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CITY EMPLOYEES' RETIREMENT SYSTEM

City of Los Angeles

California

ANNUAL REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 1986

Room 300, City Hall South  
111 East First Street  
Los Angeles, California 90012

BOARD OF ADMINISTRATION  
CITY EMPLOYEES' RETIREMENT SYSTEM  
of the  
City of Los Angeles  
California  
FISCAL YEAR 1985-86

OLGA MARCUS, President  
HENRY W. HURD, Vice-President  
CHESTER J. BACHRY  
ESTHER A. TORREZ  
WILLIAM T. WOODS  
JERRY F. BARDWELL, Manager-Secretary

ELECTED OFFICIALS  
of the  
CITY OF LOS ANGELES

TOM BRADLEY  
Mayor

JAMES KENNETH HAHN  
City Attorney

RICK TUTTLE  
City Controller

MEMBERS OF THE CITY COUNCIL

Howard Finn  
First District

Joel Wachs  
Second District

Joy Picus  
Third District

John Ferraro  
Fourth District

Zev Yaroslavsky  
Fifth District

Pat Russell  
Sixth District

Ernani Bernardi  
Seventh District

Robert C. Farrell  
Eighth District

Gilbert W. Lindsay  
Ninth District

David Cunningham  
Tenth District

Marvin Braude  
Eleventh District

Hal Bernson  
Twelfth District

Michael Woo  
Thirteenth District

Richard Alatorre  
Fourteenth District

Joan Milke Flores  
Fifteenth District

# CITY OF LOS ANGELES

CALIFORNIA



TOM BRADLEY  
MAYOR

## BOARD OF ADMINISTRATION

OLGA MARCUS  
PRESIDENT  
HENRY W. HURD  
VICE PRESIDENT  
CHESTER J. BACHRY  
ESTHER A. TORREZ  
WILLIAM T. WOODS

## CITY EMPLOYEES' RETIREMENT SYSTEM

ROOM 300 CITY HALL SOUTH  
111 EAST 1ST STREET  
LOS ANGELES, CA 90012  
485-2824

JERRY F. BARDWELL  
MANAGER SECRETARY

December 31, 1986

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

The annual report of the Board of Administration of the City Employees' Retirement System for the fiscal year ending June 30, 1986 is submitted, in accordance with the provisions of Section 64 of the City Charter.

### FINANCIAL INFORMATION

#### BACKGROUND

The City Employees' Retirement System is a diversified fund with investment commitments to bonds, stocks, and short term securities. The Board's investment policy allocates assets on a cost basis with 40% of the assets allocated to equity and 60% allocated to fixed income. Management of the fund is also diversified with two fixed income and six equity advisors. Managers are hired on the basis of performance with management styles that complement the investment objectives established by the Board.

#### PERFORMANCE

The Fund's investment performance is measured by SEI Co. This service compares the market performance of the Fund's investment to other pension fund portfolios. The indicated returns are based on market value and, therefore, may not fully impact the actuarial funding. These rates of return are significant, however, because they measure the performance of our portfolio managers relative to other investment managers in the SEI Universe. The following table shows the Fund's ranking in the SEI Universe of public funds for 1985-86 and 1984-85. The ranking is from 1 to 100, with a number 1 ranking representing the best performance.

	<u>1985/1986</u>		<u>1984/1985</u>	
	RETURN	RANK	RETURN	RANK
CERS Equities	36.5%	64	32.6%	39
CERS Bonds	22.7%	13	37.3%	8
CERS TOTAL FUND	27.3%	64	33.5%	10

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

	<u>1985/86</u>	<u>1984/85</u>	<u>1983/84</u>	<u>1982/83</u>	<u>1981/82</u>
CERS EQUITIES	36.5%	32.6%	-12.2%	56.6%	-12.5%
STANDARD & POORS 500	35.9%	31.0%	- 4.6%	61.1%	-11.5%
CERS BONDS	22.7%	37.3%	- 3.7%	36.1%	10.6%
SHEARSON-LEHMAN KUHN LOEB (MEDIUM TERM)	20.6%	28.7%	1.8%	29.1%	13.4%
SALOMON BROS (LONG TERM)	19.9%	41.9%	- 6.3%	42.4%	8.7%
CERS TOTAL FUND	27.3%	33.5%	- 4.5%	36.1%	5.7%
CONSUMER PRICE INDEX	1.7%	3.7%	4.2%	2.6%	7.1%

#### INVESTMENTS

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

	<u>1985/86</u>	<u>1984/85</u>	<u>1983/84</u>	<u>1982/83</u>	<u>1981/82</u>
STOCKS	22.70%	8.88%	9.29%	11.01%	10.72%
BONDS	11.80%	11.01%	10.46%	11.17%	9.36%
SHORT TERM	8.40%	10.05%	10.18%	10.85%	9.91%
TOTAL	14.84%	10.35%	10.21%	11.11%	10.06%

These returns, together with the City and member contributions account for the rapid growth of the Fund. At the end of this fiscal year the Fund had invested assets totalling \$1.6 billion compared with \$1.4 billion at the end of the previous fiscal year. The following table illustrates the Fund's growth in the last two years.

	1986		1985	
	<u>COST</u>	<u>MARKET</u>	<u>COST</u>	<u>MARKET</u>
BONDS	\$ 976,369,075	\$1,046,106,240	\$ 843,158,174	\$ 811,856,000
STOCKS	\$ 527,199,074	\$ 675,113,143	\$ 410,118,934	\$ 483,253,000
TEMPORARY	\$ 136,072,702	\$ 136,072,702	\$ 151,223,144	\$ 151,233,144
TOTAL	\$1,639,640,851	\$1,857,292,085	\$1,404,500,252	\$1,446,342,144

SIGNIFICANT CHANGES

TERMINATION OF ADVISOR

As part of the ongoing audit of the investment advisors, the Board determined that Bankers Trust was not providing the performance expected of active managers. The contract with Bankers Trust was terminated in May, 1986. Responsibility for the assets managed by Bankers Trust was temporarily transferred to Loomis Sayles Equity. At year end, the Board was reviewing its investment policy to determine the appropriate management style for deployment of these assets.

NEW COMMISSIONER

In October of 1985, Esther Torrez was appointed to fill a vacancy on the Board of Administration.

ANTI-APARTHEID RESOLUTION

On August 27, 1985, the Board adopted a six phase anti-apartheid plan. The plan encourages companies doing business in South Africa to subscribe to and support the Sullivan principles, and provides for possible divestment from companies doing business in South Africa that do not vigorously oppose apartheid.

Respectfully submitted,

BOARD OF ADMINISTRATION



by Olga Marcus, President

CITY EMPLOYEES' RETIREMENT SYSTEM STATISTICAL SUMMARY

INVESTMENT PORTFOLIO

	<u>June 30, 1985</u>	<u>Percent</u>	<u>June 30, 1986</u>	<u>Percent</u>	<u>Increase (Decrease)</u>
Short-term Investments (at Par)	\$ 151,223,141	10.7	\$ 136,072,702	8.3	\$ (15,150,439)
Fixed Income (at Amortized Cost)	843,158,174	60.0	976,369,075	59.5	133,210,901
Stocks (at Cost)	<u>410,118,934</u>	<u>29.3</u>	<u>527,199,074</u>	<u>32.2</u>	<u>117,080,140</u>
Total	<u>\$1,404,500,249</u>	<u>100.0</u>	<u>\$1,639,640,851</u>	<u>100.0</u>	<u>\$ 235,140,602</u>

GENERAL STATISTICS

	<u>June 30, 1985</u>	<u>June 30, 1986</u>
Active Members	<u>19,623</u>	<u>20,081</u>
Beneficiaries:		
Service Retirements	6,810	6,956
Disability Retirements	645	651
Survivorships	479	486
Continuance to Spouse of Deceased Retirees	1,245	1,340
Limited Pensions	2	4
Family Death Benefit Plan Beneficiaries	<u>162</u>	<u>164</u>
Total	<u>9,343</u>	<u>9,601</u>
Monthly Retirement Allowances	\$8,274,805	\$8,486,962

SERVICE RETIREMENTS FOR FISCAL YEAR

	<u>1984-85</u>	<u>1985-86</u>
Average Age	60.98	61.05
Average Service Credit (years)	23.82	24.08
Average Allowance	\$1,298.63	\$1,397.86

October 16, 1986

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

and

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

We have examined the balance sheets of the City of Los Angeles City Employees' Retirement System (System) as of June 30, 1986 and 1985, and the related statements of revenues, expenses and changes in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the City of Los Angeles City Employees' Retirement System as of June 30, 1986 and 1985, and the revenues, expenses and changes in fund balance and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Touche Ross & Co.*

Certified Public Accountants

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEETS

<u>ASSETS</u>	June 30	
	1986	1985
CASH	\$ 2,101,786	\$ 821,284
RECEIVABLES:		
Accrued interest and dividend	\$ 26,934,391	\$ 25,421,096
Proceeds from sale of investments	10,969,617	6,788,144
Other receivables	<u>3,527,646</u>	<u>2,975,071</u>
	41,431,654	35,184,311
INVESTMENTS (Note 1):		
Temporary, at cost	133,970,916	150,401,857
Bonds, at amortized cost (market value \$1,046,106,240 in 1986 and \$811,856,000 in 1985)	976,369,075	843,158,174
Common stocks, at cost (market value \$675,113,143 in 1986 and \$483,253,000 in 1985)	<u>527,199,074</u>	<u>410,118,934</u>
	<u>1,637,539,065</u>	<u>1,403,678,965</u>
Total assets	1,681,072,505	1,439,684,560
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	( 15,709,158)	( 13,047,836)
NET ASSETS AVAILABLE FOR PLAN BENEFITS (see Note 2 regarding unfunded prior and past service liability)	<u>\$1,665,363,347</u>	<u>\$1,426,636,724</u>
<u>FUND BALANCE</u> (Note 4)		
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS PAYABLE TO CURRENT RETIREES AND BENEFICIARIES	\$1,300,786,498	\$1,201,248,402
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:		
Member contributions	\$301,862,160	\$279,399,695
City-financed portion	<u>759,065,086</u>	<u>657,515,004</u>
	<u>1,060,927,246</u>	<u>936,914,699</u>
Total actuarial present value of credited projected benefits	2,361,713,744	2,138,163,101
UNFUNDED ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS	( 736,484,965)	( 744,737,026)
	1,625,228,779	1,393,426,075
RESERVE FOR FAMILY DEATH BENEFIT INSURANCE	11,645,957	10,728,741
RESERVE FOR GAIN/LOSS ON EQUITIES (Note 1)	26,359,954	20,505,948
RESERVE FOR UNDISTRIBUTED EARNINGS	<u>2,128,657</u>	<u>1,975,960</u>
Total fund balance	<u>\$1,665,363,347</u>	<u>\$1,426,636,724</u>

See notes to financial statements.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

	Year ended June 30	
	1986	1985
<b>REVENUES:</b>		
City contributions	\$ 112,838,247	\$ 100,568,881
Member contributions	21,316,506	19,340,772
Income from investments (Note 1):		
Interest	106,473,775	97,960,972
Dividends	18,890,873	17,045,648
Stock and bond option premiums		( 135,195)
	125,364,648	114,871,425
	259,519,401	234,781,078
<b>EXPENDITURES:</b>		
Pensions:		
Retirement allowances	108,413,859	98,598,596
Family death benefit insurance	716,459	724,423
Refund of members' contributions	5,291,570	4,649,782
Administrative expenses	4,326,147	3,699,259
	118,748,035	107,672,060
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE GAIN ON DISPOSITION OF INVESTMENTS</b>	140,771,366	127,109,018
<b>GAIN ON DISPOSITION OF INVESTMENTS</b>	97,955,257	21,156,022
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	238,726,623	148,265,040
<b>FUND BALANCE, beginning of year</b>	1,426,636,724	1,278,371,684
<b>FUND BALANCE, end of year</b>	\$1,665,363,347	\$1,426,636,724

See notes to financial statements.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended June 30	
	1986	1985
<b>SOURCE OF FUNDS:</b>		
Excess of revenues over expenditures	\$238,726,623	\$148,265,040
Decrease (increase) in temporary investments	16,430,941	( 18,905,658)
Increase in accounts payable and accrued expenses	2,661,322	4,710,949
	257,818,886	134,070,331
<b>USE OF FUNDS:</b>		
Increase in bond investments	133,210,901	35,973,775
Increase in common stock investments	117,080,140	97,577,751
Increase in proceeds from sale of investments receivable	4,181,473	3,219,920
Increase in accrued interest and dividends	1,513,295	73,216
Increase in other receivables	552,575	374,616
Decrease in unamortized premiums from sale of bond and stock options		142,617
	256,538,384	137,361,895
<b>INCREASE (DECREASE) IN CASH</b>	<b>\$ 1,280,502</b>	<b>(\$ 3,291,564)</b>

See notes to financial statements.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1986 AND 1985

Note 1 - Summary of Significant Accounting Policies:

Cash

Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles.

Investments

Temporary investments, consisting primarily of commercial paper, certificates of deposit and treasury bills, are carried at cost which approximates market.

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

	<u>1986</u>	<u>1985</u>
Bond exchanges during the year:		
Amortized cost	\$268,615,746	\$468,384,736
Market value	\$268,899,849	\$398,488,345

Investments in common stock are carried at cost.

The System has an agreement with a certain investment broker, whereby 50% of the brokerage fees paid by the System are retained by the broker and used to pay certain of the System's administrative expenses. These reimbursements amounted to approximately \$95,000 in 1986 and \$150,000 in 1985.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1986 AND 1985

(Continued)

Securities Lending

The City of Los Angeles City Employees' Retirement System (System) has entered into various short-term arrangements whereby investments with a cost basis of \$201,827,845 (1986) and \$173,196,338 (1985) and a market value of \$228,693,915 (1986) and \$179,769,659 (1985) were loaned to various brokers. The lending arrangements are collateralized by cash and marketable securities of \$231,954,818 (1986) and \$185,384,739 (1985). These agreements provide for the return of the investments and for a payment of: a) a fee, when the collateral is marketable securities, or b) interest earned on cash collateral on deposit. The securities on loan to the broker continue to be shown at their cost basis in the balance sheet.

Reserve for Retirement Allowances

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

Income from Investments

The Charter of the City of Los Angeles provides that income from investments, exclusive of capital gains or losses, shall be credited to member contribution accounts and in City reserve accounts. Realized capital gains and losses on bonds are recognized in the City's actuarial funding calculation. Net cumulative gains and losses on stocks, in excess of 5% of book value at year-end, are treated in the same manner. Such gains and losses up to 5% of book value are excluded from the funding calculation.

Note 2 - Retirement Plan and Actuarial Valuation:

The retirement plan of the System is a defined benefit plan to which contributions are made by members and by the City of Los Angeles. Members who entered the System prior to February 1983 contribute from 8.64% to 12.94% of their salaries. Contributions are subsidized by the City for certain members under a collective bargaining agreement (see Note 3). Members entering subsequent to February 1983 contribute 6%.

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

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1986 AND 1985

(Continued)

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

	<u>1986</u>	<u>1985</u>
Active members	<u>20,075</u>	<u>19,205</u>
Retired members:		
Continuous pensions	9,433	9,179
Limited pensions	4	25
Family death benefits	<u>164</u>	<u>162</u>
Total pensioners	<u>9,601</u>	<u>9,366</u>

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

The most significant assumptions underlying the actuarial computations for both 1986 and 1985 are as follows:

- Interest rate - The assumed rate of return on investments is 8%.
- Salary increases and scales - The salary scale used by the actuary in making the actuarial valuation consists of two elements: one element for service, merit and promotion, and another element for anticipated increases arising from future inflation. These elements totaled 5-3/4%.
- Cost of living annual increase - The year-end valuations were prepared utilizing an assumption of a 3% annual rate of increase for both retired members and for active members when they retire.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1986 AND 1985

(Continued)

- Mortality after service and disability retirements - The valuation is based upon the use of the 1971 Group Annuity Mortality Table and the 1981 Disability Tables for Safety and Miscellaneous (nonsafety) Members.
- Employee turnover and retirement - Expected rates of employee turnover and retirement were developed during the last actuarial investigation, June 30, 1986, based on actual experience of the System. These rates will be used until the next actuarial investigation.
- Funding method for retirement - The projected unit credit cost funding method is used. Under this method, normal costs are calculated as the present value of projected benefits deemed to be accrued to date.
- Funding method for family death benefits - The Term Cost Funding Method is used whereby the amount contributed in any one year is the present value of expected claims arising during the year.
- Funding of prior and past service costs - These costs are generally being funded over a 30-year period ending June 30, 2004, as a fixed dollar amount.

Note 3 - Defrayal of Portion of Member Contributions:

For members prior to February 1983, the City subsidizes a portion of certain member contributions. Payments made by the City in this manner are not refundable to members upon their withdrawal from the System prior to retirement. Therefore, the City does not have to contribute the total amount of member contributions that it subsidizes. The amount payable by the City, based upon the actuarial valuations, is approximately 67% of subsidized member contributions. For the years ended June 30, 1986 and 1985, the City contributed \$20,823,532 and \$19,392,180, respectively, in this manner.

CITY OF LOS ANGELES  
CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1986 AND 1985

(Continued)

Note 4 - Explanation of Actuarial Values and Changes:

The total actuarial present values of credited projected benefits were \$2,361,713,744 and \$2,138,163,101 at June 30, 1986 and 1985, respectively, consisting of:

	<u>June 30, 1986</u>	<u>% of active member payroll</u>	<u>June 30, 1985</u>	<u>% of active member payroll</u>
Actuarial present value of projected benefits payable to current retirees and beneficiaries	\$1,300,786,498	209.2%	\$1,201,248,402	226.5%
Actuarial present value of credited projected benefits for active participants:				
Member contributions	301,862,160	48.5	279,399,695	52.7
City contributions	<u>759,065,086</u>	<u>122.1</u>	<u>657,515,004</u>	<u>123.9</u>
Total actuarial present value of credited projected benefits	<u>\$2,361,713,744</u>	<u>379.8%</u>	<u>\$2,138,163,101</u>	<u>403.1%</u>

The total actuarial present value of credited projected benefits increased by \$223,550,643 from June 30, 1985 to June 30, 1986. There were no changes in actuarial assumptions and no changes in benefit provisions during the year.

Los Angeles City Employees'  
Retirement System

ACTUARIAL BALANCE SHEET

AS OF JUNE 30, 1986

ASSETS

1. Total Applicable Assets			\$1,651,588,733
2. Present Value of Future Contributions of Members			481,467,500
3. Present Value of Future Contributions by the City on Account of:			
a. Basic Pensions:			
i. Normal Cost		\$291,573,656	
ii. Amortization of Certain Liabilities:			
- Prior Service Pensions	\$ 6,624,638		
- Increase due to 1965 Amendments	2,009,226		
- Remaining Unfunded Actuarial Accrued Liability	<u>353,002,353</u>	361,636,217	
b. Cost-of-Living Pensions:			
i. Normal Cost		152,596,144	
ii. Amortization of Certain Liabilities:			
- Increase due to 1967 Amendments	12,825,485		
- Remaining Unfunded Actuarial Accrued Liability	<u>362,023,263</u>	<u>374,848,748</u>	<u>1,180,654,765</u>
4. Total Assets			<u>3,313,710,998</u>

Los Angeles City Employees'  
Retirement System

ACTUARIAL BALANCE SHEET

AS OF JUNE 30, 1986

LIABILITIES

5. Present Value of Benefits Already Granted:		
a. Basic	\$ 825,047,086	
b. Cost-of-Living	<u>475,739,412</u>	\$1,300,786,498
6. Present Value of Benefits to Be Granted:		
a. Basic	\$1,566,214,500	
b. Cost-of-Living	<u>446,710,000</u>	<u>2,012,924,500</u>
7. Total Liabilities		\$3,313,710,998

CITY EMPLOYEES' RETIREMENT SYSTEM  
SUMMARY OF MAJOR PLAN PROVISIONS

1. Service Retirement

A. Eligibility

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

B. Allowance

2.16% of final monthly compensation for each year of service (reduced if retirement prior to age 60 unless participant has attained age 55 with 30 years of service).

C. Benefits to Spouse

50% continuance to eligible spouse if employee elected to participate in continuance plan.

2. Disability Retirement

A. Eligibility

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

B. Allowance

1/3rd of final monthly compensation, or 1/70th of monthly final compensation for each year of service credit, in some cases, extended to age 65.

C. Benefits to Spouse

50% continuance to eligible spouse if employee elected to participate in continuance plan.

3. Deferred Retirement

A. Eligibility

Terminate City service with five or more years of retirement credit, apply in writing within three years after termination, and agree to leave accumulated contributions on deposit. Application required for retirement at any time after attaining age 55, provided at least 10 years have elapsed since employee first became a member, or at age 70 without any elapsed time requirement.

B. Allowance

Same as service retirement.

C. Benefits to Spouse

Same as service retirement.

4. Death Prior to Retirement

A. Not Eligible to Retire

The sum of:

- i. accumulated contributions
- ii. a monthly pension to the surviving spouse, minor children, or dependent parents of the deceased member, payable for a period equal to two months times the number of completed years of service credit to a maximum period of 12 months at the rate of 1/2 of the average monthly salary for the year prior to death and
- iii. if deceased member was a qualified member of the Family Death Benefit Insurance Plan, such benefits as are payable under that Plan.

B. Eligibility for Disability Retirement or Duty-Related Death

The sum of the following:

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

C. Eligible for Retirement

Surviving spouse receives a lifetime survivorship allowance based on an actuarially computed percentage of the retirement allowance the member would have been entitled to if granted an Option 1 (100% continuance) service retirement the day before the member's death. Benefits under the Family Death Benefit Insurance Plan, if any, are not payable. The surviving spouse may elect A or B in lieu of C.