

ANNUAL REPORT

1972 - 73

CITY EMPLOYEES' RETIREMENT SYSTEM

City of Los Angeles

California

**Room 505, City Hall South
111 East First Street
Los Angeles, California 90012**

ELECTED OFFICIALS
of the
CITY OF LOS ANGELES

Tom Bradley
Mayor

Burt Pines
City Attorney

Charles Navarro
City Controller

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Fourteenth District

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Fifteenth District

**BOARD OF ADMINISTRATION
CITY EMPLOYEES' RETIREMENT SYSTEM
of the
City of Los Angeles
California**

**JERRY K. FIELDS, President
LAWRENCE C. JONES, Vice-President
STEPHEN CHRYSTIE
DONALD C. TILLMAN
ROLAND W. VINCENT
GORDON A. TURNBAUGH, Manager-Secretary**

CITY OF LOS ANGELES

CALIFORNIA



TOM BRADLEY
MAYOR

BOARD OF ADMINISTRATION

JERRY K. FIELDS
PRESIDENT
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VICE-PRESIDENT

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DONALD C. TILLMAN
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CITY EMPLOYEES' RETIREMENT SYSTEM

ROOM 505, CITY HALL SOUTH
111 EAST 1ST STREET
LOS ANGELES, CALIF. 90012
485-2824

GORDON A. TURNBAUGH
MANAGER-SECRETARY

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

Gentlemen:

Presented herewith is the annual report of the Board of Administration of the City Employees' Retirement System for the fiscal year ended June 30, 1973, in accordance with the provisions of Section 64 of the City Charter.

During the 1972-73 fiscal year, Retirement System assets increased from \$327.8 million to \$361.4 million, more than 10%. The City's contributions increased from \$19.0 million to \$19.7 million, and the members' contributions from \$13.4 million to \$13.7 million. Portfolio earnings provided an additional \$17.9 million toward the System's operation.

In November 1972, the City Charter was amended by adding Section 512.2 which provides for modification or addition of retirement benefits by ordinance, provided the level of benefits after such modification or addition does not exceed, on the average, the service retirement benefits available to active and retired members of the County of Los Angeles Employees' Retirement System.

In February 1973, the first ordinance was adopted under this new charter section. Effective March 29, 1973, this ordinance improved the level of retirement benefits in three major respects.

1. Retirement allowances were increased from 1/60 to 1/50 of final compensation for each year of service.
2. The basis of final compensation was changed to the last or highest twelve consecutive months, rather than thirty-six consecutive months, as before.
3. The maximum annual cost-of-living adjustment for retirement allowances was increased from 2% to 3%.

Respectfully submitted,

BOARD OF ADMINISTRATION

A handwritten signature in cursive script, appearing to read "Jerry K. Fields".

By Jerry K. Fields, President

CITY EMPLOYEES' RETIREMENT SYSTEM

GENERAL STATISTICS

Active Membership

	<u>June 30, 1973</u>	<u>June 30, 1972</u>	<u>Increase or (Decrease)</u>
Males	14,943	14,991	(48)
Females	<u>4,884</u>	<u>4,999</u>	(115)
Total	19,827	19,990	(163)

Retirement Roll

	<u>June 30, 1973</u>		<u>June 30, 1972</u>	
	<u>Number</u>	<u>Average Monthly Allowance</u>	<u>Number</u>	<u>Average Monthly Allowance</u>
Service Retirements	3,502	\$ 291	3,361	\$ 277
Disability Retirements	323	192	278	178
Survivorships	198	233	186	224
Limited Pensions	25	514	25	440
Family Death Benefit Plan Beneficiaries	<u>90</u>	211	<u>82</u>	200
Total	4,138		3,932	

Applications Processed To Completion

	<u>1972 - 73</u>	<u>1971 - 72</u>	<u>Increase or (Decrease)</u>
Service Retirements	323	331	(8)
Disability Retirements	61	34	27
Family Death Benefit Plan	21	11	10
Death Benefits			
Active Employees			
Limited Pensions with Refund of Contributions	34	30	4
Survivorships	19	14	5
Refund of Contributions	24	23	1
Retired Employees			
Death Payments	187	207	(20)
Refund of Contributions to Former Members	1,932	1,498	434

FINANCIAL STATEMENTS

CITY EMPLOYEES' RETIREMENT SYSTEM
COMPARATIVE BALANCE SHEET
JUNE 30, 1973 AND JUNE 30, 1972

	<u>1973</u>	<u>1972</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
CASH:			
In City Treasury	\$ 243,963.13	\$ 241,349.16	\$ 2,613.97
On Hand	<u>50.00</u>	<u>50.00</u>	<u>-0-</u>
Total Cash	\$ <u>244,013.13</u>	\$ <u>241,399.16</u>	\$ <u>2,613.97</u>
RECEIVABLES:			
Accounts Receivable - Security Exchange	\$ -0-	\$ 108,216.21	\$ (108,216.21)
Accrued Interest	4,040,764.14	3,765,515.31	275,248.83
Dividends Receivable	193,210.00	126,913.50	66,296.50
Due from Other Funds	<u>767,607.81</u>	<u>-0-</u>	<u>767,607.81</u>
Total Receivables	\$ <u>5,001,581.95</u>	\$ <u>4,000,645.02</u>	\$ <u>1,000,936.93</u>
INVESTMENTS:			
Temporary Investments (Par)	\$ 3,600,000.00	\$ 8,900,000.00	\$ (5,300,000.00)
Bonds (Par)	284,461,127.69	273,225,050.04	11,236,077.65
Mortgages	1,000,000.00	-0-	1,000,000.00
Premium on Investments	735,717.11	768,444.91	(32,727.80)
Discount on Investments	(4,296,125.13)	(4,214,773.72)	(81,351.41)
Stocks @ Cost	<u>70,691,808.65</u>	<u>44,833,015.45</u>	<u>25,858,793.20</u>
Total Investment	\$ <u>356,192,528.32</u>	\$ <u>323,511,736.68</u>	\$ <u>32,680,791.64</u>
Total Assets	\$ <u><u>361,438,123.40</u></u>	\$ <u><u>327,753,780.86</u></u>	\$ <u><u>33,684,342.54</u></u>

LIABILITIES, RESERVE AND FUND BALANCE

CURRENT LIABILITIES:

Accrued Benefits Payable	\$ 101,286.21	\$ -0-	\$ 101,286.21
Accounts Payable	29,089.30	20,493.27	8,596.03
Due on Securities	<u>31,058.85</u>	<u>136,834.00</u>	<u>(105,775.15)</u>
Total Liabilities	\$ <u>161,434.36</u>	\$ <u>157,327.27</u>	\$ <u>4,107.09</u>

COMPARATIVE BALANCE SHEET (Continued)

RESERVES:

Actuarial:

Accumulated Contributions			
of Members	\$137,400,417.52	\$125,609,350.83	\$ 11,791,066.69
Annuities	36,789,161.57	32,992,308.82	3,796,852.75
Prior Service	3,554,965.63	4,356,997.96	(802,032.33)
Subsequent Service	162,099,390.35	147,643,206.86	14,456,183.49
Cost of Living (Sec. 510.1)	16,366,250.88	12,901,617.46	3,464,633.42
Family Death Benefit Ins.	<u>1,554,288.45</u>	<u>1,298,097.76</u>	<u>256,190.69</u>
 Total Actuarial Reserves	 \$357,764,474.40	 \$324,801,579.69	 \$ 32,962,894.71

Others:

Undistributed Earnings	22,513.98	26,671.99	(4,158.01)
Investment Profits and (Losses)			
Bonds	427,558.57	397,563.21	29,995.36
Stocks	<u>2,214,456.65</u>	<u>2,409,457.20</u>	<u>(195,000.55)</u>
 Total Reserves	 <u>\$360,429,003.60</u>	 <u>\$327,635,272.09</u>	 <u>\$ 32,793,731.51</u>

FUND BALANCE	\$ <u>847,685.44</u>	\$ <u>(38,818.50)</u>	\$ <u>886,503.94</u>
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Total Liabilities, Reserves and Fund Balance	<u>\$361,438,123.40</u>	<u>\$327,753,780.86</u>	<u>\$ 33,684,342.54</u>
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CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1973

RECEIPTS

Cash Balance, June 30, 1972		\$	241,349.16
Members' Contributions	\$ 12,999,162.66		
City Contributions	19,740,168.71		
Family Death Benefit Ins. Premiums	197,166.12		
Interest Income	15,403,265.94		
Dividends Received	1,662,543.29		
Miscellaneous	15,348.67		
Investments:			
Bonds, Treasury Bills & Equities	52,955,803.37		
Premium/Discount (Net)	(208,064.89)		
Reserve for Investment Profits and (Losses)			
Bonds	30,160.35		
Equities	(195,000.55)		
Received on Security Exchange	<u>124,337.83</u>		
Total Receipts			<u>102,724,891.50</u>
Available for Expenditure			<u>\$102,966,240.66</u>

DISBURSEMENTS

Investments:			
Bonds and Mortgages at Par	\$ 17,400,000.00		
U.S. Treasury Bills at Par	35,900,000.00		
Discount/Premium (Net)	(687,133.25)		
Interest Purchased	135,690.10		
Stock Purchased	32,103,602.40		
Paid on Security Exchange	<u>162,001.61</u>	\$	85,014,160.86
Allowances:			
Retirement	\$ 13,425,805.54		
Family Death Benefit Plan Payments	223,944.62		
Miscellaneous Adjustments for Prior Year	<u>65,438.41</u>		13,715,188.57
Refunds:			
Terminated Members	\$ 3,355,093.25		
Retired	<u>228,780.14</u>		3,583,873.39
Administrative Expense			<u>409,054.71</u>
Total Disbursement			\$102,722,277.53
Cash Balance June 30, 1973			<u>243,963.13</u>
			<u>\$102,966,240.66</u>

CITY EMPLOYEES' RETIREMENT SYSTEM
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
JUNE 30, 1973 AND JUNE 30, 1972

	<u>1973</u>	<u>1972</u>
REVENUES:		
Member Contributions	\$ 13,752,595.43	\$ 13,421,875.98
City Contributions	19,740,168.71	19,062,683.55
Family Death Benefit Premiums	210,655.66	171,756.92
Interest	16,172,669.33	14,708,762.92
Dividends	1,728,537.29	1,221,399.50
Capital Gains (Loss)	(165,005.19)	1,887,611.17
Miscellaneous Income	<u>1,801.20</u>	<u>150.35</u>
Total Revenues	\$ <u>51,441,422.43</u>	\$ <u>50,474,240.39</u>
EXPENDITURES:		
Prior Service Allowance	\$ 1,587,091.53	\$ 1,656,917.08
Subsequent Service Allowance	7,560,341.87	6,812,031.80
Annuity Allowance	2,927,706.69	2,643,152.98
Cost of Living Allowance	1,378,569.15	1,213,951.24
Family Death Benefit Allowance	227,467.26	207,896.78
Refund of Members Contributions	3,404,385.52	2,657,406.86
Refund of Unused Accumulated Contributions	<u>248,035.08</u>	<u>158,128.83</u>
Total Benefits Paid	\$ 17,333,597.10	\$ 15,349,485.57
Administrative Expenses	<u>418,831.74</u>	<u>359,149.15</u>
Total Expenditures	\$ <u>17,752,428.84</u>	\$ <u>15,708,634.72</u>
Excess of Revenues over Expenditures	\$ <u><u>33,688,993.59</u></u>	\$ <u><u>34,765,605.67</u></u>

NOTE: Effective June 30, 1973, accrual of revenue and expense not accrued on June 30, 1972, resulted in addition of \$754,118.27 to Member Contributions, \$13,489.54 to Family Death Benefit Premium, and \$101,286.21 to Benefits Paid.

INVESTMENT PORTFOLIO

	<u>June 30, 1973</u>	<u>June 30, 1972</u>	<u>Increase (Decrease)</u>
Bonds (at Amortized Cost)	\$284,633,219.67	\$278,678,721.23	\$ 5,954,498.44
Stocks (at Cost)	70,691,808.65	44,833,015.45	25,858,793.20
Mortgages (at Amortized Cost)	<u>867,500.00</u>	<u>-0-</u>	<u>867,500.00</u>
	<u>\$356,192,528.32</u>	<u>\$323,511,736.68</u>	<u>\$ 32,680,791.64</u>

DISTRIBUTION OF SECURITIES BY TYPE & CLASS

	<u>June 30, 1973</u>	<u>June 30, 1972</u>
<u>FIXED INCOME SECURITIES</u>		
Bonds		
U.S. Government	.28%	1.15%
Industrials	23.91	25.00
Public Utilities	39.08	37.07
Railroads	12.49	11.49
Miscellaneous	<u>22.56</u>	<u>22.05</u>
Total Bonds	98.32%	96.76%
Mortgages	.43	.09
Short Term Securities	<u>1.25</u>	<u>3.15</u>
Total Fixed Income Securities	<u>100.00%</u>	<u>100.00%</u>

DISTRIBUTION OF SECURITIES BY TYPE & CLASS (Continued)

June 30, 1973

June 30, 1972

STOCKS

Common Stocks

Drugs & Medical	9.22%	7.93%
Electrical Equipment	10.33	10.02
Electronics & Instrumentation	-0-	1.91
Office Equipment	12.90	11.23
Photographic	1.01	1.59
Technological	.84	1.33
Automotive	2.21	2.29
Chemical	4.78	6.34
Machinery	6.12	1.66
Metals & Mining	3.04	2.94
Banks & Finance	2.85	-0-
Rail & Misc. Transportation	-0-	1.34
Cosmetics	4.08	4.00
Education & Entertainment	1.17	1.22
Food, Beverage & Soap	7.90	9.54
Insurance	4.17	6.25
Oil	10.69	12.11
Public Utilities	8.12	9.64
Retail Trade	4.34	3.42
Rubber	2.83	2.98
Consumer & Services	<u>2.81</u>	<u>1.48</u>

Total Common Stocks

99.41%

99.22%

Preferred Stock

Convertible Preferred

.59

.78

Total Equities

100.00%

100.00%

Fixed Income Securities
Stocks

80.35%
19.65

86.29%
13.71

100.00%

100.00%