



**The City
Of Los Angeles**

**City Employees'
Retirement System**

***Actuarial Valuation
As Of June 30, 1994***

Prepared By

Wyatt

Wyatt

November 3, 1994

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

Members of the Board:

We are pleased to present our actuarial valuation report as of June 30, 1994 for the City Employees' Retirement System. This report contains the results of the valuation of the retirement and health subsidy benefits provided by the System.

This report is divided into three parts:

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

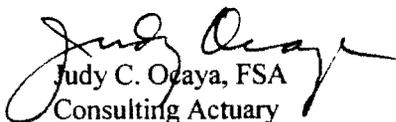
We appreciate the opportunity to serve the City of Los Angeles and the Board of Administration as actuary for the City Employees' Retirement System.

Sincerely,

The WYATT Company



Sharon A. Peake, FSA
Consulting Actuary



Judy C. O'Quinn, FSA
Consulting Actuary

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CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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Valuation Summary

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CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation As Of June 30, 1994

Introduction

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

This report contains the results of the June 30, 1994 valuation of both the retirement and health subsidy benefits of the Retirement System. It contains our calculations of the annual budget of the System, as provided in Section 506 of the Charter. It also contains the funded status and disclosure information as of June 30, 1994, required under Government Accounting Standards Board (GASB) Statement Number 5.

The valuation results were based on the demographic assumptions as outlined in Exhibits VI through IX and the following economic assumptions:

- 8.0% annual interest,
- 6.0% annual total payroll increases.
- Annual individual salary increases, which vary by age, averaging 6% per year over a full 30 year career.
- 3.0% annual increases in the Consumer Price Index.

There were no changes made in actuarial assumptions for this valuation. The individual salary increase assumption was changed to the one describe above effective with the final June 30, 1993 budget amounts as found in our letter dated May 10, 1994. The new assumptions are described in Exhibit VI. The results shown in this report for June 30, 1993 reflect the new individual salary increase assumption and may not match the results published in the June 30, 1993 valuation report.

The normal cost includes an amount to fund certain administration expenses expected to be paid from plan assets during 1995-1996. All valuation methods remain unchanged since the last valuation.

We believe the assumptions and methods used are appropriate for use in the evaluation of the liabilities of the Retirement System at June 30, 1994.

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

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

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation As Of June 30, 1994

Summary of Significant Valuation Results				
		June 30, 1994	June 30, 1993	Percent Change
I.	Total Membership			
	A. Active Members	22,270	22,777	-2.2%
	B. Pensioners	11,894	11,641	+2.2%
II.	Salaries at June 30			
	A. Total Annual Payroll	\$884,950,676	\$898,116,886	-1.5%
	B. Average Monthly Salary	\$3,311	\$3,286	+0.8%
III.	Benefits to Current Pensioners and Beneficiaries			
	A. Total Annual Benefits	\$196,438,501	\$183,233,760	+7.2%
	B. Average Monthly Benefit Amount	\$1,376	\$1,312	+4.9%
IV.	Total System Assets (Actuarial Value)	\$3,882,792,939	\$3,646,189,500	+6.5%
V.	Unfunded Actuarial Accrued Liability			
	A. Retirement Benefits	\$188,117,516	\$227,963,954	-17.5%
	B. Health Subsidy Benefits	\$238,710,302	\$275,832,038	-13.5%
VI.	Budget Items			
	A. Retirement Benefits			
	1. Normal Cost as a Percent of Pay	6.58%	6.16%	+6.8%
	2. Amortization of Unfunded Actuarial Accrued Liability			
	i) Percent of Pay, plus	5.49%	5.12%	+7.2%
	ii) Fixed Dollar Amount	\$2,724,502	\$2,724,502	+0.0%
	3. Total Retirement Contribution	12.07%	11.28%	+7.0%
	B. Health Subsidy Contribution, as a Percent of Pay	2.99%	3.18%	-6.0%
	C. Total Contribution (A+B)			
	i) Percent of Pay, plus	15.06%	14.46%	+4.1%
	ii) Fixed Dollar Amount	\$2,724,502	\$2,724,502	+0.0%
VII.	Funded Ratio (Based on Actuarial Value of Assets)			
	A. Retirement Benefits	95.1%	93.7%	+1.5%
	B. Health Subsidy Benefits	49.5%	44.5%	+11.2%
	C. Total	90.1%	87.8%	+2.6%

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Budget Requirements

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

- The Normal Cost, or the cost of the portion of the benefit that is earned each year.
- The payment to amortize the Unfunded Actuarial Accrued Liability (UAAL). Most of the UAAL is amortized as a level percent of pay over the period ending June 30, 2004. Increases in the UAAL due to assumption changes are amortized over 30 years and gains and losses are amortized over 15 years, both as a level percent of pay. Plan amendments are amortized over 30 years as a level percent of pay, unless the characteristics of the amendment dictate a shorter amortization period. Smaller pieces of the UAAL are amortized as a level dollar amount over various periods.

Below, we present a summary of budget requirements for the City Employees' Retirement System. In total, the recommended contribution increased by 4.1% from last year.

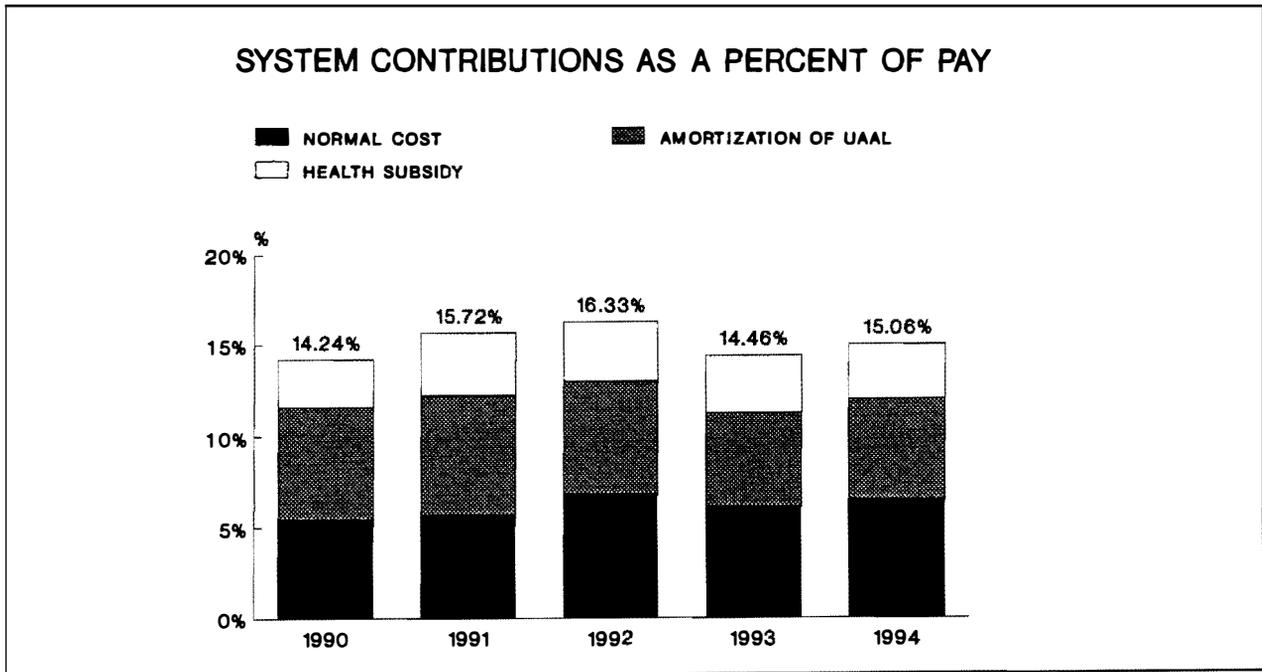
Recommended City Contributions For Fiscal Year 1995 - 1996			
	Percentage of Salary		Fixed Dollar Amount
Contribution for Retirement, Disability, and Death Benefits	12.07%	plus	\$2,724,502
Contribution for Health Subsidy Benefits	2.99%		
Total Contribution	15.06%	plus	\$2,724,502

The contribution for retirement, disability, and death benefits includes a cost of 1.36% of salary for certain administration expenses expected to be paid from plan assets in 1995-1996.

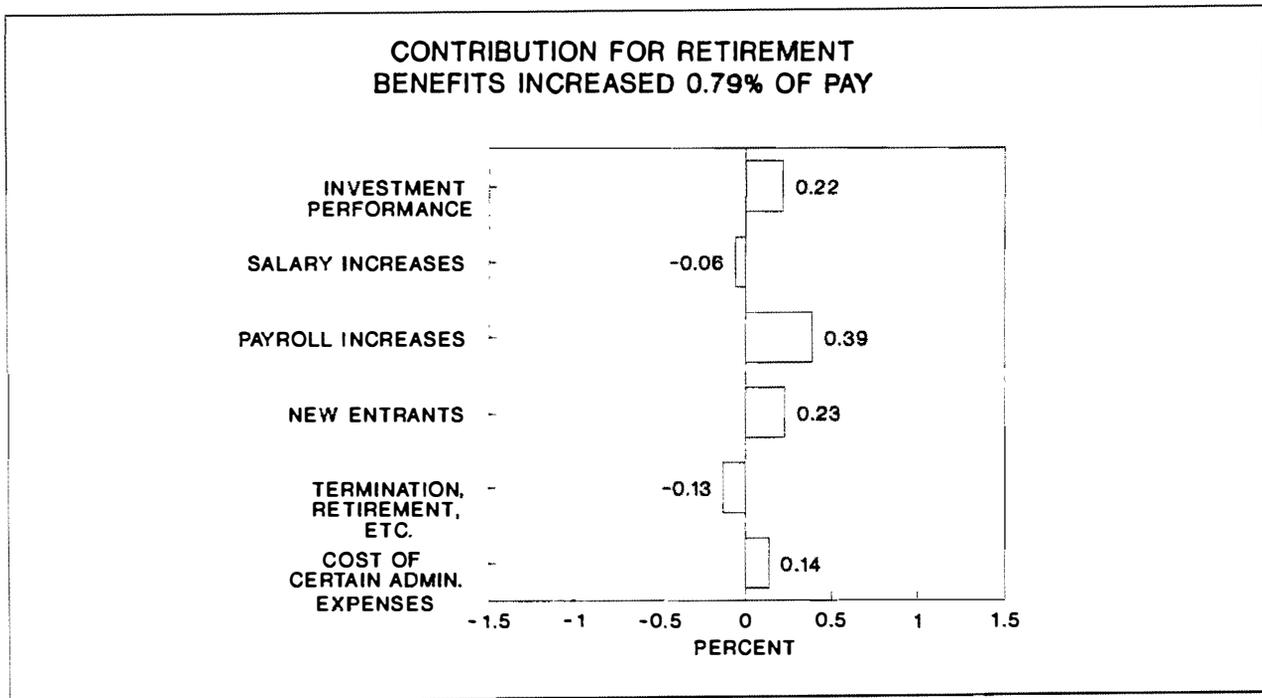
A more detailed explanation of these results can be found in the Valuation Detail section of this report.

The Family Death Benefit Plan was last valued as of June 30, 1993. We recommended that the Members and the City each contribute \$2.90 per month to participate in this Plan. We will review the recommended contribution for this plan in the June 30, 1995 valuation.

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



The graph below illustrates the effect of gains and losses over the past year on the recommended System contribution for retirement benefits.



In the previous graph, we have shown a cost reduction of .06% of pay due to salary increases. This is the effect of individual salary increases being less than assumed. We have also shown a cost increase of .39% of pay due to total payroll increases being less than assumed. Here we are referring to changes in total System payroll, over which CERS' unfunded actuarial liability is amortized. When we spread payments to fund the UAAL over future years, we assume total payroll will increase by 6% every year. If payroll does not increase by 6% in any year, as it did not in 1993-1994, the UAAL must be spread over a smaller than assumed payroll base. This causes the percent of pay amount required to fund the UAAL to increase.

The cost to fund certain administrative expenses from the trust caused a contribution increase of .14% of pay because the dollar amount of expenses expected to be paid increased since last year.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Funded Status At June 30, 1994

In order to assess the funded status of the System, disclosure of a standardized measure of pension liability is required by Government Accounting Standards Board (GASB) Statement No. 5 - *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers*. This measure of funded status compares the present value of benefits accrued to June 30, 1994 to the value of accumulated plan assets. For retired Members and beneficiaries, the present value of remaining benefit payments is disclosed. For active Members, the present value of the benefits accrued to June 30, 1994 is disclosed. In the latter calculation, we calculate accrued benefits based upon service to June 30, 1994. We also recognize assumed future salary increases. GASB No. 5 covers only pension type benefits provided by public employee retirement systems.

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

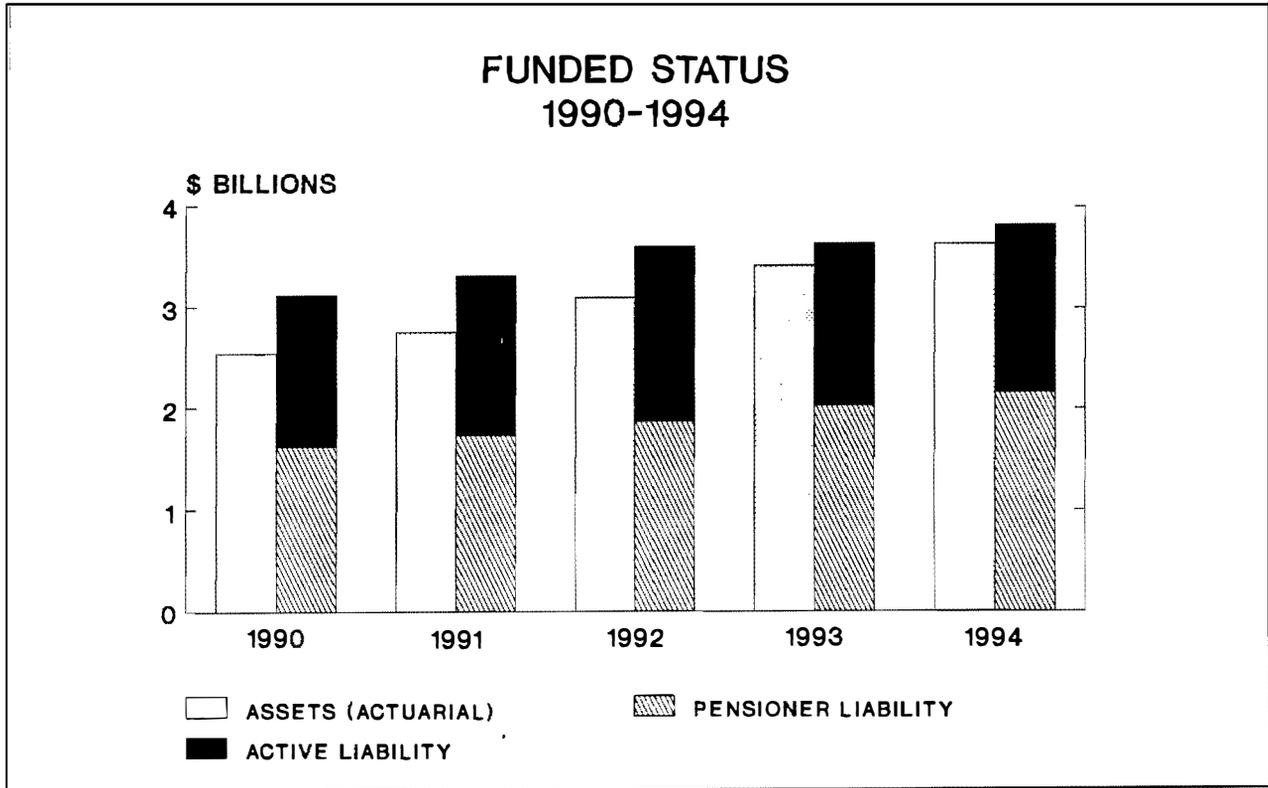
On the next page, we present the funded status of the System under GASB No. 5, along with a comparison of the System's funded status in the prior year. The current System assets available at actuarial value for retirement benefits are 168.2% of the present value of retirement benefits for current retired members and their beneficiaries. When the present value of accrued retirement benefits for active Members is added, the System assets available for retirement benefits at actuarial value represent 95.1% of the total present value of accrued retirement benefits on June 30, 1994. This funded ratio increased since the last valuation, mainly because of gains due to salary increases in 1993-1994 which were less than assumed.

Current health subsidy reserves at actuarial value are 92.3% of the present value of health subsidy benefits for current retired Members. When the present value of health subsidy benefits for active Members with ten or more years of service is added, the funded ratio becomes 49.5%.

The combined funded ratio for retirement and health subsidy benefits is 92.7% using the market value of assets and 90.1% using the actuarial value of assets.

FUNDED STATUS			
	June 30, 1994	June 30, 1993	Percent Change
Retirement Benefits			
Present Value of Retirement Benefits Earned			
- Retired Members and Beneficiaries	\$2,157,536,256	\$2,029,260,217	+6.3%
- Active Members	<u>1,660,304,999</u>	<u>1,604,935,976</u>	+3.4%
- Total	\$3,817,841,255	\$3,634,196,193	+5.1%
Value of Assets Available for Retirement Benefits			
· Market	\$3,736,468,418	\$3,593,660,096	+4.0%
· Actuarial	\$3,629,723,739	\$3,406,232,239	+6.6%
Funded Ratio for Retirement Benefits			
· Market	97.9%	98.9%	-1.0%
· Actuarial	95.1%	93.7%	+1.5%
Health Subsidy Benefits			
Present Value of Health Subsidy Benefits Earned			
- Retired Members	\$253,897,472	\$272,140,352	-6.7%
- Active Members With Ten or More Years of Service	<u>219,199,771</u>	<u>225,122,607</u>	-2.6%
- Total	\$473,097,243	\$497,262,959	-4.9%
Value of Assets Available for Health Subsidy Benefits			
· Market	\$241,279,906	\$233,615,152	+3.3%
· Actuarial	\$234,386,941	\$221,430,921	+5.9%
Funded Ratio for Health Subsidy Benefits			
· Market	51.0%	47.0%	+8.5%
· Actuarial	49.5%	44.5%	+11.2%
Combined Retirement and Health Subsidy Funded Ratio			
· Market	92.7%	92.6%	+0.1%
· Actuarial	90.1%	87.8%	+2.6%

The graph below compares assets to liabilities under GASB No. 5 for retirement benefits only, for the years 1990-1994. Assets exceed liabilities for pensioners, and are about 97.9% of total retirement liabilities using market value of assets and 95.1% of total retirement liabilities using actuarial value in 1994.



CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

System Assets

The following asset information was provided to us by the Retirement Office. We have not audited or verified these figures.

	June 30, 1994	June 30, 1993	Percent Change
Total System Assets			
Market Value	\$3,996,980,000	\$3,846,821,000	+3.9%
Book Value	3,768,605,878	3,445,558,054	+9.4%
Actuarial Value	3,882,792,939	3,646,189,500	+6.5%

Rate of Return	
July 1, 1993 - June 30, 1994	
The rate of return on total plan assets was as follows:	
Market Value	4.31%
Book Value	9.87%
Actuarial Value	6.94%
These rates of return were based on the following cash flow information:	
Contributions	
City	\$ 173,631,707
Members	42,289,767
Pensions Paid	
Retirement Allowances	187,919,234
Family Death Benefits	560,965
Health Benefits	22,175,515
Refunds of Member Contributions	8,543,248
Administration Expenses	11,069,342
Investment Earnings	
Realized	337,394,654
Unrealized	(172,888,824)

The 6.94% rate of return on the actuarial value is less than the 8.0% rate assumed for the prior year, which resulted in an actuarial loss. The budgeted contribution for the System would have been slightly lower if not for this loss.

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

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of System Funding

As of June 30, 1994, the System had assets at actuarial value equal to 90% of the present value of benefits accrued to that date, as calculated under GASB No. 5. When compared to the present value of all benefits expected to be paid by the System (including benefits expected to be earned in the future), assets equal 69% of liabilities. This remaining unfunded liability is to be funded by future City and Member contributions to the System.

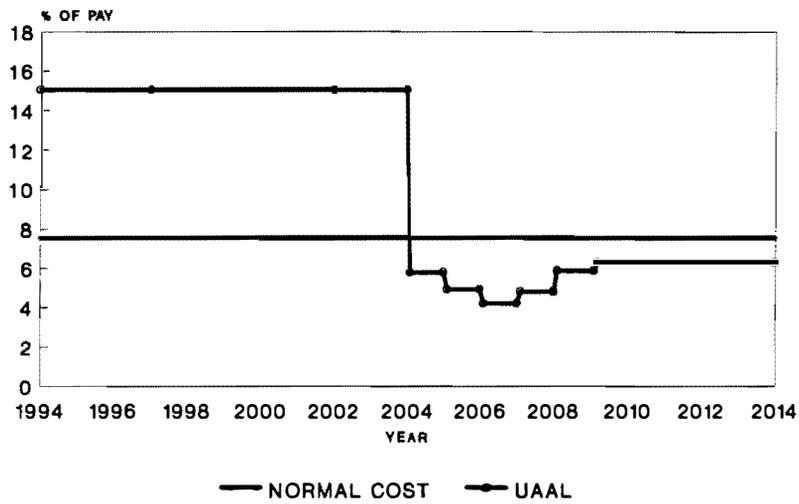
The City contributions are made up of two parts:

- **Normal Cost Contributions:** These contributions are determined as the cost of the System benefits accruing each year. If all assumptions are realized and there are no gains or losses, this amount will remain unchanged as a percent of pay unless the average age of the population increases. In this case, contributions as a percent of pay will increase. The contributions will also increase as a dollar amount as total covered payroll increases. The normal cost also contains an amount to fund certain administrative expenses that are paid from the trust.
- **Funding of Unfunded Actuarial Accrued Liability (UAAL):** The UAAL represents liabilities accrued to date, that have not been funded by prior years' normal costs. Most of the UAAL is funded as a level percent of payroll until the year 2004. Increases in the UAAL due to assumption changes are amortized over 30 years and gains and losses are amortized over 15 years, both as a level percent of pay. Plan amendments are amortized over 30 years as a level percent of pay, unless the characteristics of the amendment dictate a shorter amortization period. If in the future all assumptions are realized and if there are no future gains or losses, the current contribution percentage will not change until the pieces that make up the UAAL are fully amortized. However, it will increase as a dollar amount as the total covered payroll increases. Smaller pieces of the UAAL are amortized as level dollar amounts. These amounts will remain constant, and are not affected by gains and losses.

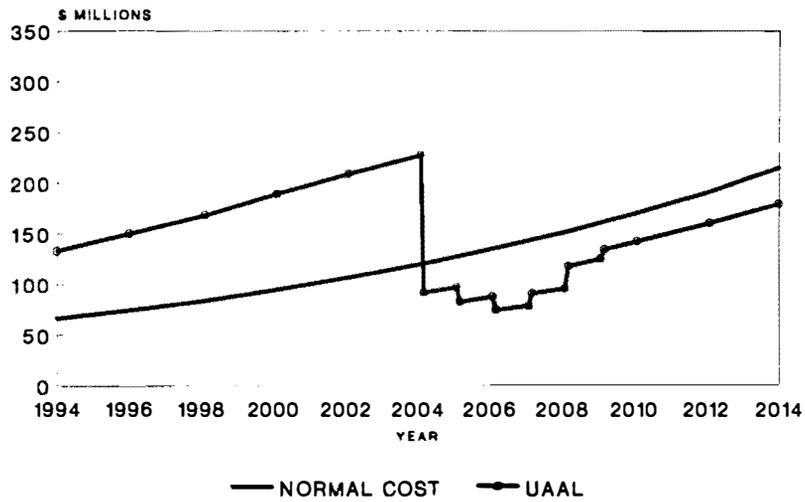
The total contribution will be the sum of the Normal Cost and UAAL contributions.

The following graphs are an illustration of expected future contribution levels. These contribution levels are based on the current Charter provisions and assume no future gains or losses. They are also based on our assumption of 6.0% annual increase in total System payroll, and a population with the same average age and service characteristics as the current population. If actual experience differs from these assumptions, the contribution levels will change.

CONTRIBUTIONS ARE LEVEL
AS A PERCENT OF PAY



DOLLAR CONTRIBUTIONS INCREASE
AS PAYROLL INCREASES



CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Valuation Detail

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CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

System Membership

Computer tapes containing data on System membership as of June 30, 1994 were supplied to us by the Retirement Office. On the following schedules we present a summary of System membership at June 30, 1994 and June 30, 1993. Pension amounts shown on the following schedule do not include the cost-of-living adjustments that were effective on July 1, 1994. All July 1 increases were reflected in our valuation calculations.

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

The number of total active Members decreased 2.2% since the last valuation. The total number of retired Members and their beneficiaries increased 2.2%, while the average retirement benefit amount increased 4.9%. The following schedule contains a more detailed breakdown of these figures.

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

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

SYSTEM MEMBERSHIP			
	June 30, 1994	June 30, 1993	Percent Change
I. Active Members			
a. Number	22,270	22,777	-2.2%
b. Average Age	43.2	42.7	+1.2%
c. Average Years of Service	11.8	11.2	+5.4%
d. Salary			
i) Total Annual Salary	\$884,950,676	\$898,116,886	-1.5%
ii) Average Monthly Salary	\$3,311	\$3,286	+0.8%
II. Pensioners and Beneficiaries			
a. Number	11,894	11,641	+2.2%
b. Average Age	71.1	70.8	+0.4%
c. Allowance			
i) Total Annual Allowance	\$196,438,501	\$183,233,760	+7.2%
ii) Average Monthly Amount	\$1,376	\$1,312	+4.9%

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Applicable Assets At June 30, 1994

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

	Book Value	Market Value	Actuarial Value
1. Total Value of Assets at June 30, 1994	\$3,768,605,878	\$3,996,980,000	\$3,882,792,939
2. Less Reserves and Liabilities Established for:			
a. Family Death Benefit Insurance	18,132,842	19,231,676	18,682,259
b. Retiree Health Subsidy	<u>227,493,976</u>	<u>241,279,906</u>	<u>234,386,941</u>
c. Total	245,626,818	260,511,582	253,069,200
3. Net Assets Available for Retirement Benefits at June 30, 1994 (Item 1 less Item 2)	\$3,522,979,060	\$3,736,468,418	\$3,629,723,739

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet

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

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

For the purpose of the Actuarial Balance Sheet, system assets are equal to the sum of:

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

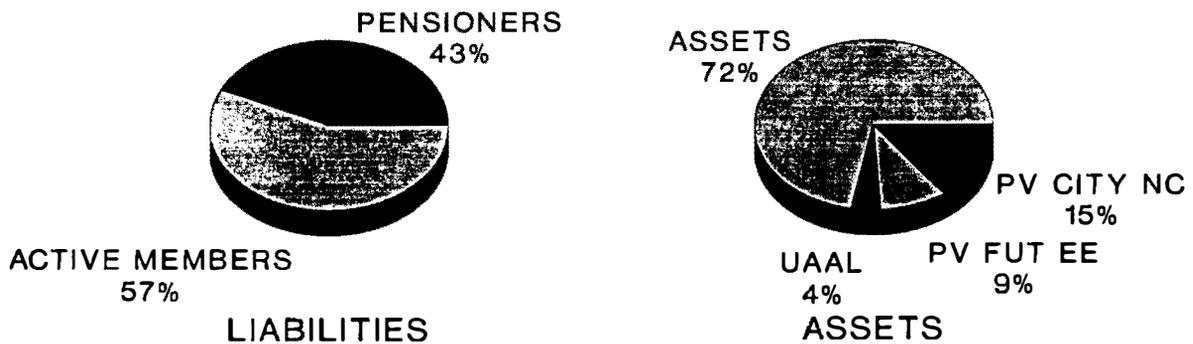
The last item, the present value of future City contributions, is made up of two parts:

1. **The Present Value of Future City Normal Costs:** Using the Projected Unit Credit Cost Method, the City budgets a certain percentage of payroll to fund benefits for System Members. The Normal Cost is the cost of benefits earned in each year. Normal Cost is funded from a member's date of employment to the average expected retirement date. An adjustment is made for the deductions which will be made from the salaries of System Members. For the 1995-1996 fiscal year, the normal cost percentage is 6.58% of pay. This amount includes a cost of 1.36% of pay to fund certain administration expenses expected to be paid from System assets during 1995-1996. The present value of these future City Normal Cost contributions represents one piece of the value of future City contributions.
2. **The Unfunded Actuarial Accrued Liability:** The portion of the present value of future City contributions which will not be funded by the future Normal Cost contributions is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL arises from prior contributions that were less than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

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

The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the retirement benefits of the System. It shows that about 43% of the System's liabilities are for retired Members and their beneficiaries and 57% are for active Members. About 72% of the System's assets consist of currently available assets with 28% consisting of future contributions from the City and the Members.

ACTUARIAL BALANCE SHEET AS OF JUNE 30, 1994



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

Actuarial Balance Sheet As Of June 30, 1994

ASSETS		
1. Applicable Assets		\$3,629,723,739
2. Present Value of Future Member Contributions		\$439,436,133
3. Present Value of Future Contributions by the City For:		
a. Basic Pensions		
i. Normal Costs	\$597,196,822	
ii. Amortization of Certain Liabilities	(196,762,550)	
iii. Total		\$400,434,272
b. Cost-of-Living Pensions		
i. Normal Cost	\$180,511,626	
ii. Amortization of Certain Liabilities	384,880,066	
iii. Total		\$565,391,692
4. Total Assets		\$5,034,985,836
LIABILITIES		
5. Present Value of Benefits Already Granted (Pensioners and Beneficiaries)		
a. Basic	\$1,319,331,986	
b. Cost-of-Living	838,204,270	
c. Total		\$2,157,536,256
6. Present Value of Benefits to be Granted (Actives)		
a. Basic	\$2,313,595,357	
b. Cost-of-Living	563,854,223	
c. Total		\$2,877,449,580
7. Total Liabilities		\$5,034,985,836

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Budget And Recommended Contributions

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

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

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

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

The recommended retirement contributions increased for the following reasons:

- The active group aged about one-half of a year on average since the last valuation. Under the Projected Unit Credit Funding Method, costs remain a level of percent of pay only if the age of the group remains constant. An aging population, such as CERS had this past year, increases plan costs when determined as a percent of payroll.
- In determining the payments to amortize the UAAL each year, the total payroll is assumed to increase 6% per year. The CERS payroll decreased almost 2% from June 30, 1993. Therefore, the contributions to fund the UAAL must increase as a percent of pay.
- The normal cost includes an amount to fund certain administration expenses expected to be paid from System assets in 1995-1996. The dollar amount of these expenses increased since last year and are being spread over a smaller payroll. Therefore, the contribution as a percent of pay which is added to the normal cost increased from 1.22% to 1.36%.

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

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

Recommended City Contributions For Fiscal Year 1995 - 1996			
	Percentage of Salary	plus	Fixed Dollar Amount
For Basic Retirement Benefits			
Normal Cost	5.25%		
Prior Service-Minimum Pensions (amortized as a level dollar amount until June 30, 1997)			\$ 927,955
Unfunded Actuarial Accrued Liability	0.11%		
Total Contributions for Basic Retirement Benefits	5.36%	plus	\$ 927,955
For Cost-of-Living Retirement Benefits			
Normal Cost	1.33%		
Increase due to 1967 Amendment (Amortized as a level dollar amount until June 30, 1997)			\$1,796,547
Unfunded Actuarial Accrued Liability	5.38%		
Total Contributions for Cost-of-Living Retirement Benefits	6.71%	plus	\$1,796,547
Total Basic and Cost-of-Living Contributions for Retirement Benefits	12.07%	plus	\$2,724,502

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

**Detail of Amortization of Unfunded
Actuarial Accrued Liability**

Item	Remaining Years	Balance to be Amortized 06/30/94	Amortization Amount	Percentage of Salary
Basic Pensions				
1. Prior Service Pensions	3	\$2,391,430	\$927,955	N/A
2. Change in Asset Valuation Method at 06/30/89	25	(111,065,567)	(5,613,507)	(.63%)
3. Change in Assumptions at 06/30/89	25	(56,120,973)	(2,836,482)	(.32%)
4. Ad Hoc COLA Increase at 12/01/89	11	20,879,515	2,119,712	.24%
5. Actuarial Loss at 06/30/90	11	14,678,258	1,490,153	.17%
6. Actuarial Loss at 06/30/91	12	13,908,010	1,306,010	.15%
7. Actuarial Gain at 06/30/92	13	(73,290,380)	(6,410,138)	(.72%)
8. Change in Assumptions at 06/30/93	29	(138,000,969)	(6,222,358)	(.70%)
9. Actuarial Gain at 06/30/93	14	(106,957,381)	(8,764,657)	(.99%)
10. Actuarial Loss at 06/30/94	15	13,529,875	1,044,072	.12%
11. Remaining UAAL	10	223,285,632	24,710,617	2.79%
Total		\$(196,762,550)	\$1,751,377	.11%

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

**Detail of Amortization of Unfunded
Actuarial Accrued Liability
(Continued)**

Item	Remaining Years	Balance to be Amortized 06/30/94	Amortization Amount	Percentage of Salary
Cost-of-Living Pensions				
1. Increase Due to 1967 Amendments	3	\$4,629,876	\$1,796,547	N/A
2. Change in Assumptions at 06/30/89	25	(52,118,587)	(2,634,192)	(.30%)
3. Actuarial Gain at 06/30/90	11	(11,796,551)	(1,197,599)	(.14%)
4. Actuarial Gain at 06/30/91	12	(6,629,746)	(622,556)	(.07%)
5. Actuarial Loss at 06/30/92	13	38,120,221	3,334,079	.38%
6. Change in Assumptions at 06/30/93	29	(38,281,587)	(1,726,087)	(.20%)
7. Actuarial Loss at 06/30/93	14	2,680,720	219,672	.02%
8. Actuarial Gain at 06/30/94	15	(24,668,181)	(1,903,592)	(.22%)
9. Remaining UAAL	10	472,943,901	52,339,847	5.91%
Total		\$384,880,066	\$49,606,119	5.38%

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Funded Status Of The System

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

	June 30, 1994	June 30, 1993
Present Value of Benefits Earned to Valuation Date		
Basic Benefits	\$2,653,612,144	\$2,532,852,661
Cost-of-Living Benefits	<u>1,164,229,111</u>	<u>1,101,343,532</u>
Total	\$3,817,841,255	\$3,634,196,193
Actuarial Value of Assets Available for Retirement Benefits		
Basic Benefits	\$2,850,374,694	\$2,656,448,520
Cost-of-Living Benefits	<u>779,349,045</u>	<u>749,783,719</u>
Total	\$3,629,723,739	\$3,406,232,239
Funding Ratio		
Basic Benefits	107.4%	104.9%
Cost-of-Living Benefits	66.9%	68.1%
Total	95.1%	93.7%

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

Member Contributions

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

If certain Members from this group contribute at a lower rate through a collective bargaining agreement, the City should contribute 80% of the amount that would have been contributed by Members without the bargaining agreements. This 80% amount reflects the fact that certain participants will terminate when only eligible for a return of their contributions. The City does not need to contribute the amounts that are expected to be refunded after the Members' termination. In the prior valuation report, it was recommended that 78% of the defrayed amount be contributed. This percent is increasing because the group affected by the defrayal is aging. The probability that these Members will terminate and get a refund of contributions is decreasing.

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

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

Family Death Benefit Insurance Plan

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

Currently, the City and Members share the cost of the plan. Each contributes \$2.90 per month. This contribution rate is reviewed every two years to determine if the level of contributions is appropriate. We recommend that Members and the City each continue to contribute \$2.90 per month until the next scheduled review, June 30, 1995.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Introduction

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

The System is building a reserve through the advance funding of the health insurance subsidy for current retirees and for active Members with sufficient service to receive a health subsidy (ten years). The actuarial value of the reserve available at June 30, 1994 is \$234,386,941. This amount was calculated by the City as part of the asset information provided to us. The City provides the book value of the health subsidy reserve, which we use along with estimates of the market value, to determine the actuarial value used in funding calculations.

This section of the report contains the results of the June 30, 1994 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the fiscal year 1995-1996, we have used the same funding method and methods of amortization used in the funding of the retirement benefits. We have also used the same economic and demographic assumptions as those used in the retirement valuation. In addition, special medical trend assumptions were used. A summary of the economic assumptions follows:

- 8.0% annual interest
- graded medical cost rates of 12.0% in 1994-1995, decreasing gradually to 6.0% in 2008 and beyond for benefits paid before age 65, and rates of 11.0% in 1994-1995 decreasing to 6.0% in 2007 and beyond for benefits paid after age 65.
- graded dental rates of 11.0% in 1994-1995 decreasing to 6.0% in 2007 and beyond.

We believe these assumptions are appropriate for use in the valuation of health subsidy liabilities of the City Employees' Retirement System at June 30, 1994. These assumptions are described in more detail in Exhibit VII.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet

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

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

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

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

No Member contributions are required for health subsidy benefits.

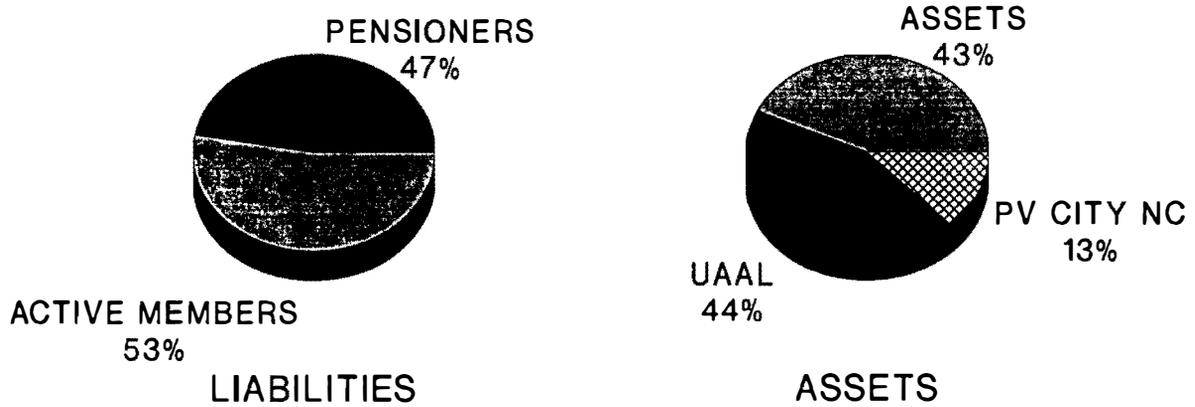
The last item, the present value of future City contributions, is made up of two parts:

1. **The Present Value of Future City Normal Costs:** Using the Projected Unit Credit Cost Method, the City budgets a certain percentage of payroll to fund benefits for System Members. The Normal Cost is the cost of benefits earned in each year. Normal Cost is funded from a Member's date of employment to the average expected retirement date. For the 1995-1996 fiscal year, the normal cost percentage for health subsidy benefits is 0.98% of pay. The present value of these future City Normal Cost contributions represents one piece of the value of future City contributions.
2. **The Unfunded Actuarial Accrued Liability:** The portion of the present value of future City contributions which will not be funded by the future Normal Cost contributions is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL arises from prior contributions that were less than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all health subsidy benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

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

The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the health subsidy benefits of the System. It shows that about 47% of the System's liabilities are for retired Members and their beneficiaries and 53% are for active Members with ten or more years of service. About 43% of the System's assets consist of currently available assets with 57% consisting of future contributions from the City.

ACTUARIAL BALANCE SHEET FOR HEALTH SUBSIDY BENEFITS



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

Actuarial Balance Sheet As Of June 30, 1994

ASSETS		
1. Applicable Assets		\$234,386,941
2. Present Value of Future Member Contributions		0
3. Present Value of Future Contributions by the City:		
a. Normal Costs	\$ 72,024,316	
b. Amortization of Certain Liabilities	238,710,302	
c. Total		\$310,734,618
4. Total Assets		\$545,121,559
LIABILITIES		
5. Present Value of Benefits Already Granted (Pensioners and Beneficiaries)		\$253,897,472
6. Present Value of Benefits to be Granted (Actives With Ten or More Years of Service)		291,224,087
7. Total Liabilities		\$545,121,559

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

Recommended City Contribution
For Fiscal year 1995-1996

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

The City is currently building reserves for, or advance funding, the Retiree Health Insurance Subsidy for current retirees and for active Members with sufficient service to receive a health subsidy (10 years). The actuarial value of the reserve available at June 30, 1994 is \$234,386,941. This reserve amount was calculated by the City as part of the asset information provided to us. The City provides the book value of the health subsidy reserve, which we use along with estimates of the market value, to determine the actuarial value used in funding calculations.

Based on this reserve, we have calculated the required funding amount for the fiscal year beginning July 1, 1995. The dollar amounts shown on the next page are based on total payroll at July 1, 1994, for illustrative purposes.

The contribution for health subsidy benefits decreased from 3.18% of payroll for 1994-1995 to 2.99% of payroll for 1995-1996 primarily because, on average, health insurance premiums increased less than assumed since last year, particularly for retirees over age 65.

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

Recommended City Contribution For Health Subsidy Benefits For Fiscal Year 1995-1996		
	Dollar Amount	Percent of Pay
1. Normal Cost at 06/30/94	\$ 8,702,669	.98%
2. Actuarial Accrued Liability at 06/30/94	473,097,243	-
3. Actuarial Value of Assets Available for Health Subsidy Benefits at 06/30/94	234,386,941	-
4. Unfunded Actuarial Accrued Liability (UAAL): (2) - (3)	238,710,302	-
5. Amortization of UAAL		
- Initial Base as a Level Percent of Pay through 06/30/2004	\$4,918,933	.56%
- Change in Assumptions at 06/30/89	1,150,157	.13%
- Change in Funding at 06/30/89	7,176,423	.81%
- Actuarial Loss at 06/30/90	5,289,590	.60%
- Actuarial Loss at 06/30/91	5,623,470	.64%
- Actuarial Gain at 06/30/92	(2,362,068)	(.27%)
- Change in Assumptions at 06/30/92	595,557	.07%
- Actuarial Gain at 06/30/93	(865,727)	(.10%)
- Change in Assumptions at 06/30/93	(912,846)	(.10%)
- Actuarial Gain at 06/30/94	<u>(2,895,066)</u>	<u>(.33%)</u>
Total	\$17,718,423	2.01%
6. Recommended Contribution: (1) + (5)	\$26,421,092	2.99%

CITY OF LOS ANGELES

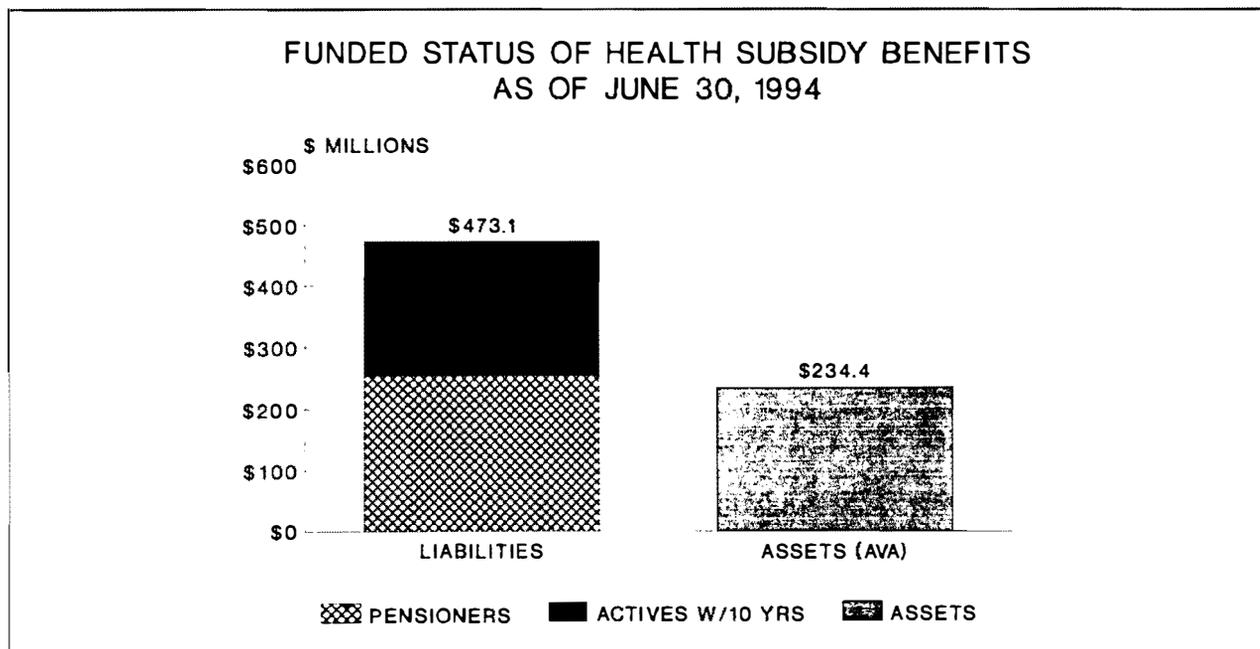
CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Funded Status of Health Subsidy Benefits At June 30, 1994

This information is calculated using the guidelines of GASB No. 5 (see page 6). These figures do not include assets or liabilities of the retirement benefits of the System.

Present Value of Health Subsidy Benefits Accrued to June 30, 1994	
- Retired members	\$253,897,472
- Active members with Ten Years of Service	<u>219,199,771</u>
- Total	\$473,097,243
Value of Assets Available for Health Subsidy Benefits	
Market	\$241,279,906
Actuarial	\$234,386,941
Funded Ratio	
Market	51.0%
Actuarial	49.5%



CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Assumptions And Methods

It is our understanding that the City is phasing in the process of advance funding for the Health Insurance Premium Subsidy. A brief summary of this phase-in is as follows:

- The City began funding for these benefits when the health subsidy plan was first initiated, by commencing funding when a Member retired. However, this funding was limited below the actual cost, since the contributions were determined by recognizing only 3% annual increases in the subsidy due to medical trend.
- Beginning in 1987, the assumption for annual increases in the health insurance subsidy benefits was increased to 8% per year. Also, the City began advance funding for active Members who are eligible to retire.

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

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

In valuing the liabilities of the health subsidy, we projected future cash flows by applying medical trend rates to current subsidy amounts. The current average monthly claim rates we used as the starting point for our projections depend on the experience of the plan and plan provisions. These rates are summarized in Exhibit VIII. To determine the present value of future health insurance subsidy benefits, we discounted future cash flows to June 30, 1994 using a valuation rate of 8%.

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

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Exhibits

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

System Assets (Book Value)		
	June 30, 1994	June 30, 1993
ASSETS		
Cash	\$68,838	\$3,962,186
Receivables		
Accrued Interest and Dividend Income	27,061,464	32,080,000
Other Receivables	3,966,205	4,618,637
Proceeds from Investment	<u>40,820,235</u>	<u>64,101,096</u>
Total Receivables	71,847,904	100,799,733
Investments		
Temporary, at Cost	414,008,202	397,096,309
Bonds, at Amortized Cost	1,227,104,750	1,406,802,839
Common Stocks, at Cost	2,047,520,887	1,562,584,604
Real Estate	<u>116,583,091</u>	<u>105,000,125</u>
Total Investments	3,805,216,930	3,471,483,877
Total Assets	3,877,133,672	3,576,245,796
LIABILITIES		
Accounts Payable and Accrued Expenses	(108,527,794)	(130,687,742)
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$3,768,605,878	\$3,445,558,054

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

Statement Of Reserve And Fund Balance Accounts		
	June 30, 1994	June 30, 1993
ACTUARIAL		
Member Contributions	\$562,078,400	\$528,587,809
Annuities	346,157,973	336,251,990
Basic Pensions	1,928,572,918	1,711,511,228
Cost-of-Living	686,169,770	642,453,409
Family Death Benefit Insurance	18,132,841	17,506,929
Health Benefits	227,493,976	209,246,689
Total Actuarial	\$3,768,605,878	\$3,445,558,054
OTHER		
Undistributed Earnings	\$0	\$0
Fund Balance	0	0
Total Other	0	0
TOTAL RESERVE AND FUND BALANCE	\$3,768,605,878	\$3,445,558,054

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Statement of Changes in Net Assets Available For Plan Benefits		
	Year Ended June 30, 1994	Year Ended June 30, 1993
REVENUES		
City Contributions	\$173,631,707	\$170,545,108
Members' Contributions	42,289,767	42,719,604
Income from Investments		
Interest Earned	117,503,253	115,242,498
Dividends	44,363,759	42,436,448
Real Estate	<u>8,387,188</u>	<u>6,560,691</u>
Total	170,254,200	164,239,637
Total Revenues	\$386,175,674	\$377,504,349
EXPENDITURES		
Pensions		
Retirement Allowances	\$187,919,234	\$175,012,342
Family Death Benefit Insurance	560,965	559,076
Health Benefits	<u>22,175,515</u>	<u>21,387,417</u>
Total	210,655,714	196,958,835
Refund of Members' Contributions	8,543,248	6,927,586
Administrative Expenses	11,069,342	10,338,982
Total Expenditures	\$230,268,304	\$214,225,403
NET REVENUES	\$155,907,370	\$163,278,946
CAPITAL GAIN ON INVESTMENTS SOLD	\$167,140,454	\$101,548,212
NET REVENUES PLUS CAPITAL GAIN	\$323,047,824	\$264,827,158
NET ASSETS AVAILABLE FOR PLAN BENEFITS, BEGINNING OF THE YEAR	\$3,445,558,054	\$3,180,730,896
NET ASSETS AVAILABLE FOR PLAN BENEFITS, END OF THE YEAR	\$3,768,605,878	\$3,445,558,054

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Retirement Benefits

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

4. Disability Retirement:

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

5. Deferred Service Retirement:

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

6. Pre-retirement Death Benefits:

- A) Not Eligible for Disability or Service Retirement: Member receives (i), (ii), and (iii) where:
- (i) = Accumulated contributions with interest.
- (ii) = Limited monthly pension equal to half the average monthly salary for the year before death. Benefit is payable to surviving spouse, minor children, or dependent parents, and is payable for a period of 2 months times the number of completed years of service, to a maximum of 12 months.
- (iii) = Family Death Benefit Insurance Plan benefit, if a qualified Member.

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

Member receives (i) and (ii) where:

(i) = 60% of the benefit the Member would have received if he or she had been granted a disability benefit on the day before death, payable for the lifetime of the Member's spouse.

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

Surviving spouse may elect A in lieu of B.

C) Eligible for Service Retirement:

Surviving spouse receives a lifetime benefit equal to 100% of the benefit the Member would have been entitled to if he or she had been granted an Option 1 (Joint and 100%) actuarially reduced Service Retirement benefit on the day before death.

Benefits under the Family Death Benefit Insurance Plan are not available.

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

7. Post-retirement Death Benefits:

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

(i) = 50% continuance to surviving eligible spouse, if covered under the plan.

(ii) = Return of unused contributions and interest (provided normal cash refund annuity was selected) and any accrued but unpaid retirement allowance at death of last beneficiary eligible for monthly allowance.

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

8. Post-retirement
Cost-of-Living Benefits:

Each July 1, the benefits are increased by the percentage increase in CPI (to a maximum of 3%). Increases in CPI above 3% are "banked" to apply in years when CPI increase is less than 3%.

If benefit has been paid less than 12 months, the 3% increase is proportionately decreased.

9. Employee Contributions:

Pre-February, 1983 participants:

Members are assumed to contribute per the schedule effective July 1, 1981. To the extent that Members contribute less than the full rates, the City should contribute 80% of the amounts otherwise paid by the Member.

Post-January, 1983 participants:

Members contribute 6% of pay.

10. Family Death Benefit Insurance Plan:

A) Eligibility:

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

B) Benefits:

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

C) Cost:

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

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Health Subsidy Benefits

Eligibility: Members who retire with ten years of service. Subsidy begins at age 55.

Subsidy: *Medical*

For retired Members under age 65 or 65 and over with only Medicare Part B:

A percentage of the Maximum Subsidy, or the actual premium paid to a City approved health carrier, if less.

The percentage is 4% for each year of service, up to a maximum of 100% after 25 years.

Maximum Subsidy: The maximum is the rate currently paid for active City employees. As of July 1, 1994, this amount is \$472 per month.

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

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

Dental

4% per year of service to a maximum of \$28.24 for Connecticut General and \$9.94 for Safeguard.

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

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

Interest Rate: 8.0% per year.

Salary Increases: Total System payroll is assumed to increase 6.0% per year.
Annual salary increases for individuals vary by age.

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

Cost-of-Living: 3.0% per year.

Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

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

Sample Rates

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

B. For Pensioners on Disability Retirement:

1981 Disability Mortality Table

Sample Rates

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

Rehire for Former Employees:

All former employees are assumed not to be rehired.

Dependents:

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

Proportion of Members
with Spouses at Retirement:

75% of male employees and 55% of female employees are assumed married at retirement. Wives are assumed four years younger than husbands.

Funding Method:

For retirement benefits: The Projected Unit Credit Cost Method.

For the Family Death Benefit Insurance Plan: One year term cost funding method.

Asset Valuation Method:

An asset value equal to the average of book and market values was used in determining annual funding requirements.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary Of Actuarial Assumptions And Methods Used For Valuation Of Health Subsidy Benefits

Methods:

Future cash flows were projected by applying medical trend rate factors to current annual claim rates. The prefunding of these cash flows is determined using the Projected Unit Credit Funding Method.

Discount on Projected Cash Flows:

8% per year.

Medical Trend Rates:

Year	Medical Inflation		Dental Inflation
	Pre-65	Post-65	
1994-1995	12.00%	11.00%	11.00%
1995-1996	11.50%	10.50%	10.50%
1996-1997	11.00%	10.00%	10.00%
1997-1998	10.50%	9.50%	9.50%
1998-1999	10.00%	9.00%	9.00%
1999-2000	9.50%	8.50%	8.50%
2000-2001	9.00%	8.00%	8.00%
2001-2002	8.50%	7.50%	7.50%
2002-2003	8.00%	7.25%	7.25%
2003-2004	7.50%	7.00%	7.00%
2004-2005	7.00%	6.75%	6.75%
2005-2006	6.75%	6.50%	6.50%
2006-2007	6.50%	6.25%	6.25%
2007-2008	6.25%	6.00%	6.00%
2008+	6.00%	6.00%	6.00%

Medicare Premium Inflation Rate:

Year	Increase
1994-1995	\$43.60*
1995-1996	8.25%
1996-1997	8.00%
1997-1998	7.75%
1998-1999	7.50%
1999-2000	7.25%
2000-2001	7.00%
2001-2002	6.75%
2002-2003	6.50%
2003-2004	6.25%
2004+	6.00%

* A blended rate of the actual 1994, and 1995 Medicare Part B premium rates.

Mortality:	1971 Group Annuity Mortality Table, with a one year age setback for males and a five year age setback for females.
Probability of Termination of Employment:	Same rates as used in valuation of retirement benefits. See retirement report for details.
City Medical Plan Coverage:	80% of all retirees are assumed to receive a subsidy for a City approved health carrier.
Spouses and Dependent:	90% of male and 65% of female retirees who receive a subsidy are assumed to be married and elect dependent coverage.
Medicare Coverage:	85% of retirees are assumed to elect Medicare Parts A & B.
Dental Coverage:	65% of retirees are assumed to elect dental coverage.
Funding Method:	Projected Unit Credit Cost Method.
Asset Valuation Method:	An asset value equal to the average of book and market values was used in determining annual funding requirements.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Average Monthly Subsidy Rates For Health Subsidy Benefits	
	Premium Per Month Per Year of Service (Maximum 25 Years)
Medical	
Less Than Age 65 or Age 65 and Over Without Medicare Parts A & B	
Married Male	\$17.01
Single Male	13.28
Married Female	16.06
Single Female	14.20
Age 65 and Over with Medicare Parts A & B	
Married Male	6.99
Single Male	6.12
Married Female	6.26
Single Female	9.06
Dental	0.94

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Rates Of Separation From Active Service

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

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

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

RATES OF SEPARATION FROM ACTIVE SERVICE

AGE	ORDINARY WITHDRAWAL		SERVICE RETIREMENT		ORDINARY DISABILITY		ORDINARY DEATH		DEATH ELIG FOR SVC RET
	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	MALES	FEMALES	
20	0.2900	0.1500	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
21	0.2549	0.1440	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
22	0.2240	0.1382	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
23	0.1969	0.1327	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
24	0.1731	0.1274	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
25	0.1521	0.1223	0.0000	0.0000	0.0002	0.0000	0.0004	0.0003	0.0000
26	0.1404	0.1159	0.0000	0.0000	0.0002	0.0000	0.0004	0.0003	0.0000
27	0.1296	0.1098	0.0000	0.0000	0.0003	0.0000	0.0005	0.0004	0.0000
28	0.1197	0.1040	0.0000	0.0000	0.0004	0.0000	0.0005	0.0004	0.0000
29	0.1105	0.0986	0.0000	0.0000	0.0005	0.0000	0.0006	0.0005	0.0000
30	0.1020	0.0934	0.0000	0.0000	0.0006	0.0001	0.0006	0.0005	0.0000
31	0.0946	0.0879	0.0000	0.0000	0.0008	0.0001	0.0006	0.0006	0.0000
32	0.0877	0.0827	0.0000	0.0000	0.0009	0.0001	0.0007	0.0006	0.0000
33	0.0813	0.0779	0.0000	0.0000	0.0010	0.0001	0.0007	0.0006	0.0000
34	0.0754	0.0733	0.0000	0.0000	0.0011	0.0001	0.0008	0.0007	0.0000
35	0.0699	0.0690	0.0000	0.0000	0.0013	0.0002	0.0008	0.0007	0.0000
36	0.0654	0.0671	0.0000	0.0000	0.0014	0.0002	0.0009	0.0008	0.0000
37	0.0611	0.0652	0.0000	0.0000	0.0015	0.0002	0.0010	0.0008	0.0000
38	0.0572	0.0634	0.0000	0.0000	0.0016	0.0003	0.0010	0.0009	0.0000
39	0.0535	0.0617	0.0000	0.0000	0.0017	0.0003	0.0011	0.0010	0.0000
40	0.0500	0.0600	0.0000	0.0000	0.0018	0.0004	0.0012	0.0010	0.0000
41	0.0480	0.0580	0.0000	0.0000	0.0018	0.0005	0.0014	0.0011	0.0000
42	0.0450	0.0560	0.0000	0.0000	0.0019	0.0006	0.0014	0.0012	0.0000
43	0.0430	0.0540	0.0000	0.0000	0.0019	0.0008	0.0015	0.0012	0.0000
44	0.0400	0.0520	0.0000	0.0000	0.0020	0.0010	0.0016	0.0013	0.0000
45	0.0380	0.0500	0.0000	0.0000	0.0020	0.0012	0.0017	0.0014	0.0000
46	0.0360	0.0480	0.0000	0.0000	0.0021	0.0014	0.0018	0.0014	0.0000
47	0.0340	0.0460	0.0000	0.0000	0.0021	0.0014	0.0019	0.0015	0.0000
48	0.0320	0.0440	0.0000	0.0000	0.0022	0.0016	0.0021	0.0016	0.0000
49	0.0300	0.0420	0.0000	0.0000	0.0022	0.0018	0.0022	0.0017	0.0000
50	0.0280	0.0400	0.0020	0.0010	0.0023	0.0020	0.0023	0.0018	0.0000
51	0.0270	0.0380	0.0030	0.0022	0.0023	0.0024	0.0025	0.0019	0.0000
52	0.0250	0.0360	0.0040	0.0040	0.0023	0.0028	0.0027	0.0021	0.0000
53	0.0240	0.0340	0.0055	0.0067	0.0023	0.0032	0.0028	0.0022	0.0000
54	0.0220	0.0330	0.0235	0.0134	0.0023	0.0036	0.0030	0.0024	0.0000
55	0.0210	0.0320	0.0945	0.0635	0.0024	0.0040	0.0032	0.0026	0.0021
56	0.0205	0.0320	0.0675	0.0286	0.0024	0.0040	0.0034	0.0029	0.0024
57	0.0205	0.0320	0.0785	0.0313	0.0024	0.0040	0.0036	0.0031	0.0026
58	0.0205	0.0320	0.0900	0.0358	0.0024	0.0040	0.0039	0.0034	0.0029
59	0.0205	0.0320	0.1000	0.0581	0.0024	0.0040	0.0041	0.0038	0.0032
60	0.0210	0.0325	0.1935	0.1654	0.0024	0.0000	0.0044	0.0042	0.0035
61	0.0210	0.0325	0.1400	0.0984	0.0024	0.0000	0.0050	0.0046	0.0039
62	0.0225	0.0330	0.1500	0.1118	0.0025	0.0000	0.0055	0.0052	0.0043
63	0.0230	0.0335	0.1680	0.1207	0.0025	0.0000	0.0061	0.0058	0.0048
64	0.0240	0.0340	0.2125	0.1341	0.0025	0.0000	0.0067	0.0065	0.0053
65	0.0000	0.0000	0.3500	0.2240	0.0000	0.0000	0.0074	0.0073	0.0059
66	0.0000	0.0000	0.2240	0.1520	0.0000	0.0000	0.0082	0.0084	0.0065
67	0.0000	0.0000	0.2240	0.1650	0.0000	0.0000	0.0090	0.0097	0.0072
68	0.0000	0.0000	0.2240	0.1920	0.0000	0.0000	0.0098	0.0111	0.0078
69	0.0000	0.0000	0.2500	0.2500	0.0000	0.0000	0.0106	0.0127	0.0086
70	0.0000	0.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
Contribution Rates Assumed For Members
Participating Before February 1, 1983**

Age	Normal	Survivor	Total	Age	Normal	Survivor	Total
16	8.00%	0.22%	8.22%	40	10.19%	0.91%	11.10%
17	8.04	0.28	8.32	41	10.29	0.92	11.21
18	8.08	0.33	8.41	42	10.41	0.93	11.34
19	8.14	0.39	8.53	43	10.52	0.94	11.46
20	8.20	0.44	8.64	44	10.64	0.95	11.59
21	8.27	0.48	8.75	45	10.76	0.97	11.73
22	8.34	0.53	8.87	46	10.89	0.98	11.87
23	8.42	0.56	8.98	47	11.01	0.99	12.00
24	8.50	0.60	9.10	48	11.12	1.00	12.12
25	8.58	0.63	9.21	49	11.24	1.01	12.25
26	8.66	0.66	9.32	50	11.34	1.03	12.37
27	8.75	0.68	9.43	51	11.44	1.05	12.49
28	8.86	0.70	9.56	52	11.55	1.06	12.61
29	8.96	0.72	9.68	53	11.65	1.07	12.72
30	9.06	0.75	9.81	54	11.75	1.08	12.83
31	9.17	0.77	9.94	55	11.85	1.09	12.94
32	9.28	0.79	10.07	56	11.94	1.10	13.04
33	9.40	0.81	10.21	57	12.03	1.12	13.15
34	9.50	0.82	10.32	58	12.13	1.13	13.24
35	9.61	0.83	10.44	59 - Over	12.19	1.14	13.33
36	9.73	0.85	10.58				
37	9.84	0.86	10.70				
38	9.96	0.87	10.83				
39	10.07	0.90	10.97				

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

AGE/SERVICE/SALARY DISTRIBUTION BY ATTAINED AGE FOR ACTIVE MEMBERS AS OF JUNE 30, 1994

ATTAINED AGE	SERVICE												TOTAL	
	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	OVER 34		
UNDER 25	101	47	42	49	48	31	0	0	0	0	0	0	0	318
AVERAGE SALARY	22,246	21,534	27,068	29,933	30,426	29,153	0	0	0	0	0	0	0	25,870
25 - 29	178	137	189	224	413	834	17	0	0	0	0	0	0	1,992
AVERAGE SALARY	29,883	29,269	32,617	34,373	34,453	33,172	32,815	0	0	0	0	0	0	32,955
30 - 34	124	108	147	226	478	1,764	491	10	0	0	0	0	0	3,348
AVERAGE SALARY	31,940	28,814	34,725	34,798	37,007	38,167	36,750	39,020	0	0	0	0	0	36,885
35 - 39	108	79	145	167	387	1,533	855	268	28	0	0	0	0	3,570
AVERAGE SALARY	31,155	31,419	35,700	36,074	37,977	40,067	40,704	37,289	38,723	0	0	0	0	38,949
40 - 44	97	68	94	117	274	1,196	713	643	442	24	0	0	0	3,668
AVERAGE SALARY	33,216	30,253	38,061	36,716	37,163	39,976	41,691	42,645	41,581	38,904	0	0	0	40,241
45 - 49	57	41	84	92	159	828	509	560	792	342	16	0	0	3,480
AVERAGE SALARY	33,452	36,693	30,633	36,260	37,641	39,393	41,677	46,593	48,253	47,524	50,668	0	0	43,249
50 - 54	35	37	50	66	126	462	314	308	458	590	182	9	2,637	
AVERAGE SALARY	30,483	27,004	30,759	35,286	37,579	39,815	41,226	44,663	47,296	50,688	50,105	47,557	44,322	
55 - 59	17	21	33	42	66	326	188	177	287	369	160	62	1,748	
AVERAGE SALARY	29,269	23,134	17,073	28,378	35,647	39,974	41,154	42,493	43,306	45,330	54,427	50,310	42,542	
60 - 64	6	11	20	26	24	156	110	124	143	148	101	50	919	
AVERAGE SALARY	13,634	25,181	17,022	24,163	32,053	38,318	41,201	38,762	41,224	42,208	49,161	57,102	40,669	
OVER 64	5	14	35	34	13	97	69	79	97	63	34	50	590	
AVERAGE SALARY	16,090	15,977	8,504	12,384	33,081	37,529	40,081	37,566	41,447	44,201	47,208	51,499	36,969	
TOTAL	728	563	839	1,043	1,988	7,227	3,266	2,169	2,247	1,536	493	171	22,270	
AVERAGE SALARY	29,872	28,709	31,553	33,803	36,484	38,576	40,516	42,853	45,254	47,429	51,133	52,499	39,738	

AVERAGE AGE: 43.2
AVERAGE SERVICE: 11.8

CITY OF LOS ANGELES EMPLOYEE'S RETIREMENT SYSTEM

DISTRIBUTION OF PENSIONERS BY PLAN YEAR OF RETIREMENT AND BY ATTAINED AGE AS OF JUNE 30, 1994

TOTAL FOR ALL PENSIONERS

RETIREMENT BENEFITS

ATTAINED AGE	PRE 1980	Retirements in Plan Year Beginning in														TOTAL	AVERAGE BENEFIT AMOUNT
		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993		
0 - 39	6	4	1	0	0	1	4	4	3	2	11	10	15	23	11	95	7,903
40 - 44	13	5	6	7	9	8	3	10	6	14	8	9	10	7	6	121	10,358
45 - 49	35	12	7	10	4	4	10	9	7	8	9	8	11	6	9	149	10,167
50 - 54	71	10	10	7	8	12	5	11	11	18	17	10	20	10	75	295	12,821
55 - 59	84	15	13	13	21	15	20	15	11	81	126	118	136	188	152	1,008	21,649
60 - 64	119	28	38	30	83	116	108	157	187	152	157	134	135	139	123	1,706	20,864
65 - 69	417	122	124	259	219	164	145	172	143	166	122	103	86	91	73	2,406	19,200
70 - 74	944	187	206	217	180	175	89	119	97	72	53	37	37	42	28	2,483	16,939
75 - 79	1,229	104	103	72	60	49	27	28	24	10	11	3	5	16	4	1,745	13,780
80 - 84	943	23	24	19	13	5	9	2	3	5	3	5	0	3	2	1,059	10,459
85 - 89	531	4	1	2	1	0	2	1	1	0	2	1	0	0	1	547	9,274
90 - 94	224	0	0	0	1	0	0	1	0	0	0	0	0	0	0	226	8,139
OVER 95	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	4,616	514	533	636	599	549	422	529	493	528	519	438	455	525	484	11,894	
AVERAGE BENEFIT AMOUNT	11,239	13,944	15,831	19,178	18,668	18,817	18,646	19,636	20,472	20,409	21,166	22,142	22,829	23,912	22,855		

AVERAGE BENEFIT AMOUNT: \$16,516
TOTAL ANNUAL BENEFITS: \$196,438,501

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF PENSIONERS BY PLAN YEAR OF RETIREMENT AND BY ATTAINED AGE AS OF JUNE 30, 1994

TOTAL FOR ALL PENSIONERS

HEALTH SUBSIDY BENEFITS

ATTAINED AGE	PRE 1980	Retirements in Plan Year Beginning in														TOTAL	MONTHLY AVERAGE HEALTH SUBSIDY	
		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993			
0 - 39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40 - 44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45 - 49	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55 - 59	10	7	3	2	4	4	2	2	3	5	66	80	104	138	163	593	387	
60 - 64	19	6	8	5	4	49	63	108	125	142	140	107	123	131	127	1,157	377	
65 - 69	75	62	62	153	162	137	103	136	117	129	101	98	77	79	79	1,570	178	
70 - 74	425	108	136	183	149	137	88	109	98	78	51	37	35	43	30	1,707	145	
75 - 79	707	95	92	68	71	62	32	28	26	10	7	3	6	12	5	1,224	137	
80 - 84	535	19	20	17	11	6	7	2	3	4	2	2	0	4	0	632	143	
85 - 89	283	2	0	3	0	0	1	1	1	1	1	0	0	0	2	295	165	
90 - 94	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	144	
OVER 95	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	2,154	299	321	431	401	395	296	386	373	369	368	327	345	407	406	7,278		
MONTHLY AVERAGE HEALTH SUBSIDY	154	149	159	166	164	187	199	216	233	244	287	289	304	300	315			

AVERAGE MONTHLY HEALTH SUBSIDY: \$208
TOTAL MONTHLY HEALTH SUBSIDY: \$1,516,357