fair Value*

As of June 30, 2001

		Annualized	
	Current Year	**3-year**	**5-year**
Total Fund	-5.2%	7.3%	10.9%
Benchmark: Total Fund	-4.2	5.4	10.0
Domestic Equity[1]	-16.2	5.9	13.8
Benchmark: Russell 3000	-13.9	4.2	13.8
International Equity	-24.1	2.8	5.2
Benchmark: MSCI All Country World X U.S.	-23.8	-0.5	2.7
Domestic Fixed Income[2]	10.3	5.8	7.3
Benchmark: Domestic Fixed Income Custom Index[3]	9.4	5.3	6.9
International Fixed Income	0.6	3.3	7.0
Benchmark: Non-Dollar Government Custom Index[4]	0.4	3.5	7.0
Real Estate[5]	12.5	12.4	13.9
Benchmark: Real Estate Target Return[6]	8.3	8.3	8.3
Alternative Assets[7]	24.9	41.1	50.3
Benchmark: Alternative Asset Target Return[8]	22.4	22.4	22.4

[1]Includes Cash Equitization.
[2]Does not include Member Home Loan Program (MHLP) or Whole Loan Program (WLP).
[3]Lehman Aggregate (100%) through June 30, 1997; Lehman Aggregate (95%) and Lehman High Yield (5%) from July 1, 1997 to June 30, 1998; Lehman Aggregate (90%) and Lehman High Yield (10%) from July 1, 1998 to June 30, 1999; Lehman Aggregate (85%) and Lehman High Yield (15%) thereafter.
[4]Soly Non-US Government Hedged through 6/30/98; Soly Non-U.S. 50% hedged thereafter.
[5]One quarter in arrears.
[6]Rolling five-year return of Consumer Price Index (CPI) plus 600 basis points.
[7]Two quarters in arrears.
[8]Rolling ten year return of Russell 3000 plus 500 basis points.

*Using time-weighted rate of return based on the market rate of return.

Largest Stock Holdings

As of June 30, 2001
(dollars in thousands)

Shares	Stocks	Fair Value
1,686,742	Citigroup Inc Com	$89,127
1,764,780	General Elec Co Com	86,033
1,992,992	Pfizer Inc Com Stk USD0.05	79,819
1,476,500	Applied Matls Inc Com	72,496
1,531,800	Maxim Integrated Prods Inc Com	67,721
1,527,800	Linear Technology Corp Com	67,559
764,884	American Intl Group Inc Com	65,023
875,900	Microsoft Corp Com	63,941
3,074,276	Cisco Sys Inc Com	55,952
756,645	Merck & Co Inc Com	48,357

Largest Bond Holdings

As of June 30, 2001
(dollars in thousands)

Par	Bonds	Fair Value
104,495,000	Commit to Pur GNMA SF Mtg 6.500% 07/15/2031	$103,352
90,700,000	Commit to Pur GNMA SF Mtg 7.000% 07/15/2031	91,494
88,047,000	Commit to Pur FNMA SF Mtg 7.000% 08/01/2031	88,233
85,765,000	Commit to Pur FNMA SF Mtg 6.500% 07/01/2031	84,331
72,000,000	US Treasury Notes 6.250% 01/31/2002 DD 01/31/97	73,024
63,220,438	US Treas CPI 3.625% 04/15/2028 DD 04/15/98	64,722
42,785,000	US Treasury Bonds 08.500% 02/15/2020 DD 02/15/90	55,253
56,955,000	Commit to Pur FNMA SF Mtg 6.000% 07/01/2031	54,632
54,019,700	Commit to Pur FNMA SF Mtg 6.000% 07/01/2016	53,209
43,600,000	US Treasury Bonds 6.125% 08/15/2029 DD 08/15/99	45,160

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Investment Activity		
Stock Managers		
Domestic	$10,672	$11,329
International	7,318	8,347
Subtotal	17,990	19,676
Bond Managers		
Domestic	14,091	12,977
International	2,773	3,075
Subtotal	16,864	16,052
Alternative Asset Managers	6,054	5,267
Real Estate Managers	40,991	17,836
Cash and Short Term Managers	836	554
Mortgage Loan Servicers	451	520
Total Fees from Investment Activity	83,186	59,905
Securities Lending Activity		
Management Fee	2,991	2,413
Borrower Rebate	78,576	56,793
Total Fees from Securities Lending Activity	81,567	59,206
Total Investment Management Fees	**$164,753**	**$119,111**

Investment Managers

Alternative Assets

Brinson Partners, Inc.
Hamilton Lane Advisors
HarbourVest International
Private Equity Partner
Invesco Private Capital, Inc.
Knightsbridge Advisors, Inc.

Cash & Short-Term

Barclays Global Investors
Scudder Kemper Investment, Inc.
Western Asset Management Company

Equity-Domestic

Bankers Trust Company
Barclays Global Investors
Capital Guardian Trust Company
Delta Asset Management
ICM Asset Management, Inc.
Northern Trust Global Advisors
Oak Associates
Progress Investment Management Company
Putnam Advisory Company, Inc.
Putnam Investment Management

Equity-International

Barclays Global Investors
Capital Guardian Trust Company
Emerging Markets Growth Fund, Inc.
Fidelity Management Trust Company
GAM International Management, Ltd.
Schroder Capital Management Intl., Ltd.

Fixed Income-Domestic

American Express Asset
Management Group, Inc.
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
J.P. Morgan Investment Management, Inc.
Loomis, Sayles & Company, L.P.
Morgan Stanley Dean Witter
Oaktree Capital Management, L.L.C.
Western Asset Management Company
W.R. Huff Asset Management Co., L.L.C.

Fixed Income-International

Bridgewater Associates, Inc.
Deutsche Asset Management
Investment Services, Ltd.
J.P. Morgan Investment Management

Mortgage Loan Servicer

Alliance Mortgage Company
Atlantic Mortgage & Investment Corporation
Bank of America Mortgage
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation
Matrix Financial Services Corporation
U.S. Mortgage

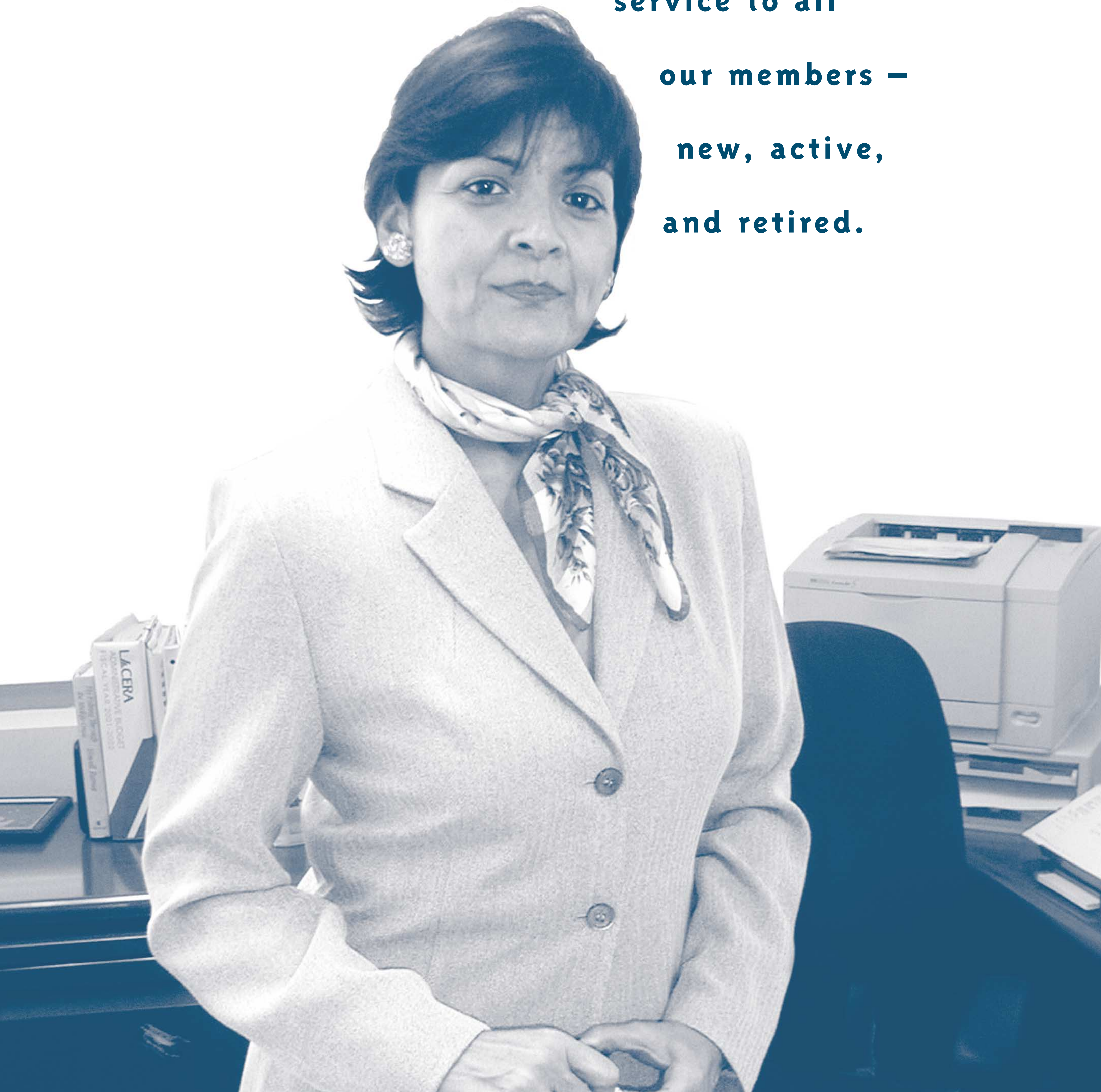
Real Estate

Heitman/JMB Advisory Corporation
Henderson Investors North America, Inc.
Invesco Realty Advisors
L&B Real Estate Counsel
Lend Lease R.E. Investments, Inc.
Lowe Enterprise Residential Partners
RREEF America Partners
Sarofim Realty Advisors
TA Associates Realty
TCW Realty Advisors

Securities Lending Program

Mellon Bond Associates

We strive to provide excellent service to all our members – new, active, and retired.



a c t u a r i a l

Actuarial Certification

August 15, 2001

A MILLIMAN GLOBAL FIRM
Milliman USA
Consultants and Actuaries
1301 Fifth Avenue, Suite 3800, Seattle, Washington 98101-2605
Telephone: 206/624-7940 Fax: 206/623-3485
www.milliman.com

Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

LACERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal as well as test the adequacy of the contribution rates.

During fiscal year 1994-1995, a Retirement System Funding Agreement was negotiated with the County. Under the Agreement, the County issued pension obligation bonds and transferred the proceeds to LACERA. The Retirement System Funding Agreement requires the County to maintain the funding level of LACERA at 97.5% through the completion of the June 30, 1998 actuarial valuation using a five-year rolling amortization period. The County must discharge any remaining unfunded actuarial accrued liability (UAAL) component identified in the June 30, 1999 actuarial valuation by making annual contributions to LACERA over a 10-year period, commencing July 1, 2000, to maintain a 100% funded status. Any additional UAAL identified in the June 30, 2000 through June 30, 2008 actuarial valuations must be discharged by making additional contributions to LACERA over a rolling five-year amortization period.

Based on the funding status for LACERA, no UAAL payments by the County have been required under the Funding Agreement:

Valuation Date	Funded Status
June 30, 1998	99.5%
June 30, 1999	103.3
June 30, 2000	102.9

LACERA measures its funding level based on actuarial accrued liabilities determined using the entry age normal funding method and an actuarial value of assets which smoothes the recognition of asset gains and losses. Prior to 1999, the asset smoothing method was based on a five-year phase-in of asset gains as applied only to valuation reserve assets. Effective in 1999, the valuation of assets was changed to a three-year smoothed method based on the difference between expected and actual market value of the assets. Effective with the 2000 valuation, the actuarial value of assets three-year smoothing method is applied to the entire fund and then the Board allocates actuarial assets for valuation purposes based on the Interim Funding Policy.

The most recent valuation is based on the plan provisions and assumptions in effect on June 30, 2000. LACERA provided the membership data and the asset information. We reviewed the data for reasonableness.

Except for changes regarding the actuarial asset method and salary timing, all other actuarial assumptions and methods remain the same as those used by Watson Wyatt for the 1998 valuation. The 2000 valuation changed actuarial procedures to recognize future salary increases on a mid-year basis to better reflect the actual occurrence of members' salary adjustments. We believe the actuarial assumptions developed by Watson Wyatt in 1998 are internally consistent and reasonable. We also believe the assumptions and actuarial methods meet the Governmental Accounting Standards Board Statement No. 25.

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section based on information supplied in the prior actuarial reports, as well as our June 30, 2000 report.

We certify that this valuation was performed in accordance with standards of practice and by qualified actuaries as prescribed by the Actuarial Standards Board. I am a Member of the American Academy of Actuaries and have experience in performing valuations for public retirement systems. It is our opinion that LACERA continues in sound financial condition.

Sincerely,

Karen I. Steffen, F.S.A., M.A.A.A.
Consulting Actuary

KIS/nlo

[1]A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions and Methods

Recommended by the Actuary and adopted by the Board of Investments. The actuarial assumptions used to determine the liabilities are based on the results of the 1998 Investigation of Experience Report. New assumptions were adopted by the Board effective June 30, 1998.

Actuarial Cost Method

Entry Age Normal Cost Funding Method.

Actuarial Asset Valuation Method

Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective June 30, 2000.

Amortization of Gains and Losses

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period. Based on the 2000 valuation, the actuarial valuation assets exceeded the actuarial accrued liability and there was no amortization of the excess amount under the Interim Funding Policy.

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.

Projected Salary Increases

Rates of annual salary increases assumed for the purpose of the valuation range from 8.00% to 5.00%, averaging 5.50%. In addition to increases in salary due to promotions and longevity, the scale includes an assumed 4.0% per annum rate of increases in the general wage level of membership. These rates were adopted June 30, 1998.

Termination of Employment Rates

Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were adopted June 30, 1998.

Cost-of-Living Adjustments

Post-retirement increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members do not receive post retirement benefit increases.

Expectation of Life After Retirement

1983 Group Annuity Mortality Table with rates multiplied by 85% for male General members, 95% for female General members, and 80% for Safety members.

Expectation of Life After Disability

1981 Disabled Mortality Table (General) with rates multiplied by 130% for male General members, 120% with ages set back 3 years for female General members. 1981 Disabled Mortality Table (Safety) with rates multiplied by 65% for Safety members.

Recent Changes and Their Financial Impact

This year there was a change in the application of the actuarial asset method and a change in procedures used to project members' salaries. The procedural change better reflects the annualized salary data and the timing of future salary increases.

Change in Application of Asset Method

Prior to 1989, LACERA used the book value of assets for funding purposes and for determining the actuarially computed contribution rates. A revised method, the average of the differences between book value and market value, smoothed over a five year period, was adopted for the 1989 –1998 valuations.

Summary of Actuarial Assumptions and Methods – continued

Based on studies reported and discussed with the Board, a new actuarial asset method was adopted for the June 30, 1999 valuation and all subsequent valuations, unless amended by future Board action. When the new method was adopted for the 1999 valuation, it applied only to the valuation reserves; all reserves set aside for other purposes were held at book value.

In developing its Funding Policy, the Board decided to apply the actuarial asset method to all reserve values. The Board then set the determination of the non-valuation reserves and the valuation reserves based on the actuarial assets of the entire fund and the Interim Funding Policy.

The new actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions, benefit and expense payments and the assumed investment rate of return. The current assumed rate of return is 8.00%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a three-year period.

Change in Procedures to Project Salaries

Effective June 30, 2000, salary increases are assumed to occur mid-year (i.e. January 1) and only apply to base salary, excluding megaflex compensation. The mid-year increase is different than prior valuations which assumed increases at the end of the year. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year.

Name Change

On June 1, 2001 Milliman & Robertson, Inc. changed its name to Milliman USA.

There were no other methods or assumptions that were changed since the June 30, 1999 valuation.

Retirants and Beneficiaries Added To and Removed from Retiree Payroll

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	% Increase in Retiree Allowance	Average Annual Allowance
1996	3,967		(3,341)		40,907	$815,629 [1]	6.28%	$19,939
1997	2,096		(1,130)		41,873	871,137 [1]	6.81%	20,804
1998	1,935		(920)		42,888	926,407 [1]	6.34%	21,601
1999	1,990		(1,367)		43,511	980,035 [1]	5.79%	22,524
2000	1,660		(477)		44,694	1,046,844 [1]	6.82%	23,422
2001	2,190	$78,420	(1,487)	($12,673)	45,397	1,188,592 [2]	13.54%	26,182

[1] Annual allowance is calculated as actual payroll expense for the fiscal year, less reimbursements from annuity contracts.
[2] Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30, 2001.

Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
30-Jun-95	General	66,511	$2,769,393,504	$41,638	-0.07%
	Safety	10,643	672,837,672	63,219	-0.04%
	Total	**77,154**	**$3,442,231,176**	**$44,615**	**-0.10%**
30-Jun-96	General	63,857	$2,677,870,716	$41,935	0.71%
	Safety	10,749	677,680,248	63,046	-0.27%
	Total	**74,606**	**$3,355,550,964**	**$44,977**	**0.81%**
30-Jun-97	General	64,228	$2,690,310,456	$41,887	-0.12%
	Safety	10,851	683,003,100	62,944	-0.16%
	Total	**75,079**	**$3,373,313,556**	**$44,930**	**-0.10%**
30-Jun-98	General	65,754	$2,837,360,292	$43,151	3.02%
	Safety	10,947	725,055,588	66,233	5.23%
	Total	**76,701**	**$3,562,415,880**	**$46,445**	**3.37%**
30-Jun-99	General	68,652	$3,104,617,260	$45,223	4.80%
	Safety	11,024	753,472,872	68,348	3.19%
	Total	**79,676**	**$3,858,090,132**	**$48,422**	**4.26%**
30-Jun-00	General	71,940	$3,352,863,984	$46,606	3.06%
	Safety	11,264	790,635,384	70,191	2.70%
	Total	**83,204**	**$4,143,499,368**	**$49,799**	**2.84%**

Actuary Solvency Test

(dollars in millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Members	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Assets	(1) Active	(2) Retired	(3) Employer
30-Jun-95	$2,023	$9,002	$5,367	$16,504	100%	100%	102%
30-Jun-96	2,214	9,737	5,327	17,725	100%	100%	108%
30-Jun-97	2,397	10,549	6,438	19,642	100%	100%	104%
30-Jun-98	2,642	11,268	7,050	20,851	100%	100%	98%
30-Jun-99	2,710	11,863	8,211	23,536	100%	100%	109%
30-Jun-00	3,190	12,922	8,609	25,427	100%	100%	108%

Actuarial Analysis of Financial Experience

(dollars in millions)

	1995	1996	1997	1998	1999	2000
Prior Valuation Unfunded Actuarial Accrued Liability	$32	($112)	($447)	($259)	$109	($751)
Expected Increase (Decrease) from Prior Valuation	61	103	59		9	(192)
Salary Increases Greater (Less) than Expected	(205)	(339)	(353)	(116)	241	(20)
Change in Assumptions	(180)			(245)		
Adjustment from Actuarial Audit			1,130	260		
Asset Return Less (Greater) than Expected	(42)	(443)	(955)	(494)	(492)	(697)
All Other Experience	222	344	307	963	(78)	211
Change in Procedural Applications					515 [1]	457 [2]
Change in Actuarial Asset Method					(1,055)	
Change in Application of Actuarial Asset Method						286
Ending Unfunded Actuarial Accrued Liability (Surplus)	**($112)**	**($447)**	**($259)**	**$109**	**($751)**	**($706)**

[1]Estimated increase due to change in retained actuary and their proprietary valuation procedures, based on 1998 audit report.

[2]Reflects change in procedures to project member salaries:

- Full-year compensation used for Plan A members; in prior years a monthly rate was annualized.
- Timing of when salary increases occur changed.

Age	Service Retirement	Withdrawal	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Additional Ordinary Death If Eligible For Disability
Plan A, B, and C General Members – Male							
20	0.0000	0.0100	0.0002	0.0001	N/A	0.0001	0.0002
30	0.0000	0.0100	0.0003	0.0001	N/A	0.0003	0.0002
40	0.0300	0.0100	0.0017	0.0001	N/A	0.0003	0.0012
50	0.0300	0.0100	0.0034	0.0010	N/A	0.0006	0.0019
60	0.1800	0.0100	0.0060	0.0028	N/A	0.0014	0.0039
70	1.0000	0.0000	0.0000	0.0000	N/A	0.0000	0.0000
Plan D General Members – Male							
20	0.0000	0.0934	0.0002	0.0001	N/A	0.0001	0.0002
30	0.0000	0.0686	0.0003	0.0001	N/A	0.0003	0.0002
40	0.0300	0.0350	0.0017	0.0001	N/A	0.0003	0.0012
50	0.0300	0.0350	0.0034	0.0010	N/A	0.0006	0.0019
60	0.0900	0.0350	0.0060	0.0028	N/A	0.0014	0.0039
70	1.0000	0.0000	0.0000	0.0000	N/A	0.0000	0.0000
Plan E General Members – Male							
20	0.0000	0.1700	N/A	N/A	N/A	0.0004	N/A
30	0.0000	0.0980	N/A	N/A	N/A	0.0006	N/A
40	0.0000	0.0470	N/A	N/A	N/A	0.0012	N/A
50	0.0000	0.0300	N/A	N/A	N/A	0.0039	N/A
60	0.0400	0.0300	N/A	N/A	N/A	0.0092	N/A
70	1.0000	0.0000	N/A	N/A	N/A	0.0275	N/A
Plan A, B, and C General Members – Female							
20	0.0000	0.0100	0.0001	0.0001	N/A	0.0001	0.0000
30	0.0000	0.0100	0.0004	0.0001	N/A	0.0001	0.0000
40	0.0300	0.0100	0.0008	0.0002	N/A	0.0001	0.0006
50	0.0300	0.0100	0.0017	0.0007	N/A	0.0003	0.0020
60	0.1500	0.0100	0.0033	0.0020	N/A	0.0006	0.0032
70	1.0000	0.0000	0.0000	0.0000	N/A	0.0000	0.0000
Plan D General Members – Female							
20	0.0000	0.1031	0.0001	0.0001	N/A	0.0001	0.0000
30	0.0000	0.0695	0.0004	0.0001	N/A	0.0001	0.0000
40	0.0300	0.0373	0.0008	0.0002	N/A	0.0001	0.0006
50	0.0300	0.0350	0.0017	0.0007	N/A	0.0003	0.0020
60	0.0620	0.0350	0.0033	0.0020	N/A	0.0006	0.0032
70	1.0000	0.0000	0.0000	0.0000	N/A	0.0000	0.0000
Plan E General Members – Female							
20	0.0000	0.1011	N/A	N/A	N/A	0.0002	N/A
30	0.0000	0.0681	N/A	N/A	N/A	0.0003	N/A
40	0.0000	0.0365	N/A	N/A	N/A	0.0007	N/A
50	0.0000	0.0225	N/A	N/A	N/A	0.0016	N/A
60	0.0600	0.0035	N/A	N/A	N/A	0.0042	N/A
70	1.0000	0.0000	N/A	N/A	N/A	0.0124	N/A
Plan A and B Safety Members – Male and Female							
20	0.0000	0.0300	0.0050	0.0002	0.0001	0.0001	0.0003
30	0.0000	0.0145	0.0060	0.0004	0.0001	0.0001	0.0004
40	0.0100	0.0075	0.0140	0.0006	0.0001	0.0001	0.0005
50	0.0100	0.0050	0.0190	0.0008	0.0002	0.0002	0.0013
60	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Summary of Plan Provisions

Government Code Sections or Board of Retirement Bylaws

Management of the Retirement System

Except as delegated to the Board of Investments and except for the statutory duties of the County Treasurer, the management of the retirement system is vested in the nine-member (plus one alternate) Board of Retirement (hereinafter referred to as "Board.") **(31520.1)**

LACERA also has a nine-member Board of Investments that is responsible for all investments of the retirement system. **(31520.2)**

Members of each Board serve for three-year terms; specified members receive compensation for not more than five meetings a month. **(31520, 31520.2, 31521)**

The official duties of all elected Board members who are employees of the County or a District are included as part of their County or District employment and their Board duties normally take precedence over any other duties. **(31522)**

Both the Board of Retirement and the Board of Investments may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the Boards. **(31522.1)**

The Board of Retirement and the Board of Investments that have elected to appoint personnel pursuant to Section 31522.1, may appoint an administrator. **(31522.2)**

The Boards may make regulations (Bylaws) not inconsistent with the retirement law. **(31525)**

The Boards have numerous duties that are specified throughout the retirement law.

Contributory Plans A, B, C, D, and F

Annual Budget

The annual budget of the Los Angeles County Employees Retirement Association (LACERA) covering the entire expense of administration of the retirement system is charged against the earnings of the retirement fund. The expense incurred in any year cannot exceed eighteen-hundredths of one percent of the total assets of the retirement system. **(31580.2)**

Membership

Eligibility:

Permanent employees of Los Angeles County (County) and participating districts who work 3/4 time or more are eligible for membership in LACERA. **(31551, 31552, Bylaws)**

Employees eligible for safety membership (law enforcement, fire fighting and lifeguards) become safety members on the first day of the month after date of hire. **(31558)**

All other employees become general members on the first day of the month after date of hire, or the first day of the month after they make an election of either Plan D or Plan E, depending on the law in effect at that time. **(31493, 31493.5, 31493.6, Bylaws)**

Elective officers become members on the first day of the month after filing a declaration with the Board of Retirement (Board). **(31553, 31562)**

General members in Plan E may transfer all their Plan E service credit to Plan D during an approved transfer period by making the required contributions. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D. **(31494.1, 31494.3)**

Government Code Sections or Board of Retirement Bylaws

Retirement Plans and Membership Dates:

The County has established seven defined benefit plans (General Plans A, B, C, D and E and Safety Plans A and B) and two defined contribution plans (General Plan F and Safety Plan F) based on a member's date of entry into LACERA. (Noncontributory Plan E is detailed separately at the end of this section.) The following contributory plans provide retirement, disability, and death benefits for members and their beneficiaries:

Plan A: General and safety members – prior to September 1977

Plan B: General members – September 1977 through September 1978 Safety members – September 1977 to present

Plan C: General members – October 1978 through May 1979

Plan D: General members – June 1979 through January 3, 1982; and those hired on or after January 4, 1982 who elect Plan D instead of Plan E

Plan F: General members in Plan D and safety members in Plan B who first became members on or after January 1, 1990, and are subject to the limitations set forth in Section 415 of the Internal Revenue Code of 1986. **(31510)**

Member Contributions

Contributions are based on the nearest entry age of each member and are required of all members in Plans A, B, C, and D. (If a member is also in Plan F, a portion of the contribution under General Plan D or Safety Plan B will be credited to Plan F.) [Note: Age at entry for a person who enters LACERA within 90 days (or six months depending on date of entry) of last performing service in a reciprocal retirement system, and who retains membership in that system, is the age at entry into the first other system. If a member enters LACERA from the Public Employee's Retirement System (PERS) after withdrawing contributions but redeposits those contributions and otherwise meets the requirements of reciprocity with PERS, the member's entry age is the age at entry into PERS commencing with the pay period immediately following receipt of confirmation from PERS that withdrawn contributions have been redeposited.] Current rates are published in the plan disclosure booklets. The contribution rate is multiplied by the member's compensation earnable to compute the actual contribution. Compensation earnable is the amount of compensation used in calculating retirement contributions for Plan A, B, C, or D members and for computing retirement benefits for all LACERA members. **(31461, 31461.1, 31461.4, 31510.2, 31510.4, 31620, 31639.1 , 31833, 31833.1)**

The County withdrew its employees from Social Security effective January 1,1983. General members in Plans A, B, and C who were covered by Social Security as County employees prior to that date, paid only two-thirds of the contribution rate on the first $350 of salary while Plan D members paid only two thirds of the rate on the first $1,050 of salary. The full rate was applicable on salaries above these amounts. **(31812)**

Contributions are deducted monthly from wage warrants and are credited to each individual member's account. **(31625)**

Contributions cease when members are credited with 30 years of service in a contributory plan provided they were members of LACERA or a reciprocal system on March 7, 1973, and continuously thereafter. **(31625.2, 31836.1)**

Former members who return to service may redeposit their withdrawn accumulated contributions plus interest from date of withdrawal. Redeposit may be by lump sum or installment payments over a ten-year period. Membership is the same as if unbroken except that current contributions are based on nearest age at reentry. **(31652, Bylaws)**

Government Code Sections or Board of Retirement Bylaws

Members who were retired for disability and return to membership after a determination they are no longer disabled, or return to membership following a service retirement and elect Plan D, make contributions based on their nearest age at reentry. **(31680.4, 31680.5, 31733)**

Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Investments on amounts that have been on deposit for at least six months. (Note: The total of member contributions and credited interest is called "accumulated contributions.") No interest is credited after termination of membership except as follows: deferred retirement is elected or is deemed to have been elected; the surviving spouse of a deceased member (or legally appointed guardian of the member's unmarried children under age 18) has elected to leave a death benefit on deposit as provided in Section 31781.2; or the former member, regardless of service, has left his or her contributions on deposit and has not terminated employment. **(31591, 31700)**

Member contributions made through payroll deductions are considered to be employer contributions for tax purposes only and are made on a before-tax basis. (Effective August 1, 1983, per Internal Revenue Code Section 414(h)(2).)

Member contributions may be refunded upon termination of employment by filing a withdrawal application. If the money is not claimed within five years, if first employed on or after January 1, 1976, (ten years if first employed before January 1, 1976), the unclaimed funds become a part of the Employer Reserves. **(31628, 31629)**

Employer Contributions

In addition to member contributions, the employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary. **(31453, 31454, 31581)**

The County or district may also make additional appropriations to fund any deficit or to amortize unfunded accrued actuarial obligations. **(31453.6, 31454.5, 31454.6)**

Service and Breaks in Service

Service means uninterrupted employment of any person appointed or elected for a given period provided: **(31641, Bylaws)**

(a) Deductions are made from the member's earnable compensation from the County or district for such service.

(b) Member contributions are made for specific military service authorized by other provisions of the County Employees Retirement Law (CERL).

(c) Credit is received for County service and/or for public service under the provisions of Article 7 (Service) in the CERL.

(d) Credit, as defined in the Bylaws, is allowed for prior service.

The following are not considered as breaking the continuity of service: **(31642)**

(a) A temporary layoff because of illness, economy, suspension, or dismissal, followed by reinstatement or reemployment within one year.

(b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.

Government Code Sections or Board of Retirement Bylaws

(c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.

(d) Resignation of a member who has elected in writing to come within the provisions of Article 9 (Deferred Retirement) followed by reemployment before withdrawal of any accumulated contributions.

Note: The withdrawal of accumulated contributions followed by the redeposit of the contributions upon reentrance into service does not constitute a break in the continuity of service. **(31652)**

When a member receives credit for temporary, seasonal, intermittent, or part-time service performed either before or during membership, the credit received will be proportionate to the time required to perform the same duties in a full-time position. A "year of service" in a 1/2 time position would mean it would take two years to earn one full year of credit. **(31640.5)**

Members may purchase service credit to increase their retirement benefits for the following types of service:

Temporary or Permanent Time **(31641.5)**

Redeposit of Withdrawn Contributions **(31652)**

Sick Without Pay **(31646)**

Federal/Military **(31641.1, 31641.2(a), Board of Supervisors Resolution)**

Other Public Agency **(31641.1, 31641.2(c), Board of Supervisors Resolution)**

Any Public Entity Located Wholly in the County of Los Angeles **(31643, 31644, Bylaws)**

United States of America, State of California or any Public Entity Located Within the State of California **(31643, 31644, Bylaws)**

General to Safety Service **(31639.75)**

A member who elects to purchase credit under Section 31494.3, 31641.1, 31641.5, 31646, 31652 or under regulations adopted by the Board of Retirement (Bylaws) under Section 31643 or 31644 must complete the purchase within 120 days after the effective date of retirement. **(31485.8)**

Service Retirement Allowance

Compensation Limit:

The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code. **(31671)**

Government Code Sections or Board of Retirement Bylaws

Combined General and Safety Service:

Members who earn service credit as both a general and safety member will receive a combined retirement allowance after retirement. The benefits for each type of service will be added together to determine the total retirement allowance payable. **(31664.65)**

Payment of Allowance:

A retired member's retirement allowance may be paid by warrant or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution. **(31452.6, 31590)**

Retirement Plan Allowances:

Retirement allowances are based on retirement plans which provide different levels of benefits. Two important differences between the plans are the age factors which determine the percent of final compensation per year of service and the final compensation periods: one year versus three years. The plans and their benefits are as follows:

Plan A

Retirement Eligibility:

General members: Age 50 with 10 years of County service, or any age with 30 years of service or age 70 regardless of the number of years of service. **(31672)**

Safety members: Age 50 with 10 years of County service, or any age with 20 years of service or age 60 (mandatory retirement age for safety members hired before April 1, 1997), regardless of the number of years of service. There is no mandatory retirement for safety members hired on or after April 1, 1997. **(31662.4, 31662.6, 31663.25)**

Monthly Allowance:

General members: 1/60 x final compensation x general Plan A age factor x years of service. Allowance may not exceed 100% of final compensation. **(31676.14)**

For those years of County service in which a member was covered by Social Security prior to January 1, 1983, substitute 1/90 for 1/60 for compensation up to and including $350 per month. Use the formula in the paragraph above for compensation in excess of $350 per month. Service prior to membership is also calculated using the formula in the paragraph above unless it was County service which was covered by Social Security. **(31808)**

Final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period. **(31462.1)**

Safety members: 1/50 x final compensation x safety Plan A age factor x years of service. Allowance may not exceed 100% of final compensation. **(31664)**

Plan B

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as Plan A, except general Plan B age factors are different than general Plan A; safety Plan B age factors are the same as safety Plan A. For both general and safety Plan B, final compensation is the average monthly compensation earnable for the last three years of service if the member does not elect a different three-year period. If a member has less than three years of service, final compensation is determined by dividing the member's total compensation earnable by the number of credited months of service. **(31664, 31676.11)**

Government Code Sections or Board of Retirement Bylaws

Plan C

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as general Plan A, except general Plan C age factors are different and final compensation period is three years as in Plan B. **(31676.1)**

Plan D

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as general Plan A, except $350 figure is replaced by $1,050 and final compensation period is three years as in Plan B. In addition, Plan D age factors are the same as Plan C age factors. **(31676.1, 31808)**

Plan F

Two defined contribution plans (general Plan F and safety Plan F) are provided for persons who first became members of the retirement system on or after January 1, 1990, and are subject to the limitations set forth in Section 415 of the Internal Revenue Code. These plans, in conjunction with general Plan D and safety Plan B are intended to provide approximately the same level of retirement benefits to persons who became members before January 1, 1990. The actuary determines the portion of the members' contributions which are credited to Plan F. **(31510, 31510.1, 31510.2, 31510.3, 31510.4)**

Unmodified and Optional Retirement Allowances

Unmodified Retirement Allowance:

An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance or a nonservice-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 60% of the member's allowance. To receive this continuance the spouse must have been married to the member at least one year prior to retirement. **(31760.1, 31785)**

If there is no spouse or the spouse dies before every child attains the age of 18, the continuance is payable to the member's children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.

The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 100% of the member's allowance. To receive this continuance the spouse must have been married to the member prior to retirement. **(31786)**

A child eligible to receive a survivor benefit under Section 31760.1, 31781.1, 31786, or 31787 is considered unmarried if the child is not married as of the date the member dies, whether or not the child was previously married. If the child thereafter marries, eligibility for the survivor benefit is terminated, and the benefit is not reinstated if the child subsequently returns to unmarried status. **(31780.1)**

Optional Retirement Allowance:

Under an Optional Retirement Allowance a member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance as shown below. The option must be elected before the first retirement allowance payment is made. If an option is elected, the 60% continuance benefit under a service or nonservice-connected disability retirement or the 100% continuance under a service-connected disability retirement is replaced by the following: **(31760)**

Government Code Sections or Board of Retirement Bylaws

Option 1	Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member.	**(31761)**
Option 2	100% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member.	**(31762)**
Option 3	50% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member.	**(31763)**
Option 4	Other % of member's reduced allowance is payable to a surviving spouse or beneficiary(ies) having an insurable interest in the life of the member.	**(31764)**

A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4. **(31782)**

Pension Advance Option:

The Pension Advance Option is available to members who are fully insured under Social Security for the purpose of coordinating a member's retirement allowance with benefits receivable from Social Security. It is not available to disability retirees or members who elect Option 2, 3 or 4. The allowance is increased prior to age 62 and then reduced after 62 by amounts which have equivalent actuarial values. The automatic 60% continuance for eligible spouses of members who elect the Pension Advance Option is based on the unmodified allowance the member would have received if the member had not elected the option. **(31810, 31811)**

All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month as in the month of death or the month of retirement. **(31600)**

Service-Connected Disability Retirement Allowance

Eligibility/Definition of Disability:

Any age or years of service; member must be permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment and employment must contribute substantially to the incapacity. In addition, if a safety member who has completed five or more years of service develops heart trouble, cancer, or a blood-borne infections disease, such heart trouble, cancer, or disease is presumed to arise out of, and in the course of, employment. The presumption for the latter two is extended following termination of service. **(31720, 31720.5, (31720.6, 31720.7)**

Application:

Application must be made while the member is in service, within four months after discontinuance of service, within four months after the expiration of any period during which a presumption is extended beyond the discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties. **(31722)**

Monthly Allowance:

The allowance begins from the date of application but not earlier than the day following the last day of regular compensation. **(31724)**

The monthly allowance is equal to 50% of final compensation or, if the member is eligible to retire, the service retirement allowance, if greater. **(31727.4)**

Upon the death of a member while receiving a service-connected disability retirement allowance, 100% of the allowance continues to a surviving spouse who was married to the member prior to retirement (or eligible children) unless the member elected an optional allowance. **(31760, 31786)**

Nonservice-Connected Disability Retirement Allowance

Eligibility/Definition of Disability:

Any age with five years of County service or combination of County and reciprocal service; member must be permanently incapacitated for the performance of duty. **(31720)**

Application:

Application must be made while the member is in service, within four months after discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties. **(31722)**

Monthly Allowance:

The allowance begins from the date of application but not earlier than the day following the last day of regular compensation. **(31724)**

The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where: **(31726, 31726.5)**

(a) is 90% of 1/60 of final compensation x years of service if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation; or **(31727(a))**

(b) is 90% of 1/60 of final compensation x years of service projected to age 65 if allowance does not exceed 1/3 of final compensation. (Members are eligible for the amount in (b) only if they are eligible to retire without relying upon service in another retirement system and the allowance computed under (a) does not exceed 1/3 of final compensation.) **(31727(b))**

For safety members 1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above. **(31727.2)**

Upon the death of a member while receiving a nonservice-connected disability retirement allowance, 60% of the allowance continues to a surviving spouse who was married to the member one year prior to retirement (or eligible children) unless the member elected an optional allowance. **(31760, 31760.1, 31785)**

Change of Position in Lieu of Disability Retirement Allowance

An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments in lieu of a disability retirement allowance are considered a charge against the Employer Reserves. **(31725, 31725.5)**

Government Code Sections or Board of Retirement Bylaws

Service-Connected Death Benefits

Eligibility:

Active members who die in service as a result of injury or disease arising out of and in the course of employment. **(31787)**

Death Benefit (Lump Sum):

The member's normal contributions and interest, plus 1/12 of the compensation earnable in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary. **(31781)**

Monthly Allowance:

An optional death allowance is payable monthly to the surviving spouse (or eligible children) equal to the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired by reason of a service-connected disability as of the date of death. **(31787)**

Optional Combined Benefit:

In lieu of the monthly allowance above, a surviving spouse may elect: **(31781.3)**

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 50% of the member's final compensation, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.

Additional Allowance for Children:

If a member is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, there is an additional benefit payable to surviving spouse. The benefit is equal to 25% of the optional death allowance provided in Section 31787 (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children. If the surviving spouse does not have legal custody of the children, the additional benefit is payable to legal guardian. **(31787.5)**

Additional Amount for Spouse of Safety Member:

A surviving spouse of a safety member who is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty is also entitled to receive a lump-sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits. **(31787.6)**

Nonservice-Connected Death Benefits

Eligibility:

Active members who die while in service or while physically or mentally incapacitated for the performance of duty. **(31780)**

Government Code Sections or Board of Retirement Bylaws

Death Benefit (Lump Sum):

The member's normal contributions and interest, plus 1/12 of the compensation earnable in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary. **(31781)**

In lieu of the lump-sum death benefit, the following death benefits are available:

First Optional Death Benefit:

If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the surviving spouse (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. If there is no spouse or the spouse dies before making an election, the legally appointed guardian makes the election on behalf of the children. The rights of a surviving spouse (or eligible children) to receive the monthly allowance supersede those of any other named beneficiary. **(31781.1)**

Benefits are payable to the children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.

Second Optional Death Benefit:

If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, a surviving spouse (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in Section 31765 (an Option3 benefit) or 31765.1 (a 60% continuance). **(31781.2)**

Third Optional Death Benefit:

A surviving spouse of a member who dies after five years of County service may elect a combined benefit equal to: **(31781.3)**

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. **(31765.1)**

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary and survives the member by not less than 30 days, the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. **(31765)**

Government Code Sections or Board of Retirement Bylaws

Note: The person to whom any lump-sum death benefit is payable may optionally elect to receive monthly installments over a period not to exceed 10 years plus interest on the unpaid balance. **(31784)**

Payment of Earned Allowance after Member's or Survivor's Death:

After retirement, any allowance earned but not yet paid to a member or to any person receiving a survivor's allowance shall be paid to the member's or to the survivor's designated beneficiary upon the death of the member or survivor. **(31452.7)**

Deferred Vested Benefits

Eligibility:

Vested members may elect to retire at any time they could have retired had they remained in County service in a full-time position. Members are 0% vested with fewer than five years of County service and 100% vested with five or more years of County service. **(31700)**

Years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies. **(31836)**

Monthly Allowance:

The allowance is calculated according to the applicable service retirement formula at the time of retirement. **(31703, 31704, 31705)**

To receive a deferred retirement allowance, member contributions must be left on deposit and the member must apply for deferred retirement benefits within 180 days of termination. Members who complete five years of service but fail to elect a deferred retirement are deemed to have elected a deferred retirement. **(31700)**

If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary. **(31702)**

A member who has attained age 70 and is not in service or in a reciprocal retirement system must be notified that the member is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains 70-1/2. **(31706)**

Reciprocity:

Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more county retirement systems established under the CERL or from a county retirement system and the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to specified conditions. **(31830, 31840.2, 31840.4, 31840.8)**

Final compensation may be based on service with PERS, another county retirement system, STRS, or a retirement system of any other public agency of the state that has established reciprocity with PERS provided: (1) the period between active memberships in the respective systems does not exceed 90 days prior to January 1, 1976, or six months if on or after January 1, 1976; and (2) the member retires concurrently under both systems. The 90-day or six-month period does not include any time during which the member was precluded by law from becoming a member of the system of another county. **(31461.3, 31835)**

Deferred members may include CalPERS service and service in another county retirement system for benefit eligibility if compensation for such service constitutes compensation earnable. **(31836)**

Government Code Sections or Board of Retirement Bylaws

Deferred members are eligible for disability benefits from LACERA if disabled while a member of CalPERS or other county retirement system. In no event will the benefits be larger than if all service was spent with one system. **(31837, 31838, 31838.5)**

Deferred members are eligible for death benefits from LACERA if they die while a member of CalPERS or other county retirement system. The death benefit is a return of normal contributions plus interest only if the death is service-related; if death is nonservice-related, benefit equals accumulated contributions plus amount necessary to bring the total LACERA plus CalPERS benefit up to 50% of the final 12 months' compensation. **(31839, 31840)**

Transfers

Whenever firefighting or law enforcement functions performed by a city or the state subject to the California Public Employees' Retirement Law are transferred to the County, fire authority, or district, employees performing those functions become members of LACERA. LACERA and CalPERS may enter into an agreement whereby the members' service credit plus the members' and the cities' or state's retirement contributions are transferred from CalPERS to LACERA. **(31657)**

Cost-of-Living Increases

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest 1/2 of 1%. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated. **(31870, 31870.1)**

Plan A members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase (or decrease) whereas Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase (or decrease). **(31870, 31870.1)**

When the CPI exceeds 2 or 3%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2 or 3%, depending on the retirement plan. **(31870, 31870.1)**

A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on the effective date of the allowance or when the cost-of-living provisions were implemented. **(31870, 31870.1)**

Members who have a COLA Accumulation of more than 20% resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted are eligible for a supplemental cost-of-living increase effective January 1 known as the Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA). **(31874.3(b))**

Post-Retirement Death Benefit

A one-time lump-sum benefit of $750 is payable to the estate or to the beneficiary designated by the member upon the death of any member while receiving a retirement allowance. This is in addition to any other death or survivor benefits. The amount may be paid from surplus earnings of the retirement system, if any, but is currently paid by the County based on agreement with LACERA. **(31789.1)**

Post-Retirement Employment

A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of post-retirement service such as juror, election officer, field deputy for registration of voters, etc. **(31680.1)**

	Government Code Sections or Board of Retirement Bylaws
A retired member may, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge for a period not to exceed 120 days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period determined by the County or district.	**(31680.2, 31680.6)**
A member, retired from service, may be reemployed and again become an active member of the retirement system if the member is determined not to be incapacitated for the duties to be assigned. If the member is returning to general service, the member will be placed in general Plan E or the member may elect general Plan D and pay a contribution rate based on the member's nearest age at the date of reentry into the system; or if the member is returning to safety service, the member will be placed in safety Plan B and pay a contribution rate base on the member's nearest age at the date of reentry into the system. The member's retirement allowance is canceled on the effective date of the member's reemployment and resumed only upon the subsequent termination of the member from employment. The member will receive an additional allowance for the period of reemployment. Other adjustments may be made in the member's allowance.	**(31680.4, 31680.5)**
A member, retired for disability, may be reemployed and again become an active member of the retirement system if the member is determined to be no longer incapacitated and reinstatement is offered by the employer. The member's allowance is terminated at reentry into the system and the contribution rate is based on the member's nearest age at the date of reentry. The member's account is credited with an amount which is the actuarial equivalent of the member's annuity at that time. The retirement plan remains the same as it was before retirement for disability.	**(31730, 31733)**

Unclaimed Benefits

Whenever a person or estate entitled to payment of a member's contributions or any other benefit fails to claim the payment or cannot be located, the Board shall attempt to locate the claimant through reasonable means and hold the payment of the claimant. If the amounts are not claimed within five years, the amounts become part of the pension reserve fund, but the Board may return the amounts to the claimant upon receipt of information satisfactory to it.	**(31783.5)**

Long-Term Care Insurance

The Board may provide a long-term care insurance program for retired members and their spouses, their parents, and their spouses' parents. The Board must approve the following: eligibility criteria for enrollment, appropriate underwriting criteria, scope of covered benefits, criteria to receive benefits, and any other standards as needed. Full cost of enrollment is paid by the enrollees.	**(31693.3, 31696.1, 31696.2, 31696.4, 31696.5)**

Noncontributory Plan E

Membership

Eligibility:

Plan E is a noncontributory retirement plan which is only available to permanent employees of Los Angeles County (County) and participating districts who work 3/4 time or more and are eligible for general membership in the LACERA.	**(31487, Bylaws)**
Persons hired on or after January 4, 1982, become Plan E members on the first day of the month following the date of hire or date of eligibility for membership, unless they elect Plan D; or, the first day of the month following an election of Plan E, depending on the law in effect at that time.	**(31487, 31493, 31493.5, 31493.6, Bylaws)**
General members in Plans A, B, C, and D who transferred all their contributory plan service credit to Plan E during an approved transfer period are also members of Plan E. Transferring members relinquish and waive all previously available vested or accrued retirement, survivor, disability, and death benefits.	**(31487, 31494)**

Government Code Sections or Board of Retirement Bylaws

Member Contributions

There are no general member retirement contributions under Plan E. **(31489)**

Employer Contributions

The employer is required to make contributions to finance Plan E based on the recommendation of the actuary. **(31495)**

Service and Breaks in Service

Service means the period of uninterrupted employment of a member and the time in which a member or former member (1) is totally disabled, and (2) is receiving or is eligible to receive disability benefits under a disability plan provided by the County. **(31488)**

A member will not be credited with service for any period, in excess of 22 consecutive workdays, in which the member is absent from work without pay. **(31488)**

A member who was in public service prior to becoming a member may not receive credit for that prior public service, except as provided in Section 31494. **(31490)**

Absence from work or termination of employment while an eligible employee or disability beneficiary, under a disability plan provided by the employer, does not break the continuity of service. **(31490)**

An unpaid leave of absence not exceeding one year, or a leave of absence for which an employee receives any benefit which has been approved by the employer, is not considered an interruption of service. The period of unpaid leave in excess of 22 consecutive work days is not considered as service in calculating Plan E benefits. **(31490)**

Service does not include military service or public service other than service with the County, except that members transferring to Plan E will receive credit for public service performed prior to the transfer, including service with the County, military service, and other public service or prior service to which the member would otherwise be eligible. **(31488, 31494)**

Note: The option to transfer to Plan E was discontinued by the County in January 1993.

Service Retirement Allowance

Eligibility – Normal Retirement:

Age 65 with 10 years of service. **(31491)**

Normal Monthly Retirement Allowance:

2% x final compensation x years of service, not to exceed 35 years, plus 1% x final compensation x years of service in excess of 35, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x a fraction, the numerator of which is the number of years of service with the employer subject to coverage under the federal system not to exceed 35 years, and the denominator of which is 35. **(31491)**

Final compensation is the average monthly compensation earnable during any three years (whether or not consecutive) elected by the member or the three years in which the member last earned compensation before retirement if no election is made. **(31488)**

Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, provided that: **(31491)**

Government Code Sections or Board of Retirement Bylaws

Prior career earnings shall be assumed to have been subject to the federal system and have increased at a yearly rate equal to the average per worker total wages reported by the Social Security Administration, and **(31491)**

For those members who have not attained the normal retirement age under the federal system: **(31491)**

(a) Future earnings shall be assumed to continue at the pay rate received by the employee from the employer as of the date of retirement or date of termination of a vested member, whichever is applicable, and

(b) Future wage bases, as defined by the federal system, shall be assumed to continue at the wage base in effect in the year of retirement or year of termination of a vested member, whichever is applicable, and

(c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system shall not be included in the calculation of the estimated PIA.

Adjustments will be made for members receiving a normal retirement allowance upon presentation of the actual PIA. **(31491)**

Maximum Normal Monthly Retirement Allowance:

The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of final compensation for a member with 35 or less years of service and cannot exceed 80% of final compensation if service exceeds 35 years. **(31491)**

Eligibility – Early Retirement:

Age 55 with 10 years of service. **(31491)**

Early Monthly Retirement Allowance:

An early retirement allowance is the actuarial equivalent of the normal retirement allowance. **(31491)**

Unmodified and Optional Retirement Allowances

Unmodified Retirement Allowance:

An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance to an eligible surviving spouse (or eligible children) is equal to 50% of the member's allowance. To receive this continuance the spouse must have been married to the member at least one year prior to retirement. **(31492)**

Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school). **(31492)**

Optional Retirement Allowance:

Under an Optional Retirement Allowance a retired member may elect to have the actuarial equivalent of the member's allowance as of the date of retirement applied to a lesser amount throughout the retired member's life in order to provide an optional survivor allowance for one or more designated beneficiaries who have an insurable interest in the life of the member. Please refer to Option 2, 3 and 4 described in *Unmodified and Optional Retirement Allowances* shown under the contributory plans for information on this topic. **(31492)**

Government Code Sections or Board of Retirement Bylaws

Service-Connected Disability Retirement Allowance

A service-connected disability retirement allowance is not available under Plan E. **(31487)**

Nonservice-Connected Disability Retirement Allowance

A nonservice-connected disability retirement allowance is not available under Plan E. **(31487)**

Service-Connected Death Benefits

A service-connected death benefit is not available under Plan E. **(31487)**

Nonservice-Connected Death Benefits

A nonservice-connected death benefit is not available under Plan E. **(31487)**

Vested Benefits

Vested members or vested former members may elect to retire at any time after they have completed ten years of County service and are at least age 55. Members are 0% vested with fewer than ten years of County service and 100% vested with ten or more years of County service. **(31491)**

Vested benefits are payable at normal retirement or in an actuarially equivalent reduced amount at early retirement. **(31491)**

Reciprocity

The provisions of reciprocity are the same as for the contributory plans except those provisions dealing with disability retirement, death benefits and the requirement relating to the deposit of accumulated member contributions. **(31487)**

Cost-of-Living Increases

Cost-of-living increases are not available under Plan E. **(31487)**

Post-Retirement Death Benefit

The only death benefits payable after retirement are the continuance allowances described above under *Unmodified and Optional Retirement Allowances*. There is no $750 lump-sum payment under Plan E. **(31492)**

Post-Retirement Employment

Please refer to *Post-Retirement Employment* shown under the contributory plans for information on this topic.

We are people from a wide range of careers, age groups and ethnic diversity; all contributing to the greater welfare of LA County and each other.

s t a t i s t i c a l

Revenues by Source and Expenses by Type

(dollars in thousands)

Revenues By Source

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income/(Loss)	Miscellaneous Revenues	Total
1996	$132,451	$183,260	$2,854,769		$3,170,480
1997	1,168	171,014	3,442,851	$589	3,615,622
1998	9,420	179,476	3,460,959	1,223	3,651,078
1999	85,576	202,062	3,342,362	2,563	3,632,563
2000	130,319	198,618	4,335,941	2,536	4,667,414
2001	193,650	216,297	(2,382,548)	2,972	(1,969,629)

Expenses By Type

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
1996	$817,280	$21,432	$20,109	$52	$858,873
1997	872,134	23,417	14,973	44,041 [1]	954,565
1998	927,204	24,904	16,391	45,070 [1]	1,013,569
1999	981,886	27,562	16,295	55,692 [1]	1,081,435
2000	1,048,015	29,401	17,250	50,707 [1]	1,145,373
2001	1,138,030	33,417	17,640	53,370 [1]	1,242,457

[1]Includes Retiree Healthcare Program.

Active/Deferred Members, and Unclaimed Accounts

	1996	1997	1998	1999	2000	2001
Active Vested						
General	40,478	42,461	43,444	44,436	46,366	47,056
Safety 8,952	9,269	9,005	8,795	8,789	8,900	
Sub-Total	**49,430**	**51,730**	**52,449**	**53,231**	**55,155**	**55,956**
Active Non Vested						
General	23,379	21,759	22,334	24,216	25,574	27,992
Safety	1,797	1,590	1,942	2,229	2,475	3,121
Sub-Total	**25,176**	**23,349**	**24,276**	**26,445**	**28,049**	**31,113**
Total Active Members						
General	63,857	64,220	65,778	68,652	71,940	75,048
Safety	10,749	10,859	10,947	11,024	11,264	12,021
Total	**74,606**	**75,079**	**76,725**	**79,676**	**83,204**	**87,069**
Deferred Members						
General	3,980	4,101	4,624	4,859	5,076	5,325
Safety	150	154	152	160	162	179
Total	**4,130**	**4,255**	**4,776**	**5,019**	**5,238**	**5,504**
Unclaimed Accounts						
General	104	75	35	29	18	1,196
Safety	4	3	2	1	1	43
Total	**108**	**78**	**37**	**30**	**19**	**1,239**

Retired Members by Type of Retirement

	1996	1997	1998	1999	2000	2001
Service						
General	25,122	25,717	26,204	26,492	27,099	27,457
Safety	2,316	2,404	2,641	2,704	2,678	2,755
Total	**27,438**	**28,121**	**28,845**	**29,196**	**29,777**	**30,212**
Disability						
General	4,051	4,076	4,074	4,074	4,119	4,119
Safety	3,407	3,542	3,697	3,859	4,201	4,367
Total	**7,458**	**7,618**	**7,771**	**7,933**	**8,320**	**8,486**
Survivors						
General	4,988	5,079	5,184	5,271	5,378	5,502
Safety	1,023	1,055	1,088	1,111	1,153	1,197
Total	**6,011**	**6,134**	**6,272**	**6,382**	**6,531**	**6,699**
Total Retired Members						
General	34,161	34,872	35,462	35,837	36,596	37,078
Safety	6,746	7,001	7,426	7,674	8,032	8,319
Total	**40,907**	**41,873**	**42,888**	**43,511**	**44,628**	**45,397**

Benefit Expenses by Type

(dollars in thousands)

	1996	1997	1998	1999	2000	2001
Service Retiree Payroll						
General	$517,034	$556,639	$588,036	$614,824	$650,584	$702,400
Safety	85,382	86,450	95,183	104,465	115,813	128,635
Total	**602,416**	**643,089**	**683,219**	**719,289**	**766,397**	**831,035**
Disability Retiree Payroll						
General	93,102	96,182	99,261	103,262	106,416	111,707
Safety	120,111	131,866	143,927	157,484	173,989	193,554
Total	**213,213**	**228,048**	**243,188**	**260,746**	**280,405**	**305,261**
Total Retiree Payroll						
General	610,136	652,821	687,297	718,086	757,000	814,107
Safety	205,493	218,316	239,110	261,949	289,802	322,189
Total	**815,629**	**871,137**	**926,407**	**980,035**	**1,046,802**	**1,136,296**
Lump-Sum Death Benefits						
General	1,219	820	577	1,805	1,158	1,503
Safety	432	177	220	46	55	231
Total	**1,651**	**997**	**797**	**1,851**	**1,213**	**1,734**
Total Benefit Expense						
General	611,355	653,641	687,874	719,891	758,158	815,610
Safety	205,925	218,493	239,330	261,995	289,857	322,420
Total	**$817,280**	**$872,134**	**$927,204**	**$981,886**	**$1,048,015**	**$1,138,030**

Schedule of Average Benefit Payments

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/96 to 6/30/97						
Retirants						
General Members						
Average Monthly Benefit	$897	$841	$1,278	$1,780	$2,317	$3,533
Average Final Average Salary	$4,521	$3,639	$3,793	$3,726	$4,005	$4,679
Number of Active Retirants	79	162	196	246	347	375
Safety Members						
Average Monthly Benefit	$2,196	$2,336	$2,497	$2,884	$3,968	$5,218
Average Final Average Salary	$4,742	$4,850	$5,168	$5,362	$5,757	$6,131
Number of Active Retirants	33	22	12	30	83	130
Survivors						
General Members						
Average Monthly Benefit	$621	$555	$916	$974	$993	$2,487
Average Final Average Salary	$4,157	$3,367	$3,026	$3,404	$3,235	$4,464
Number of Active Survivors	4	10	8	16	13	13
Safety Members						
Average Monthly Benefit	$2,230	$2,471		$2,497	$2,828	$4,533
Average Final Average Salary	$4,460	$4,942		$4,993	$5,593	$6,165
Number of Active Survivors	2	1		1	3	4
7/1/97 to 6/30/98						
Retirants						
General Members						
Average Monthly Benefit	$666	$779	$1,099	$1,834	$2,198	$3,485
Average Final Average Salary	$3,106	$3,452	$3,469	$3,887	$3,988	$4,746
Number of Active Retirants	69	169	168	198	306	312
Safety Members						
Average Monthly Benefit	$2,271	$2,606	$2,479	$3,280	$4,260	$5,592
Average Final Average Salary	$4,815	$5,050	$5,009	$6,027	$6,025	$6,446
Number of Active Retirants	21	27	12	29	70	107
Survivors						
General Members						
Average Monthly Benefit	$694	$380	$941	$876	$1,301	$2,439
Average Final Average Salary	$3,556	$1,404	$3,402	$2,311	$3,120	$4,486
Number of Active Survivors	7	20	10	16	27	23
Safety Members						
Average Monthly Benefit	$361		$1,751	$1,452	$3,002	$3,652
Average Final Average Salary			$3,312	$3,770	$3,492	$3,823
Number of Active Survivors	1		3	3	7	6

Schedule of Average Benefit Payments

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/98 to 6/30/99						
Retirants						
General Members						
Average Monthly Benefit	$886	$853	$1,058	$1,631	$2,297	$3,591
Average Final Average Salary	$3,828	$3,688	$3,324	$3,726	$4,037	$4,808
Number of Active Retirants	74	197	159	173	293	334
Safety Members						
Average Monthly Benefit	$2,277	$2,439	$2,884	$3,172	$4,418	$6,236
Average Final Average Salary	$4,935	$4,965	$5,867	$5,913	$6,338	$7,279
Number of Active Retirants	32	23	17	19	57	173
Survivors						
General Members						
Average Monthly Benefit	$767	$619	$972	$1,150	$1,599	$2,647
Average Final Average Salary	$4,746	$3,787	$2,700	$3,320	$3,790	$4,647
Number of Active Survivors	6	13	13	21	30	30
Safety Members						
Average Monthly Benefit	$964		$1,957		$2,252	$5,491
Average Final Average Salary	$4,818		$5,459		$3,481	$8,111
Number of Active Survivors	1		2		4	7
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$739	$802	$1,127	$1,837	$2,317	$3,377
Average Final Average Salary	$3,524	$3,480	$3,685	$4,001	$4,154	$4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$2,279	$2,264	$2,956	$3,547	$4,521	$6,102
Average Final Average Salary	$4,883	$4,973	$5,637	$6,410	$6,729	$7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$522	$508	$894	$928	$934	$2,448
Average Final Average Salary	$2,942	$2,664	$2,142	$3,242	$2,908	$3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$3,802	$2,965	$3,965
Average Final Average Salary				$7,290	$7,865	$5,566
Number of Active Survivors				2	2	2

Schedule of Average Benefit Payments - continued

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/00 to 6/30/01						
Retirants						
General Members						
Average Monthly Benefit	$883	$983	$1,225	$1,978	$2,514	$4,176
Average Final Average Salary	$3,963	$4,142	$3,801	$4,574	$4,352	$5,485
Number of Active Retirants	58	181	111	163	316	531
Safety Members						
Average Monthly Benefit	$3,459	$2,845	$2,909	$3,650	$4,775	$6,860
Average Final Average Salary	$5,439	$5,599	$5,909	$6,687	$6,966	$8,088
Number of Active Retirants	14	30	14	14	79	203
Survivors						
General Members						
Average Monthly Benefit	$712	$404	$568	$814	$1,524	$2,227
Average Final Average Salary	$2,438	$1,661	$1,186	$1,633	$2,583	$3,655
Number of Active Survivors	17	19	17	25	26	33
Safety Members						
Average Monthly Benefit	$1,059	$1,962	$2,532	$1,529	$2,279	$3,369
Average Final Average Salary	$5,134	$1,822	$4,893	$3,658	$3,023	$3,905
Number of Active Survivors	2	3	3	6	7	10

Participating Employers and Active Members

	1996	**1997**	**1998**	**1999**	**2000**	**2001**
County of Los Angeles						
General Members	63,830	64,193	65,753	68,631	71,940	75,034
Safety Members	10,749	10,859	10,947	11,024	11,264	12,021
Total	**74,579**	**75,052**	**76,700**	**79,655**	**83,204**	**87,055**
Participating Agencies (General Membership)						
South Coast Air Quality Management District	8	8	7	6	8	3
Los Angeles County Office of Education	14	11	10	8	8	4
Little Lake Cemetery District	3	3	3	3	2	2
Local Agency Formation Commission	2	5	5	4	5	5
Total	**27**	**27**	**25**	**21**	**23**	**14**
Total Active Membership						
General Members	63,857	64,220	65,778	68,652	71,963	75,048
Safety Members	10,749	10,859	10,947	11,024	11,264	12,021
Total	**74,606**	**75,079**	**76,725**	**79,676**	**83,227**	**87,069**

Employer Contribution Rates

County of Los Angeles and Local Agency Formation Commission

Effective Date	General Plan A	General Plan B	General Plan C	General Plan D	General Plan E	Safety Plan A	Safety Plan B
1 Jul 93 to 30 Sep 94	13.82%	10.58%	10.11%	10.40%	9.34%	20.86%	13.17%
1 Oct 94 to 30 Jun 95	10.82%	7.58%	7.11%	7.40%	6.34%	19.56%	11.87%
1 Jul 95 to 30 Jun 96	9.73%	6.83%	6.30%	6.85%	5.63%	20.11%	11.53%
1 Jul 96 to 30 Sep 98	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%
1 Oct 98 to 30 Jun 99	9.77%	6.46%	6.20%	6.84%	6.50%	20.42%	13.51%
1 Jul 99 to 30 Jun 01	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%

Rates applicable to the Local Agency Formation Commission are limited to Plans D and E, General.

Los Angeles County Office of Education and Little Lake Cemetery District

Effective Date	General Plan A	General Plan B	General Plan D
1 Sep 93 to 30 Sep 94	13.09%	10.42%	10.40%
1 Oct 94 to 30 Jun 95	10.09%	7.42%	7.40%
1 Jul 95 to 30 Jun 96	9.00%	6.67%	6.85%
1 Jul 96 to 30 Sep 98	8.95%	6.02%	5.90%
1 Oct 98 to 30 Jun 99	9.08%	6.45%	6.84%
1 Jul 99 to 30 Jun 01	10.96%		6.95%

Rates applicable to the Los Angeles County Office of Education are limited to Plan A.

South Coast Air Quality Management District

Effective Date	General Plan A	General Plan B	General Plan C
1 Sep 93 to 30 Sep 94	17.32%	14.89%	14.61%
1 Oct 94 to 30 Jun 95	14.32%	11.89%	11.61%
1 Jul 95 to 30 Jun 96	13.23%	11.14%	10.80%
1 Jul 96 to 30 Sep 98	14.56%	12.41%	11.72%
1 Oct 98 to 30 Jun 99	14.69%	12.84%	12.23%
1 Jul 99 to 30 Jun 01	16.86%	15.61%	15.04%

We are LACERA

9-11-01
A day we will never forget.

May we persevere as a united nation and find comfort in the thought that "our strengths are individual; collectively they are unstoppable."*

***LACERA's vision statement**