Los Angeles Fire and Police Pensions

LAFPP

To Serve Those Who Protect

2020 ANNUAL REPORT

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I CAN THINK OF NO MORE STIRRING SYMBOL OF MAN'S HUMANITY TO MAN THAN A FIRE ENGINE.

—KURT VONNEGUT

SECTION ONE

Introduction

01

1.1 Letter of Transmittal

TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

June 30, 2020

Fiscal Year 2019-20 has truly been an extraordinary year. We began the year with relatively strong growth in the market which propelled our assets under management upward while staff was working on completion of our business plan projects. However, with the growing concern and significance of the COVID-19 pandemic in mid-to-late February, we were forced to pivot and re-think about how we perform our work. We activated our business continuity plan (we have conducted several exercises over the last several years to refine our preparedness) and proceeded to operate per our established plan. Beginning in March, we closed our office to members and the public. Since that time, we have been maintaining a skeletal staff presence in the office that handles the necessary paperwork, mail and other administrative tasks, while the remaining staff have continued to provide essential member services by working remotely. Additionally, we were forced to change our service delivery methods from in-person counseling and seminars to 100% telephonic. Clearly, this has been challenging for members as they were used to the "high touch" services associated with office visits and seminars. But as the "shelter-in-place" directive continued through the end of the fiscal year (and continues today), staff began offering virtual counseling with members upon request. Over the last several months, we have been ensuring the safety and well-being of members and staff while providing the best service possible to our members.

But changes to our service delivery model was not the only issue at hand. In late February, the stock market plunged over 30% (S&P 500) but made a remarkable turnaround by June 30, 2020. While our total return of 3.04% did not meet our benchmark goal of 7.25%, the loss could have been much worse had it not been for the turnaround in the equity markets. Investment staff were cautiously preparing for a market correction before the onset of the pandemic which partially mitigated some of our losses. As such, we ended the fiscal year with positive returns knowing the fiscal year-end could have been much worse.

With the 3.04% return in 2019-20, our five- and ten-year average returns are 6.63% and 9.05% respectively. Overall, our combined funded ratio increased slightly from 88.5% to 88.6% on an actuarial basis, with total unfunded liabilities increasing slightly from $3.01 billion to $3.12 billion. Separately, the actuarial funded status of the pension benefits dropped slightly from 93.6% to 93.2% and the funded

With the 3.04% return in 2019-20, our five- and ten-year average returns are 6.63% and 9.05% respectively.

status of the health benefits increased from 56.2% to 59.1%. These funding percentages reflect adoption of the recent experience study conducted on behalf of the Plan including lowering the assumed rate of return to 7.0% beginning with the June 30, 2020 Actuarial Valuation.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Even after adjusting for the pandemic, we have been able to complete the majority of our business plan projects and tasks for 2019-20. As a reminder, each year the Department drafts a Business Plan comprised of several projects to support our five Strategic Plan goals. These five goals are designed to advance the health and retirement security of our members and include:

- Ensure a financially sound retirement system
- Manage risk throughout the organization
- Enhance customer care and stakeholder relations
- Pursue operational efficiencies
- Build and support a talented workforce

The 2019-20 Business Plan included twelve projects that encompassed a wide range of activities, all focused on better serving our members and minimizing risk to the Plan. Highlighted below are a few of our accomplishments in 2019-20.

In May 2020, the Plan's actuary, Segal, completed a new experience study as required once every three years. This experience study is designed to review the Plan's actuarial assumptions and make any potential changes based on actual experience over the past three years. As expected, Segal recommended lowering the assumed inflation rate from 3.0% to 2.75% which correspondingly lowered the Plan's assumed rate of return from 7.25% to 7.0%. Other adopted changes consisted of demographic factors including updated public safety mortality assumptions.

I am proud of every staff member of this department, who has met this challenge and continued to get the necessary work accomplished while continuing the highest level of service possible.

Another project included a benchmarking study completed by the Plan's general investment consultant, RVK Inc. The benchmarking study focused on best practices and trends for public sector pension plans. Metrics examined included asset allocation, performance and risk, asset management and key actuarial metrics such as funded status and assumed rate of return. In summary, the Plan's total fund performance over longer-term time periods compares very favorably to other public funds. This is extremely important as LAFPP is a long-term provider of pension benefits and long-term performance above the benchmark is necessary to fund those benefits.

Along with the benchmarking study, the Board completed a review of our Emerging Manager Program. This review highlighted the successes and challenges of our Program and focused on potential improvements. These improvements will help the Board focus on asset classes whereby emerging managers can be successful in beating their benchmark and potentially enhance returns for the Plan.

Carrying over from previous years was our continued enhancements to our new Pension Administration Retirement Information System (PARIS). This year, we focused resources on integrating our document storage and retrieval system with PARIS to better access member records for improved customer service. Additionally, staff completed a server migration to better increase our security posture and other internal PARIS enhancements to improve the monthly pension roll. Lastly, we issued 1099-R tax forms to members for the first time in-house. Although we experienced numerous issues with proper reporting, we rectified these issues for affected members. We will continue to look for ways to improve system functionality and our operational efficiency to support our members as we transition to more services offered online through PARIS.

Other Business Plan projects undertaken during the fiscal year included workforce succession planning and training for departmental staff, contractor disclosure review, focused communications to members, and continued business process improvements.

Most of us never imagined that the pandemic would last longer than it has. For staff and members, the long-term nature of the pandemic forced us to re-evaluate our service model and develop a new staff deployment plan (telecommuting plan) that services members with safety in mind. I am proud of every staff member of this department, who has met this challenge and continued to get the necessary work accomplished while continuing the highest level of service possible.

I look forward to the accomplishments that we have yet to achieve as we continue to provide quality services to our members going forward. Fiscal Year 2019-20 was a pivotal year that is expected to profoundly change workplaces and the nature of work itself. With the lessons learned during this period, I look forward to offering new online transactions for members and implementing a more permanent, mobile work environment for staff.

As always, I am sincerely honored to serve the safety members of our City. I also thank the Board and staff for their continued dedication and commitment to the Los Angeles Fire and Police Pension System, and our active and retired members for the services they provide to the residents of Los Angeles.

RAYMOND CIRANNA
GENERAL MANAGER

2020 IN REVIEW

NUMBER OF ACTIVE MEMBERS INCLUDING DROP

13,486

9,881	3,379	126	100
POLICE	FIRE	HARBOR	AIRPORT

$23.5B
LAFPP PLAN ASSETS IN DOLLARS

93.2%
PENSION BENEFITS FUNDING STATUS

$0.25
1-YEAR TOTAL ASSET INCREASE IN BILLIONS

$4.80
5 -YEAR TOTAL ASSET INCREASE IN BILLIONS

3.04%
1-YEAR INVESTMENT RETURN

5-YEAR ANNUALIZED RATE OF RETURN
6.63%

10,816
TOTAL NUMBER OF RETIRED MEMBERSHIP

7.25%
ACTUARIAL ASSUMED RATE OF RETURN

SYSTEM ADMINISTRATION

The Fire and Police Pension System is administered by a Board of nine commissioners: five appointed by the Mayor and four elected by members. Fire and Police sworn employees each elect one active member, and Fire and Police retirees each elect one retired member. The Board administers the System in accordance with the City Charter and the State Constitution. Article XVI, Section 17 (a) of the State Constitution provides the Board "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17 (b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties ... solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

1.2 **Board of Fire and Police Pension Commissioners**

Adam Nathanson
Appointed by the Mayor

Brian Pendleton
Appointed by the Mayor

Corinne T. Babcock
Appointed by the Mayor

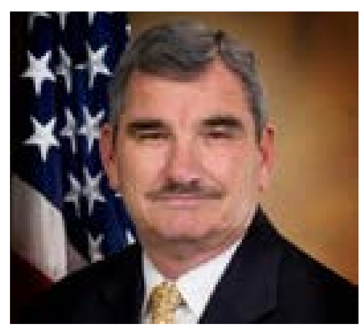
Kenneth E. Buzzell
Elected by Retired Fire Members

Ruben Navarro
Elected by Active Fire Members

Pedram Salimpour, MD
Appointed by the Mayor

Belinda M. Vega
Appointed by the Mayor

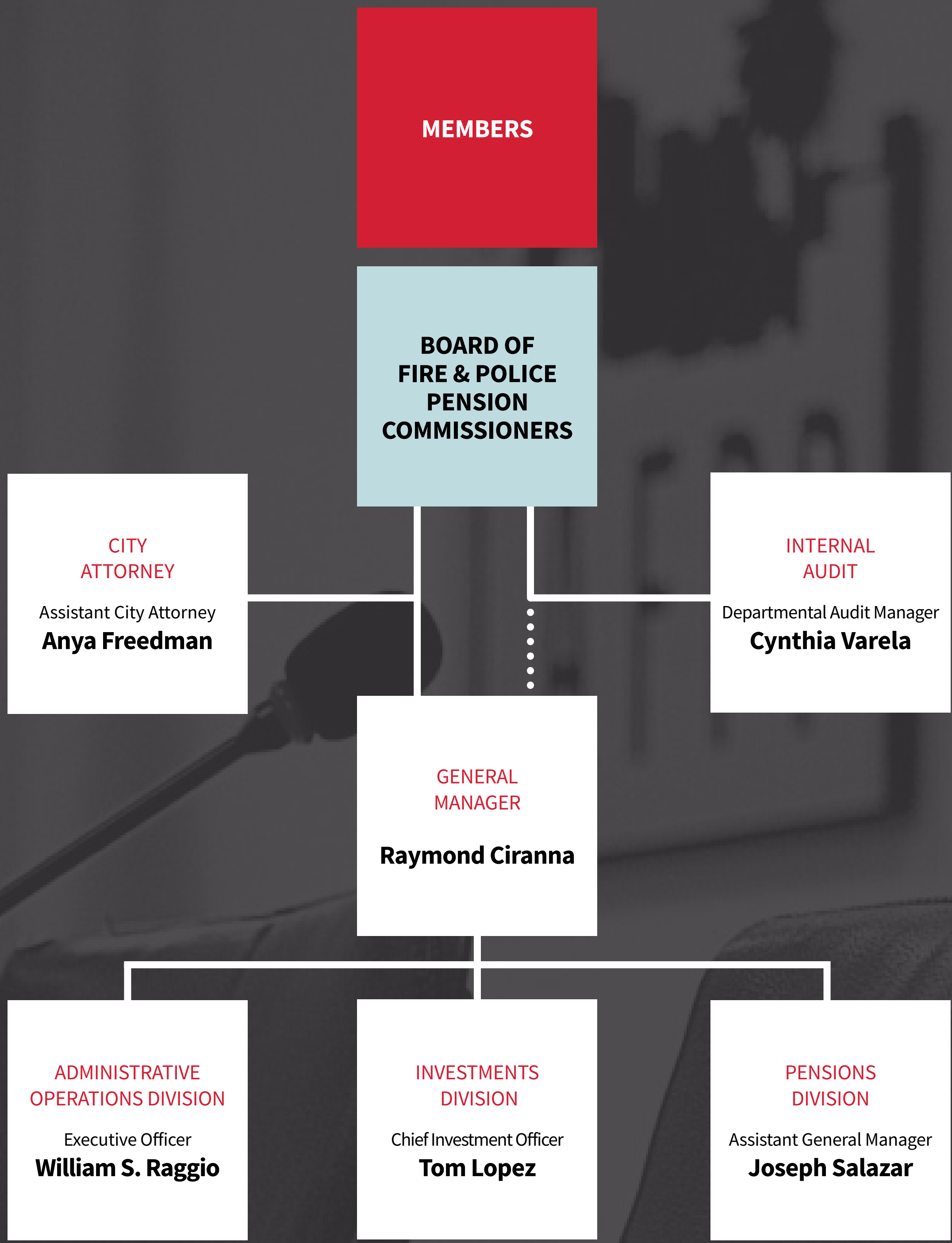
Paul M. Weber
Elected by Active Police Members



Garrett W. Zimmon
Elected by Retired Police Members

BOARD MEETINGS. The Board meets on the first and third Thursdays of the month at 8:30 a.m. Most meetings, including special meetings, are from two to four hours in duration. The Board's current directory and meeting information are available on the Department website at: www.lafpp.com/board.

1.3 Organizational Chart



PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2020

Presented to

Los Angeles Fire & Police Pensions

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

THE DESIRE OF GOLD IS NOT FOR GOLD. IT IS FOR THE MEANS OF FREEDOM AND BENEFIT.

—RALPH WALDO EMERSON

SECTION TWO

Financials

02

LOS ANGELES FIRE AND
POLICE PENSION SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

LOS ANGELES FIRE AND POLICE PENSION SYSTEM

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire and Police Pension Commissioners
Los Angeles Fire and Police Pension System

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Plan and Health Subsidy Plan, administered by the Los Angeles Fire and Police Pension System (the System), which comprise the statements of fiduciary net position as of June 30, 2020 and 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements for each plan.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the respective financial statements for each plan, based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Plan and Health Subsidy Plan administered by the System as of June 30, 2020 and 2019, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
November 23, 2020

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

This Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Fire and Police Pension System (the System or LAFPP) is an overview of its fiscal operations for the year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with the Financial Statements and the Notes to the Financial Statements. Amounts contained in this discussion have been rounded to facilitate readability.

FINANCIAL HIGHLIGHTS

- Net position at the close of the fiscal year ended June 30, 2020, was $21.40 billion and $2.14 billion for the Pension Plan and Health Subsidy Plan, respectively. All of the net position was available to meet the System's obligations to members and their beneficiaries.

- Net position increase by $134.73 million or 0.6% and increased by $105.73 million or 5.2% for the Pension Plan and Health Subsidy Plan, respectively.

- As of June 30, 2020, the date of the most recent funding actuarial valuations, the funding ratios of the Pension Plan and Health Subsidy Plan were 93.2% and 59.7%, respectively.

- Additions to the Pension Plan's net position decreased by $593.65 million or 31.7% from $1.87 billion to $1.28 billion, due primarily to lesser appreciation in the fair value of investments in fiscal year 2020 relative to fiscal year 2019.

- Deductions from the Pension Plan's net position increased by $51.24 million or 4.7% over fiscal year 2019 from $1.09 billion to $1.14 billion in fiscal year 2020.

- Additions to the Health Subsidy Plan's net position decreased by $48.34 million or 16.1% from $299.66 million to $251.31 million, due to lesser appreciation in the fair value of investments in fiscal year 2020 relative to fiscal year 2019.

- Deductions from the Health Subsidy Plan's net position increased by $5.85 million or 4.2% over fiscal year 2019 from $139.7 million to $145.58 million in fiscal year 2020.

- The total pension liability for the Pension Plan at June 30, 2020, was $23.97 billion, and the fiduciary net position was $21.40 billion. Thus, the net pension liability for the Pension Plan was $2.57 billion, and the fiduciary net position as a percentage of the total pension liability was 89.3%

- The total Other Post-Employment Benefits (OPEB) liability for the Health Subsidy Plan at June 30, 2020, was $3.71 billion, and the fiduciary net position was $2.14 billion. Thus, the net OPEB liability for the Health Subsidy Plan was $1.57 billion, and the fiduciary net position as a percentage of the total OPEB liability was 57.8%.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the financial statements of the System, which are:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The *Statement of Fiduciary Net Position* is a snapshot of account balances at year-end. It indicates the amount of assets available for payment to retirees, beneficiaries, and any current liabilities owed at year-end.

The *Statement of Changes in Fiduciary Net Position* reports additions to and deductions from the fiduciary net position during the year.

The above statements are on a full accrual basis of accounting. Investment gains and losses are shown at trade date, and account balances are based on fair values recognizing both realized and unrealized gains and losses on investments.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 14 to 51 of this report.

The *Required Supplementary Information* (RSI) section includes the following six schedules:

Pension Plan:

- Schedule of Changes in Net Pension Liability and Related Ratio
- Schedule of Employer Contributions
- Notes to Schedule of Employer Contribution
- Schedule of Investment Returns
- Schedule of Employer's Net Pension Liability

Health Subsidy Plan:

- Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to Schedule of Employer Contribution
- Schedule of Investment Returns
- Schedule of Employer's Net Other Postemployment Benefits Liability

FINANCIAL ANALYSIS

Pension Plan

Fiduciary Net Position

A summary of the Pension Plan's net position and changes in net position is presented below:

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2020	2019	Change	% Change
Cash	$ 1,861	$ 2,766	$ (905)	-32.7%
Receivables/Prepayments	367,205	467,108	(99,903)	-21.4%
Investments	23,020,542	21,990,502	1,030,040	4.7%
Capital Assets	24,104	24,195	(91)	-0.4%
Total Assets	23,413,712	22,484,571	929,141	4.1%
Liabilities	2,016,779	1,222,371	794,408	65.0%
Net Position	$ 21,396,933	$ 21,262,200	$ 134,733	0.6%

Net position increased by $134.73 million (0.6%) to $21.40 billion from fiscal year 2019. Total Assets increased in value by $929.14 million (4.1%) when compared with the prior fiscal year 2019, attributable to appreciation of investments despite the market conditions.

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2019	2018	Change	% Change
Cash	$ 2,766	$ 1,748	$ 1,018	58.2%
Receivables/Prepayments	467,108	177,363	289,745	163.4%
Investments	21,990,502	21,175,122	815,380	3.9%
Capital Assets	24,195	23,757	438	1.8%
Total Assets	22,484,571	21,377,990	1,106,581	5.2%
Liabilities	1,222,371	895,411	326,960	36.5%
Net Position	$ 21,262,200	$ 20,482,579	$ 779,621	3.8%

Net position increased by $779.6 million (3.8%) to $21.3 billion from fiscal year 2018. Total Assets increased in value by $1.1 billion (5.2%) when compared with the prior fiscal year 2018, attributable to appreciation of investments due to favorable market conditions.

Pension Plan (Continued)

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position ($ in Thousands)			
	2020	2019	Change	% Change
Additions				
Employer Contributions	$ 516,638	$ 504,877	$ 11,761	2.3%
Member Contributions	153,787	147,753	6,034	4.1%
Net Investment Income	605,869	1,217,329	(611,460)	-50.2%
Other Income	375	363	12	3.3%
Total Additions	1,276,669	1,870,322	(593,653)	-31.7%
Deductions				
Pension Benefits	1,116,722	1,065,979	50,743	4.8%
Refund of Contributions	4,530	4,478	52	1.2%
Administrative Expenses	20,685	20,244	441	2.2%
Total Deductions	1,141,937	1,090,701	51,236	4.7%
Net Increase	134,732	779,621	(644,889)	-82.7%
Net Position, Beginning of Year	21,262,200	20,482,579	779,621	3.8%
Net Position, End of Year	$ 21,396,932	$ 21,262,200	$ 134,732	0.6%

Additions to Fiduciary Net Position

Additions needed to fund benefit payments are accumulated through employer and member contributions, and from income generated from the Plan's investing activities.

Contributions for fiscal year 2020 totaled $670.42 million, up by $17.79 million or 2.7% over fiscal year 2019. The employer's contribution for fiscal year 2020 was $516.64 million compared to $504.88 million for fiscal year 2019. The increase in employer's contributions was due to the increase in required contribution. The increase in members' contribution was due to an increase in membership in Tier 6 and general wage growth.

Net investment income amounted to $605.87 million, a decrease in net investment income of $611.46 million or 50.2% when compared with $1.22 billion from fiscal year 2019. Investment income decreased in fiscal year 2020 due to less appreciation in the fair value of investments in fiscal year 2020 relative to fiscal year 2019.

Deductions from Fiduciary Net Position

Costs associated with the Pension Plan include benefit payments to members, refund of contributions due to termination and member death, and administrative expenses.

Pension Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Deductions for the fiscal year ended June 30, 2020, totaled $1.14 billion, up by $51.24 million or 4.7% over fiscal year 2019. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of service retirements and Deferred Retirement Option Plan (DROP) exits compared to fiscal year 2019.

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2019	2018	Change	% Change
Additions				
Employer Contributions	$ 504,877	$ 460,967	$ 43,910	9.5%
Member Contributions	147,753	145,425	2,328	1.6%
Net Investment Income	1,217,329	1,886,956	(669,627)	-35.5%
Other Income	363	5,536	(5,173)	-93.4%
Total Additions	1,870,322	2,498,884	(628,562)	-25.2%
Deductions				
Pension Benefits	1,065,979	991,013	74,966	7.6%
Refund of Contributions	4,478	3,786	692	18.3%
Administrative Expenses	20,244	19,909	335	1.7%
Total Deductions	1,090,701	1,014,708	75,993	7.5%
Net Increase (Decrease)	779,621	1,484,176	(704,555)	-47.5%
Net Position, Beginning of Year	20,482,579	18,998,403	1,484,176	7.8%
Net Position, End of Year	$ 21,262,200	$ 20,482,579	$ 779,621	3.8%

Additions to Fiduciary Net Position

Additions needed to fund benefit payments are accumulated through employer and member contributions, and from income generated from the Plan's investing activities.

Contributions for fiscal year 2019 totaled $652.6 million, up by $46.2 million or 7.6% over fiscal year 2018. The employer's contribution for fiscal year 2019 was $504.9 million compared to $461.0 million for fiscal year 2018. The increase in employer's contributions was due to the increase in required contribution. The increase in members' contribution was due to an increase in membership in Tier 6 and general wage growth.

Net investment income amounted to $1.2 billion, a decrease in net investment income of $669.6 million or 35.5% when compared with $1.9 billion from fiscal year 2018. Investment income decreased in fiscal year 2019 due to less appreciation in the fair value of investments in fiscal year 2019 relative to fiscal year 2018.

Pension Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Deductions from Fiduciary Net Position

Costs associated with the Pension Plan include benefit payments to members, refund of contributions due to termination and member death, and administrative expenses.

Deductions for the fiscal year ended June 30, 2019, totaled $1.1 billion, up by $76.0 million or 7.5% over fiscal year 2018. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of service retirements and Deferred Retirement Option Plan (DROP) exits compared to fiscal year 2018.

Health Subsidy Plan

A summary of the Health Subsidy Plan's net position and changes in net position is presented below:

Fiduciary Net Position

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2020	2019	Change	% Change
Cash	$ 185	$ 264	$ (79)	-29.9%
Receivables/Prepayments	48,120	54,680	(6,560)	-12.0%
Investments	2,293,222	2,095,842	197,380	9.4%
Capital Assets	2,401	2,306	95	4.1%
Total Assets	2,343,928	2,153,092	190,836	8.9%
Liabilities	200,480	115,376	85,104	73.8%
Net Position	$ 2,143,448	$ 2,037,716	$ 105,732	5.2%

Net position increased by $105.73 million (5.2%) to $2.14 billion from fiscal year 2019. Total Assets increased in value by $190.84 million (8.9%) when compared with the prior fiscal year 2019, attributable to appreciation of investments due to favorable market conditions.

Health Subsidy Plan (Continued)

Fiduciary Net Position

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2019	2018	Change	% Change
Cash	$ 264	$ 159	$ 105	66.0%
Receivables/Prepayments	54,680	25,939	28,741	110.8%
Investments	2,095,842	1,930,589	165,253	8.6%
Capital Assets	2,306	2,166	140	6.5%
Total Assets	2,153,092	1,958,853	194,239	9.9%
Liabilities	115,376	81,062	34,314	42.3%
Net Position	$ 2,037,716	$ 1,877,791	$ 159,925	8.5%

Net position increased by $160.0 million (8.5%) to $2.0 billion when compared to fiscal year 2018 due to an increase in the actuarially determined employer contribution towards health benefits and prepayment of the health subsidy and the result of favorable market conditions.

Changes in Fiduciary Net Position

Condensed Statement of Changes in
Fiduciary Net Position
($ in Thousands)

	2020	2019	Change	% Change
Additions				
Contributions	$ 193,213	$ 188,020	$ 5,193	2.8%
Net Investment Income	58,065	111,635	(53,570)	-48.0%
Other	36	-	36	N/A
Total Additions	251,314	299,655	(48,341)	-16.1%
Deductions				
Benefits Payment	143,600	137,874	5,726	4.2%
Administrative Expenses	1,982	1,856	126	6.8%
Total Deductions	145,582	139,730	5,852	4.2%
Net Increase	105,732	159,925	(54,193)	-33.9%
Net Position, Beginning of Year	2,037,716	1,877,791	159,925	8.5%
Net Position, End of Year	$ 2,143,448	$ 2,037,716	$ 105,732	5.2%

Health Subsidy Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Additions to Fiduciary Net Position

Total additions to net position decreased by $48.34 million compared to fiscal year 2019. This is due primarily to lesser appreciation in the fair value of investments which decreased by $53.57 million or 48.0% over fiscal year 2019. For fiscal year 2020, net investment income was $58.06 million compared to $111.63 million in fiscal year 2019.

Deductions from Fiduciary Net Position

Deductions represent medical and dental insurance subsidies paid for pensioners and their beneficiaries and administrative expenses. Current year deductions were $145.58 million, $5.85 million or 4.2% more than the total deductions of fiscal year 2019. This is due primarily to an increase in the medical insurance subsidies and an increase in the number of eligible pensioners and beneficiaries.

Condensed Statement of Fiduciary Net Position
($ in Thousands)

	2019	2018	Change	% Change
Additions				
Contributions	$ 188,020	$ 178,979	$ 9,041	5.1%
Net Investment Income	111,635	165,453	(53,818)	-32.5%
Total Additions	299,655	344,432	(44,777)	-13.0%
Deductions				
Benefits Payment	137,874	130,722	7,152	5.5%
Administrative Expenses	1,856	1,745	111	6.4%
Total Deductions	139,730	132,467	7,263	5.5%
Net Increase (Decrease)	159,925	211,965	(52,040)	-24.6%
Net Position, Beginning of Year	1,877,791	1,665,826	211,965	12.7%
Net Position	$ 2,037,716	$ 1,877,791	$ 159,925	8.5%

Additions to Fiduciary Net Position

Total additions to net position decreased by $44.8 million compared to fiscal year 2018. This is due primarily to lesser appreciation in the fair value of investments which decreased by $770.4 million or 47.0% over fiscal year 2018. For fiscal year 2019, net investment income was $111.6 million compared to $165.5 million in fiscal year 2018.

Health Subsidy Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Deductions from Fiduciary Net Position

Deductions represent medical and dental insurance subsidies paid for pensioners and their beneficiaries and administrative expenses. Current year deductions were $139.7 million, $7.3 million or 5.5% more than the total deductions of fiscal year 2018. This is due primarily to an increase in the medical insurance subsidies and an increase in the number of eligible pensioners and beneficiaries.

REQUEST FOR INFORMATION

This financial report is designed to provide the Board of Fire and Police Pension Commissioners, members, investment managers, and creditors with a general overview of LAFPP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Raymond P. Ciranna, General Manager
Los Angeles Fire and Police Pension System
701 E. Third Street, Suite 200
Los Angeles, CA 90013

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020 AND 2019

	2020			2019		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ASSETS						
Cash	$ 1,860,753	$ 185,361	$ 2,046,114	$ 2,766,426	$ 263,659	$ 3,030,085
Receivables						
Accrued Interest and Dividends	58,355,762	5,813,186	64,168,948	67,188,013	6,403,469	73,591,482
Contributions	9,804,546	-	9,804,546	8,340,007	-	8,340,007
Due from Brokers	299,043,956	29,789,656	328,833,612	391,578,652	37,320,077	428,898,729
Total Receivables	367,204,264	35,602,842	402,807,106	467,106,672	43,723,546	510,830,218
Prepaid benefits	992	12,517,232	12,518,224	1,532	10,956,695	10,958,227
Investments at Fair Value						
Temporary	1,401,803,112	139,642,454	1,541,445,566	1,636,173,961	155,938,374	1,792,112,335
U.S. Government Obligations	2,101,494,013	209,343,080	2,310,837,093	2,608,878,521	248,643,657	2,857,522,178
Domestic Corporate Bonds	2,470,730,582	246,125,065	2,716,855,647	1,625,869,847	154,956,323	1,780,826,170
Foreign Bonds	60,093,307	5,986,274	66,079,581	12,134,059	1,156,458	13,290,517
Domestic Stocks	7,895,255,071	786,496,182	8,681,751,253	7,818,764,981	745,180,849	8,563,945,830
Foreign Stocks	3,867,682,357	385,284,246	4,252,966,603	4,142,595,819	394,817,223	4,537,413,042
Real Estate	1,307,944,276	130,292,583	1,438,236,859	1,324,193,571	126,204,547	1,450,398,118
Alternative Investments	2,658,132,583	264,793,361	2,922,925,944	2,423,764,224	231,001,020	2,654,765,244
Total Investments	21,763,135,301	2,167,963,245	23,931,098,546	21,592,374,983	2,057,898,451	23,650,273,434
Capital Assets	24,104,160	2,401,168	26,505,328	24,194,753	2,305,922	26,500,675
Securities Lending Collateral	1,257,406,411	125,258,187	1,382,664,598	398,126,784	37,944,158	436,070,942
TOTAL ASSETS	23,413,711,881	2,343,928,035	25,757,639,916	22,484,571,150	2,153,092,431	24,637,663,581
LIABILITIES						
Accounts Payable and Accrued Expenses	17,891,396	1,782,275	19,673,671	16,085,959	1,533,100	17,619,059
Benefits in Process of Payment	16,957,243	1,264,960	18,222,203	21,120,786	888,936	22,009,722
Due to Brokers	547,728,773	54,562,719	602,291,492	623,944,799	59,466,133	683,410,932
Mortgage Payable	176,761,668	17,608,345	194,370,013	163,058,583	15,540,579	178,599,162
Security Deposit	33,743	3,361	37,104	33,876	3,228	37,104
Securities Lending Collateral	1,257,406,411	125,258,187	1,382,664,598	398,126,784	37,944,158	436,070,942
TOTAL LIABILITIES	2,016,779,234	200,479,847	2,217,259,081	1,222,370,787	115,376,134	1,337,746,921
NET POSITION IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	$ 21,396,932,647	$ 2,143,448,188	$ 23,540,380,835	$ 21,262,200,363	$ 2,037,716,297	$ 23,299,916,660

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

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2020 AND 2019

	2020			2019		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ADDITIONS						
Contributions						
Employer Contributions	$ 516,638,053	$ 193,213,520	$ 709,851,573	$ 504,877,399	$ 188,019,917	$ 692,897,316
Member Contributions	153,786,863	-	153,786,863	147,752,497	-	147,752,497
Total Contributions	670,424,916	193,213,520	863,638,436	652,629,896	188,019,917	840,649,813
Investment Income (Loss)						
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	233,990,401	22,425,057	256,415,458	797,310,753	73,095,438	870,406,191
Interest	153,181,153	14,680,500	167,861,653	156,480,173	14,345,707	170,825,880
Dividends	260,827,637	24,997,071	285,824,708	287,148,353	26,325,036	313,473,389
Net Real Estate Income	39,454,915	3,781,261	43,236,176	56,964,334	5,222,347	62,186,681
Income from Alternative Investments	14,533,531	1,392,857	15,926,388	14,820,490	1,358,705	16,179,195
Securities Lending Income	6,134,849	587,949	6,722,798	5,447,393	499,403	5,946,796
Less: Securities Lending Expense	(857,699)	(82,200)	(939,899)	(762,066)	(69,864)	(831,930)
Other Income	(277,852)	(26,629)	(304,481)	3,788,307	347,303	4,135,610
Subtotal	706,986,935	67,755,866	774,742,801	1,321,197,737	121,124,075	1,442,321,812
Less: Investment Manager Expense	(101,117,833)	(9,690,881)	(110,808,714)	(103,868,573)	(9,522,409)	(113,390,982)
Net Investment Income	605,869,102	58,064,985	663,934,087	1,217,329,164	111,601,666	1,328,930,830
Other Income						
Miscellaneous	375,381	35,975	411,356	362,496	33,232	395,728
Total Other Income	375,381	35,975	411,356	362,496	33,232	395,728
TOTAL ADDITIONS	1,276,669,399	251,314,480	1,527,983,879	1,870,321,556	299,654,815	2,169,976,371
DEDUCTIONS						
Pension Benefits	1,116,721,637	-	1,116,721,637	1,065,978,500	-	1,065,978,500
Payment of Health Subsidy	-	132,755,800	132,755,800	-	126,579,292	126,579,292
Payment of Medicare Reimbursement	-	10,844,349	10,844,349	-	11,294,464	11,294,464
Refund of Contributions	4,530,043	-	4,530,043	4,477,787	-	4,477,787
Administrative Expenses	20,685,435	1,982,440	22,667,875	20,243,956	1,855,915	22,099,871
TOTAL DEDUCTIONS	1,141,937,115	145,582,589	1,287,519,704	1,090,700,243	139,729,671	1,230,429,914
NET INCREASE	134,732,284	105,731,891	240,464,175	779,621,313	159,925,144	939,546,457
NET POSITION HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	21,262,200,363	2,037,716,297	23,299,916,660	20,482,579,050	1,877,791,153	22,360,370,203
End of Year	$ 21,396,932,647	$ 2,143,448,188	$ 23,540,380,835	$ 21,262,200,363	$ 2,037,716,297	$ 23,299,916,660

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

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – DESCRIPTION OF THE PLANS

The Los Angeles Fire and Police Pension System (the System or LAFPP) was established by the City of Los Angeles (the City) in 1899 and operates under the provisions of the City Charter and Administrative Code. The System is a single employer public employee retirement system whose main function is to provide retirement benefits to the safety members employed by the City.

The System is administered by a Board of Fire and Police Pension Commissioners (Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the System and two commissioners elected by Fire members of the System. Under the provisions of the City Charter and Administrative Code and the State Constitution, the Board has the responsibility to administer the Pension Plan and Health Subsidy Plan.

Pension Plan

The System's Pension Plan is a defined benefit single-employer pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor Port Police and Airport police officers of the City of Los Angeles. The System also covers those certified paramedics and civilian ambulance employees who transferred from the Los Angeles City Employees' Retirement System (LACERS) during the year ended June 30, 1983 or have since been hired. The System is composed of six tiers. Benefits are based on the member's pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Tier 1 includes members hired on or before January 28, 1967. Tier 2 includes members hired from January 29, 1967 through December 7, 1980, and those Tier 1 members who transferred to Tier 2 during the enrollment period of January 29, 1967 to January 29, 1968. Tier 3 includes members hired from December 8, 1980 through June 30, 1997, and those Tier 4 members hired during the period of July 1, 1997 through December 31, 1997 who elected to transfer to Tier 3 by the enrollment deadline of August 6, 1999. Tier 4 includes members hired from July 1, 1997 through December 31, 2001, and those Tier 3 members who elected to transfer to Tier 4 by the enrollment deadline of June 30, 1998. Tier 5 includes members hired from January 1, 2002 through June 30, 2011, and those Active members of Tiers 2, 3, and 4 who elected to transfer to Tier 5 during the enrollment period of January 2, 2002 through December 31, 2002. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2011. Harbor Port Police officers hired before January 8, 2006, who were members of LACERS, were allowed to transfer to Tier 5 during the enrollment period of January 8, 2006 to January 5, 2007.

Tier 6 was established for all firefighters, police and Harbor Port Police officers hired on or after July 1, 2011. Tier 6 includes sworn officers from the Department of General Services who transferred to Los Angeles Police Department (LAPD) classifications and elected to opt out of LACERS by the December 12, 2014 deadline. Effective January 7, 2018, Tier 6 also includes all new Airport police officers, as well as any Airport police officers hired prior to January 7, 2018 who elected to transfer to Tier 6 from LACERS at their own expense.

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

Tier 1 members hired prior to January 17, 1927, with 20 years of service are entitled to annual pension benefits equal to 50%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 members hired on or after January 17, 1927, with 20 or more years of service are entitled to annual pension benefits equal to 40%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 has no minimum age requirement and provides for unlimited post-employment cost-of-living adjustments (COLA) based on the Consumer Price Index (CPI). Tier 1 members who were active as of July 1, 1982, and who terminated their employment after July 1, 1982, were entitled to a refund of contributions plus Board-approved interest if they did not qualify for a pension or if they waived their pension entitlements.

Tier 2 members with 20 or more years of service are entitled to annual pension benefits equal to 40% of their final compensation, increasing for each year of service over 20 years, to a maximum of 70% for 30 years. Tier 2 has no minimum age requirement and provides for unlimited post-employment COLAs based on the CPI. Tier 2 members who were active as of July 1, 1982, and who terminate their employment after July 1, 1982, are entitled to a refund of contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 3 members must be at least age 50 with 10 or more years of service to be entitled to a service pension. Annual pension benefits are equal to 20% of the monthly average of a member's salary during any 12 consecutive months of service as a Plan member (one-year average compensation), increasing for each year of service over 10 years, to a maximum of 70% for 30 years. Tier 3 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. The Los Angeles City Council (City Council) may grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 4 members must have at least 20 years of service to be entitled to a service pension. There is no minimum age requirement. Annual pension benefits are equal to 40% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 70% for 30 years. Tier 4 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. The City Council may grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment before they are eligible for pension benefits do not receive a refund of contributions.

Tier 5 members must be at least age 50 with 20 or more years of service to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of contributions plus Board-approved interest

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

if they do not qualify for a pension or if they waive pension entitlements.

Tier 6 members must be at least age 50 with 20 or more years of service to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of contributions plus Board-approved interest if they do not qualify for a pension or if they waive pension entitlements.

Health Subsidy Plan

Members of the System are entitled to post-employment health subsidy benefits under Sections 1330, 1428, 1518, 1618, and 1718 of the City Charter; Section 4.2018 of the Administrative Code; and related ordinances. Health subsidy benefits are available to members and their covered dependents (e.g., spouses/domestic partners and/or children) on disability and service retirement. Effective January 1, 2000, qualified surviving spouses/domestic partners are eligible for health subsidy benefits. Members who retire from the System with at least 10 years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits began at age 60. For retirement effective dates on or after July 1, 1998, regular benefits begin at age 55. Tier 6 members who retire on a service-connected disability pension are eligible for a minimum health subsidy at age 55 if they have fewer than 10 years of service.

Administrative Code Section 4.1154 (e) provides that, on an annual basis beginning in 2006, the Board is authorized to make discretionary changes to the maximum monthly subsidy, so long as no increase exceeds the lesser of a 7% increase or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year. The maximum monthly subsidy for fiscal years 2020 and 2019 was $1,820.29 and $1,725.39, respectively. The System also reimburses the basic Medicare Part B premiums for any pensioner enrolled in Medicare Parts A and B, and eligible to receive a subsidy.

The System began pre-funding the health subsidy benefits effective with the 1989-1990 plan year. Full funding was phased in over four years.

Effective July 1, 2008, actual employer contributions and benefit payments relating to health subsidy benefits are separately accounted for in order to comply with Internal Revenue Code Section 401-(h).

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Health Insurance Premium Reimbursement Program

Effective January 1, 2001, members of the System are entitled to post-employment health insurance premium reimbursements under Section 4.1163 of the Administrative Code.

Eligibility requirements for pensioners and qualified surviving spouses/domestic partners are as follows: The pensioner (whether living or deceased) must meet minimum age and service requirements for a health subsidy. The pensioner or qualified surviving spouse/domestic partner must reside either outside California or in the State of California but not within a Board-approved health plan zip code service area. They may not be enrolled in a Board-approved plan. Effective April 6, 2017, pensioners or qualified surviving spouses/domestic partners may reside anywhere and be eligible to participate in this program.

The reimbursement paid is a percentage of the maximum health subsidy. The System also reimburses basic Medicare Part B premiums for any pensioner or qualified surviving spouse/domestic partner eligible to receive a subsidy and enrolled in Medicare Parts A and B.

Dental Subsidy Plan

Members who retire from the System with at least 10 years of service, are age 55 years or older, and are enrolled in a Board-approved dental plan, are eligible for dental subsidy benefits. Surviving spouses, domestic partners, and dependents are not covered by this subsidy.

The benefit paid is a percentage of a maximum subsidy for dental care based on the lower of the dental subsidy in effect for LACERS (civilian retirees) or active Safety Members. The maximum monthly subsidy was $44.60 for calendar years 2020 and 2019. In determining the dental subsidy, members receive 4% for each whole year of service, up to 100% of the maximum.

Deferred Retirement Option Plan

Effective May 1, 2002, members of the System have the option to enroll in the Deferred Retirement Option Plan (DROP) under Section 4.2100 of the Administrative Code. Members of Tiers 2 and 4 who have at least 25 years of service, and members of Tiers 3, 5, and 6 who have at least 25 years of service and who are at least age 50 are eligible for DROP.

Members who enroll continue to work and receive their active salary for up to five years. Enrolled members continue to contribute to the System until they have completed the maximum number of years required for their tier but cease to earn additional retirement service and salary credits. Monthly pension benefits that would have been paid to enrolled members are credited to their DROP accounts. DROP account balances earn interest at an annual rate of 5%.

Effective February 1, 2019, for members who enroll on or after this date, participation in DROP will be suspended for any calendar month in which a participant does not spend at least 112 hours on “active duty” status. However, if a participant sustains a serious injury on duty and is admitted to the hospital for at least three consecutive days as a result of that injury, their participation will not be suspended during the first 12 calendar months following the date of injury. If a member’s DROP participation is suspended, he/she is eligible to participate in DROP for a maximum of 30 additional months beyond his/her original five-year

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Deferred Retirement Option Plan (Continued)

participation period. The participation period can only be extended for as many months as the member's participation was suspended and no interest is credited to the member's DROP account following the initial five-year participation period.

Once the DROP participation period ends, enrolled members must terminate active employment. They then receive the proceeds from their DROP account and a monthly benefit based on their service and salary at the beginning date of their DROP participation, plus applicable COLAs.

At June 30, 2020 and 2019, 1,478 and 1,665 pensioners, respectively, were enrolled in the DROP program, with total estimated values of the DROP accounts of approximately $353,643,961 and $332,592,779, respectively.

Two Percent Opt-In

On July 15, 2011, the City Council adopted an ordinance to permanently freeze the retiree health subsidies and reimbursements for members of the System who retired or entered DROP on or after July 15, 2011. This ordinance added language to the Los Angeles Administrative Code to freeze the maximum monthly non-Medicare subsidy at the July 1, 2011, rate of $1,097.41 per month, and freeze the maximum monthly Medicare subsidy at the January 1, 2011, rate of $480.41 per month. However, the ordinance also provided that members may make an irrevocable election to contribute towards vesting increases in the maximum health subsidy, as allowed by an applicable Memorandum of Understanding.

Members who opted-in to make the additional two-percent pension contributions are entitled to the current maximum health subsidy benefit and all future subsidy increases once they retire and become eligible to receive a subsidy. The opt-in period for the majority of the members began August 15, 2011, and closed September 29, 2011.

SINCE THE PENSION AND HEALTH SUBSIDY PLANS INCLUDE DETAILED PROVISIONS FOR EACH SITUATION, MEMBERS SHOULD REFER TO THE LEGAL TEXT OF THE CITY CHARTER AND LOS ANGELES CITY ADMINISTRATIVE CODE FOR MORE COMPLETE INFORMATION.

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan Membership

The components of the System's Pension Plan membership at June 30, 2020 and 2019, are as follows:

	2020	2019
Active Nonvested:		
Tier 1	-	-
Tier 2	-	-
Tier 3	-	-
Tier 4	71	112
Tier 5	4,886	5,246
Tier 6	3,925	3,485
	8,882	8,843
Active Vested:		
Tier 1	-	-
Tier 2	5	7
Tier 3	615	664
Tier 4	151	138
Tier 5	3,829	3,880
Tier 6	4	3
	4,604	4,692
Pensioners and Beneficiaries:		
Tier 1	236	264
Tier 2	6,845	7,085
Tier 3	776	731
Tier 4	346	321
Tier 5	5,087	4,695
Tier 6	1	1
	13,291	13,097
Vested Terminated		
Tier 3	47	49
Tier 5	256	277
Tier 6	272	197
	575	523
	27,352	27,155

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Financial Reporting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as outlined by the Governmental Accounting Standards Board (GASB).

Investments and Method Used to Value Investments

Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, U.S. Treasury bills, and repurchase agreements along with bonds, stocks, and alternative investments, are reported at fair value. Pooled temporary investments represent funds invested in a custodian-managed discretionary short-term investment fund. This fund invests in a variety of U.S. and foreign securities rated A1 or P-1 by Moody's Investors Service and Standard & Poor's, respectively, or equivalent quality as determined by the custodian.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the System's year-end. Resulting gains or losses are included in the System's Statements of Changes in Fiduciary Net Position.

The category of alternative investments includes private equity and hedge funds. Private equity investments are composed predominantly of limited partnerships that invest mainly in privately-owned companies. Hedge funds are pooled investment programs that invest in a wide variety of asset classes and use a wide variety of approaches. The use of leverage and short selling is a common characteristic.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on the accrual basis of accounting. The corresponding proceeds due from sales are reported on the Statements of Fiduciary Net Position as receivables and labeled due from brokers and amounts payable for purchases are reported as liabilities and labeled due to brokers. Dividend income is recorded on ex-dividend date and interest income is accrued as earned.

Investments are carried at fair value. The fair value of securities investments is generally based on published market prices or quotations from major investment dealers. Investments for which market quotations are not readily available are valued at their estimated fair value. The fair values of private equity investments are estimated by the investment managers based on consideration of various factors, including current net position valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with accounting principles generally accepted in the United States of America, and other financial information provided by the investment managers of investee limited partnerships.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Method Used to Value Investments (Continued)

The sole hedge fund investment is valued by the fund manager based upon the information received from individual hedge funds in which monies are invested. Real estate investments are recorded in the financial statements under the equity method and are carried at fair value as determined by a periodic external appraisal. The fair values of real estate investment funds are provided by the individual real estate fund managers with periodic external valuations.

Cash

Cash consists primarily of an undivided interest in the cash held by the City Treasurer. These monies are pooled with the monies of other City agencies and invested by the City Treasurer's office.

Capital Assets

Capital assets include land, building, improvements, computer/software, furniture and fixtures that are used in operation. Assets with an individual cost of at least $5,000 and an estimated useful life of more than one year are capitalized. Capital assets are valued at acquisition cost plus the cost of improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the building and improvements (20-year), computer/software (10-year) and furniture and fixtures (5-year). The System acquired the Neptune Building in fiscal year 2013 and occupied as the headquarters in fiscal year 2016. Recorded values of land and building were assigned based on a ratio obtained from the November 2016 independent appraisal report.

Mortgage Payable

Effective July 1, 2017, mortgage payable is stated at fair value. The fair value of mortgage loans payable is presented at the amount at which the liability could be transferred to a market participant, exclusive of direct transaction costs such as prepayment penalties. The fair value of mortgage loans payable have been determined by giving consideration to one or more of the following criteria as appropriate: (i) interest rates and/or interest rate spreads for loans of comparable quality and maturity, (ii) the value of the underlying collateral, (iii) the credit risk of the borrower based on key elements of the real estate investment's valuation, (iv) market based loan-to-value and debt-service-coverage ratios relative to each mortgage loan payable valuation, and (v) key terms such as assumability, recourse provisions and guaranties. These inputs are considered within a discounted cash flow model used to determine the estimated fair value of mortgage loans payable. Prior to July 1, 2017, mortgage payable consists of the outstanding unpaid principal balance on the loans.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

NOTE 3 – NEW ACCOUNTING STANDARDS

Implementation of the following GASB statements effective beginning fiscal year 2020.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. LAFPP implemented this statement without material impact.

Issued in August 2018, GASB Statement No. 90, *Majority Equity Interests- An Amendment of GASB Statements No. 14 and 61* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. LAFPP implemented this statement without material impact.

Implementation of the following GASB statements effective beginning fiscal year 2019.

Issued in November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. LAFPP implemented this statement without material impact.

Issued in March 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. LAFPP implemented this statement without material impact.

NOTE 4 – FUNDING POLICY AND CONTRIBUTION INFORMATION

As a condition of participation, members are required to contribute a percentage of their salaries to the System. Tier 1 members were required by the City Charter to contribute 6% of salary. The System's actuary recommended that Tier 2 members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Tiers 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of the Tier 5 required contribution rate contingent on the System remaining at least 100% actuarially funded for pension benefits. Since July 1, 2006, Tier 5 members have been required to contribute 9% of salary because the System has remained less than 100% actuarially funded for pension benefits as determined by the System's actuary. Tier 6 members are required to contribute 9% of salary for regular pension contributions. Tier 6 members are also required to make an additional pension contribution of 2% of salary to support the City's ability to fund retiree health benefits. Airport police officers who transferred to Tier 6 from LACERS are required to contribute to the System at their same LACERS contribution rates until they retire.

NOTE 4 – FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

The City Charter specifies that the City will make the following contributions each year:

A. An amount equal to the City's share of defined entry age normal costs.

B. For members of Tiers 1 and 2, a dollar amount or percentage necessary to amortize the "unfunded liability" of the System over a 70-year period, beginning with the fiscal year commencing July 1, 1967. Under Tiers 3, 4, and 5, any "unfunded liability" resulting from plan amendments shall be amortized over a 25-year period, and actuarial experience gains and losses shall be amortized over a 20-year period. For Tier 6, the unfunded liabilities shall be funded in accordance with the actuarial funding method adopted by the Board upon the advice of the consulting actuary. Charter Amendment G, effective April 8, 2011, now provides that with the advice of the consulting actuary, the Board shall establish amortization policies for unfunded actuarial accrued liabilities and surpluses for all Tiers.

C. An amount to provide for the Health Subsidy Plan.

Accordingly, the City's contributions as determined by the System's actuary for items A, B, and C above, net of early payment discount, for the fiscal years ended June 30, 2020 and 2019, were as follows ($ in thousands):

Fiscal Year Ended June 30, 2020

	Fire and Police						Harbor Port Police		LAWA
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6	Tier 6
Pension Entry Age Normal Cost	$ -	$ 369	$14,749	$ 6,148	$219,107	$38,257	$ 2,619	$ 368	$ 993
Pension Unfunded Supplemental Present Value Amount	14,561	13,690	-	7,738	148,938	31,159	778	134	121
Pension Administrative Expense	-	17	967	367	12,666	2,650	148	25	69
Health subsidy entry age Normal cost	-	42	3,910	1,424	47,610	15,544	764	144	441
Health subsidy unfunded actuarial accrued liability annual amount	1,566	64,580	5,803	3,422	38,337	8,021	161	28	58
Health Administrative Expenses	-	1	78	29	1,018	213	12	2	6
Total	$16,127	$78,699	$25,507	$19,128	$467,676	$95,844	$ 4,482	$ 701	$ 1,688

During fiscal year 2020, total contributions of $709.85 million from the employer and $153.79 million from the members were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2018. For the Pension Plan, fiscal year 2020 employer contributions included $282.61 million for entry age normal cost, $217.12 million for the unfunded supplemental present value annual amount, and $16.91 million for pension administrative expense. For the Health Subsidy Plan, fiscal year 2020 employer contributions consisted of $69.88 million for entry age normal cost, $121.98 million for the unfunded actuarial accrued liability annual amount, and $1.36 million for health administrative expense.

NOTE 4 – FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

Fiscal Year Ended June 30, 2019

	Fire and Police						Harbor Port Police		LAWA
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6	Tier 6
Pension Entry Age Normal Cost	$ -	$ 364	$15,415	$ 6,178	$223,865	$30,594	$ 2,531	$ 298	$ 783
Supplemental Present Value Amount	14,731	16,888	25,699	17,328	113,781	18,698	818	122	118
Pension Administrative Expense	-	16	1,020	378	12,911	2,122	142	21	55
Health Subsidy Entry Age Normal Cost	-	48	4,115	1,476	48,878	12,579	730	112	362
Health Subsidy Unfunded Actuarial Accrued Liability Annual Amount	1,654	63,147	5,580	3,378	38,157	6,270	156	24	14
Health Administrative Expenses	-	1	82	30	1,038	171	12	2	5
Total	$16,385	$80,464	$51,911	$28,768	$438,630	$70,434	$ 4,389	$ 579	$ 1,337

During fiscal year 2019, total contributions of $692.9 million from the employer and $147.8 million from the members were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2017. For the Pension Plan, fiscal year 2019 employer contributions included $280.0 million for entry age normal cost, $208.2 million for the unfunded supplemental present value annual amount, and $16.7 million for pension administrative expense. For the Health Subsidy Plan, fiscal year 2019 employer contributions consisted of $68.3 million for entry age normal cost, $118.4 million for the unfunded actuarial accrued liability annual amount, and $1.3 million for health administrative expense.

NOTE 5 – NET PENSION LIABILITY

The components of the System's net pension liability (NPL) at June 30, 2020 and 2019, were as follows:

	2020	2019
Total Pension Liability	$ 23,969,714,355	$ 23,000,504,726
Less: Fiduciary Net Position	21,396,932,648	21,262,200,363
Net Pension Liability	$ 2,572,781,707	$ 1,738,304,363
Fiduciary Net Position as a Percentage of the Total Pension Liability	89.27%	92.44%

The NPL was measured as of June 30, 2020 and June 30, 2019 and determined based upon plan assets as of each measurement date and upon rolling forward to each measurement date the total pension liability (TPL) from the actuarial valuation as of June 30, 2019 and 2018 respectively.

NOTE 5 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions

The TPL as of June 30, 2020 that was determined by an actuarial valuation as of June 30, 2019, was re-valued as of June 30, 2019 (before roll forward) using the actuarial assumptions that the Board of Commissioners has approved for use in the pension funding valuation as of June 30, 2020. This revalued TPL was then rolled forward to June 30, 2020 to determine the final TPL as of June 30, 2020. The updated actuarial assumptions were based on the July 1, 2016 through June 30, 2019 Experience Study Report dated May 13, 2020. In particular, the following actuarial assumptions were applied to all periods included in the measurements as of June 30, 2020:

Inflation Rate	2.75%
Projected Salary Increase	Ranges from 4.15% to 12.25% based on years of service, including inflation.
Investment Return Rate	7.00%, including inflation but net of pension plan investment expenses.
Real Across-the-Board Salary Increase	0.50%
Cost of Living Adjustments (COLAs)	2.75% of Tiers 1 - 6 retirement income.
Mortality	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
	Disabled: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.

The TPL as of June 30, 2019 was determined by actuarial valuation as of June 30, 2018, was re-measured as of June 30, 2019 to reflect the mortality assumption that the Board has approved for use in the pension funding valuation as of June 30, 2019. Those actuarial assumptions were based on the result of an experience study for the period from July 1, 2013 through June 30, 2016 with the exception of the mortality assumption where the Board adopted the base mortality table recommended but with a static projection with increased margin while an updated mortality assumption for the June 30, 2019 TPL was the Mortality Experience Study covering the period from July 1, 2010 through June 30, 2019. The following actuarial assumptions were applied to all periods included in the measurements as of June 30, 2019:

Inflation Rate	3.00%
Projected Salary Increase	Ranges from 4.30% to 12.00% based on years of service, including inflation.

NOTE 5 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions (Continued)

Investment Return Rate	7.25%, including inflation but net of pension plan investment expenses.
Real Across-the-Board Salary Increase	0.50%
Cost of Living Adjustments (COLAs)	3.00% of Tiers 1, 2, 3, and 4 retirement income and 3.00% maximum of Tiers 5 and 6 retirement income.
Mortality	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
	Disabled: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.

Investment Return Rate

The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before reduction for investment expenses, used in the derivation of the long-term expected investment return rate assumption for June 30, 2020 and 2019 are summarized in the following table:

	Target Allocation Percentage		Long Term Expected Real Rate of Return	
Asset Class	2020	2019	2020	2019
Large Cap U.S. Equity	23.00%	23.00%	5.40%	5.61%
Small Cap U.S. Equity	6.00%	6.00%	6.20%	6.37%
Developed International Equity	16.00%	16.00%	6.54%	6.96%
Emerging Markets Equity	5.00%	5.00%	8.78%	9.28%
U.S. Core Fixed Income	13.00%	12.00%	1.07%	1.06%
High Yield Bonds	3.00%	3.00%	3.31%	3.65%
Real Estate	7.00%	10.00%	4.65%	4.37%
Treasury Inflation Protected Securities (TIPS)	4.00%	5.00%	0.62%	0.94%
Commodities	5.00%	5.00%	3.05%	3.76%
Cash	1.00%	1.00%	0.01%	-0.17%
Unconstrained Fixed Income	2.00%	2.00%	1.37%	2.50%
Private Equity	12.00%	12.00%	8.25%	7.50%
Real Estate Investment Trusts (REITS)	3.00%	N/A	4.40%	N/A
Total Portfolio	100.00%	100.00%	4.99%	5.11%

NOTE 5 – NET PENSION LIABILITY (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.00% as of June 30, 2020 and 7.25% as of 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2020 and 2019.

Sensitivity Analysis

The following presents the NPL of the System as of June 30, 2020 and 2019, calculated using the discount rate of 7.00% for 2020 and 7.25% for 2019, as well as what the System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NPL as of June 30, 2020	$ 5,922,721,361	$ 2,572,781,707	$ (146,429,639)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
NPL as of June 30, 2019	$ 4,952,113,933	$ 1,738,304,363	$ (872,832,397)

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

The components of the System's net Other Postemployment Benefits (OPEB) liability at June 30, 2020 and 2019, were as follows:

	2020	2019
Total OPEB Liability	$ 3,709,858,281	$ 3,621,203,927
Less: Fiduciary Net Position	2,143,448,187	2,037,716,297
Net OPEB Liability	$ 1,566,410,094	$ 1,583,487,630
Fiduciary Net Position as a Percentage of the Total OPEB Liability	57.78%	56.27%

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The Net OPEB Liability (NOL) was measured as of June 30, 2020 and June 30, 2019. The Health Subsidy's Net Position was valued as of the measurement date, while the Total OPEB Liability (TOL) was determined based upon the results of the funding actuarial valuation as of June 30, 2020 and 2019, respectively, with the following exception:

- The NOL as of June 30, 2019 reflected the impact of the excise tax on high-cost health plans imposed in 2022 (deferred from 2020) by the Affordable Care Act (ACA).

Actuarial Assumptions

The TOL as of June 30, 2020 and 2019 were determined by actuarial valuations as of June 30, 2020 and 2019, respectively. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the Board adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019. They are the same as the assumptions used in the June 30, 2020 funding actuarial valuation.

The following actuarial assumptions were applied to all periods included in the measurements as of June 30, 2020 and 2019:

Inflation Rate	2.75% for 2020 and 3.00% for 2019
Projected Salary Increase	Ranges from 4.15% to 12.25% based on years of service, including inflation for 2020, and ranges from 4.30% to 12.00% based on years of service, including inflation for 2019.
Investment Return Rate	7.00%, including inflation but net of investment expenses for 2020, and 7.25%, including inflation but net of investment expenses for 2019.
Real Across-the-Board Salary Increase	0.50% for 2020 and 2019
Cost of Living Adjustments (COLAs)	2.75% of Tiers 1-6 retirement income for 2020 and 3.00% of Tiers 1-6 retirement income for 2019.
Mortality	June 30, 2020 and 2019: Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019. Disabled: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Investment Return Rate

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before reduction for investment expenses, used in the derivation of the long-term expected investment return rate assumption for June 30, 2020 and 2019 are summarized in the following table:

	Target Allocation Percentage		Long Term Expected Real Rate of Return	
Asset Class	2020	2019	2020	2019
Large Cap U.S. Equity	23.00%	23.00%	5.40%	5.61%
Small Cap U.S. Equity	6.00%	6.00%	6.20%	6.37%
Developed International Equity	16.00%	16.00%	6.54%	6.96%
Emerging Markets Equity	5.00%	5.00%	8.78%	9.28%
U.S. Core Fixed Income	13.00%	12.00%	1.07%	1.06%
High Yield Bonds	3.00%	3.00%	3.31%	3.65%
Real Estate	7.00%	10.00%	4.65%	4.37%
Treasury Inflation Protected Securities (TIPS)	4.00%	5.00%	0.62%	0.94%
Commodities	5.00%	5.00%	3.05%	3.76%
Cash	1.00%	1.00%	0.01%	-0.17%
Unconstrained Fixed Income	2.00%	2.00%	1.37%	2.50%
Private Equity	12.00%	12.00%	8.25%	7.50%
Real Estate Investment Trusts (REITS)	3.00%	N/A	4.40%	N/A
Total Portfolio	100.00%	100.00%	4.99%	5.11%

Discount Rate

The discount rates used to measure the TOL were 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019. As contributions that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions and current Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make all benefit payments to current members.

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Sensitivity Analysis

The following presents the NOL of the System as of June 30, 2020 and 2019, calculated using the discount rate of 7.00% and 7.25%, respectively, as well as what the System's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NOL as of June 30, 2020	$ 2,126,363,981	$ 1,566,410,094	$ 1,114,093,597

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
NOL as of June 30, 2019	$ 2,126,785,914	$ 1,583,487,630	$ 1,143,755,017

Sensitivity Analysis to Changes in Trend Rate

The following presents the NOL of the Health Subsidy Plan of the System as of June 30, 2020, as well as what the System's NOL would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
NOL as of June 30, 2020	$ 1,093,547,454	$ 1,566,410,094	$ 2,163,866,259

	1% Decrease	Current Trend	1% Increase
NOL as of June 30, 2019	$ 1,105,675,287	$ 1,583,487,630	$ 2,238,482,815

Additional information from the actuarial valuations as of June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Non-Medicare Medical plan	4.75%, then 6.50% then graded down to an ultimate of 4.50% over 8 years	8.75%, graded down to an ultimate of 4.50% over 9 years
Medicare Medical Plan	4.50%, then 6.00% graded down to an ultimate of 4.50% over 6 years	8.00%, graded down to an ultimate of 4.50% over 7 years
Dental	4.00%	4.00%
Medicare Part B	4.50%	4.50%
Medical Subsidy Trend	For employees not subject to freeze For all non-Medicare retirees, increase at lesser of 7.00% or non-Medicare medical trend. For Medicare retirees with single party premium, increase with medical trend. For Medicare retirees with 2-party premium less than or equal to the maximum subsidy as of July 1, 2020 and 2019 (e.g., Fire Kaiser), increase with medical trend. For Medicare retirees with 2-party premium greater than the maximum subsidy as of July 1, 2020 and 2019 (e.g., Police Blue Cross PPO), increase with lesser of 7.00% or medical trend.	

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The following assumptions were adopted by the Board based on the July 1, 2016 through June 30, 2019 actuarial experience study for June 30, 2020 actuarial valuations and the July 1, 2013 through June 30, 2016 actuarial experience study for June 30, 2019 actuarial valuations:

Actuarial Cost Method — Entry age normal, level percent of pay.

Adminstrative Expenses — For 2020, out of the total 1.40% of payroll in administrative expense, 0.11% of payroll payable biweekly is allocated to the Retiree Health Plan. This is equal to 0.11% of payroll payable at beginning of the year. For 2019, out of the total of 1.25% of payroll in administrative expense, 0.09% of payroll payable bi-weekly is allocated to the Retiree Health Plan. This is equal to 0.09% of payroll payable at the beginning of the year.

Spouse Age Difference — Husbands are assumed to be 3 years older than wives

Participation

Service Range (Years)	Participation for Future Retirees Under 65 (Percentage)	Participation for Future Retirees Over 65 (Percentage)	Participation for Current Retiree Age 55-64 Without Subsidy Upon Attaining Age 65 (Percentage)
10-14	45	80	63.64
15-19	65	85	57.14
20-24	80	85	25.00
25 and over	95	95	0.00

Medicare Coverage — 100% of future retirees are assumed to elect Medicare Parts A and B.

Dental Coverage — 85% of future retirees are assumed to elect dental coverage.

Spousal Coverage — Of future retirees receiving a medical subsidy, 75% for 2020 and 80% for 2019 are assumed to elect coverage for married and surviving spouse or domestic partners. For those retired on valuation date with a subsidy, spousal/domestic partner coverage is based on census data

Implicit Subsidy — Based on information provided in 2019 by the health consultant retained by Los Angeles Firemen’s Relief Association (LAFRA), we understand that retirees under age 65 enrolled in the Fire Kaiser Medical Plan are presently underwritten with the actives enrolled in that plan. LAFPP has made a decision to include the implicit subsidy in the employer’s contribution rate starting with the June 30, 2019 funding valuation. No implicit subsidy needs to be valued for the other medical plans.

Other actuarial assumptions on mortality rates, termination rates, retirement rates, net investment return, and future benefit accruals are the same as for Pension Plan benefits.

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The per capita cost assumptions were based on premium, subsidy, and census data provided by the System and are summarized as follows:

For fiscal year 2020:

	Maximum Subsidies							
	For Participants under 65				For Participants 65 and Over			
Plan	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse
Fire Medical	85	$ 1,920.41	$ 1,920.41	$ 853.39	85	$ 550.57	$ 859.46	$ 550.57
Fire Kaiser	10	1,920.41	1,920.41	853.39	15	550.57	556.26	550.57
UFLAC Select HMO	2.5	1,920.41	1,920.41	853.39	0	550.57	715.29	550.57
UFLAC HDHP	2.5	1,920.41	1,920.41	853.39	0	550.57	982.78	550.57
Police Blue Cross PPO	60	1,920.41	1,920.41	853.39	75	550.57	1,360.87	550.57
Police Blue Cross HMO	15	1,920.41	1,920.41	853.39	10	550.57	1,174.85	550.57
Police Kaiser	25	1,920.41	1,920.41	853.39	15	550.57	465.88	550.57
Dental	85	44.60	44.60	-	100	44.60	44.60	-
Medicare	N/A	-	-	-	100	144.60	144.60	-

For fiscal year 2019:

	Maximum Subsidies							
	For Participants under 65				For Participants 65 and Over			
Plan	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse
Fire Medical	85	$ 1,820.29	$ 1,820.29	$ 853.39	85	$ 542.51	$ 821.89	$ 542.51
Fire Kaiser	10	1,820.29	1,820.29	853.39	15	542.51	551.21	542.51
Fire PPO*	0	1,820.29	1,820.29	853.39	0	542.51	1,662.65	542.51
Fire HMO	5	1,820.29	1,820.29	853.39	0	542.51	1,586.25	542.51
Fire Vivity Value*	0	1,820.29	1,820.29	853.39	0	542.51	1,657.28	542.51
Fire HDHP*	0	1,820.29	1,820.29	853.39	0	542.51	665.83	542.51
Police Blue Cross PPO	60	1,820.29	1,820.29	853.39	75	542.51	1,349.32	542.51
Police Blue Cross HMO	15	1,820.29	1,820.29	853.39	10	542.51	1,135.00	542.51
Police Kaiser	25	1,820.29	1,820.29	853.39	15	542.51	542.51	542.51
Dental	85	44.60	44.60	-	100	44.60	44.60	-
Medicare	N/A	-	-	-	100	135.50	135.50	-

** Plans will no longer be offered as of January 1, 2020*

Note: The System pays the lower of the member's subsidy or member's medical plan premium.

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NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Health Subsidy Plan Membership

The component of the Health Subsidy Plan membership at June 30, 2020 and 2019, are as follows:

	2020	2019
Retired Members	9,596	9,387
Beneficiaries	1,693	1,690
Vested Terminated Members	875	886
Active Members	13,486	13,535
	25,650	25,498

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS

Cash and Temporary Investments

The System considers investments purchased with a maturity of 12 months or less to be temporary investments. At June 30, 2020, cash and temporary investments consisted of $2,046,114 cash held by the City Treasurer's office and $1,541,445,566 in collective short-term investment funds (STIF). At June 30, 2019, cash and temporary investments consisted of $3,030,085 cash held by the City Treasurer's office and $1,792,112,335 in collective short-term investment funds (STIF). Cash held by the City Treasurer's office is pooled with funds of other City agencies and is not individually identifiable. The temporary investments are not leveled and not included in the following fair value measurements hierarchy table.

Fair Value of Investments

The System measures and categorizes its investments using fair value measurements guidelines established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The levels of valuation inputs are as follows:

Level 1 – Quoted prices for identical assets or liabilities in an active market
Level 2 – Observable inputs other than quoted market prices; and,
Level 3 – Unobservable inputs.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

At June 30, 2020, the System has the following recurring fair value measurements ($ in thousands):

	June 30, 2020	Level 1	Level 2	Level 3
Investments by fair value level				
Debt Securities				
U.S. Treasuries	$ 1,852,774	$ -	$ 1,852,774	$ -
U.S. Agencies	686,277	-	684,926	1,351
Municipal/Provincial Bonds	23,417	-	23,417	-
Collateralized Debt Obligations	239,829	-	239,663	166
Commercial Papers	20,613	-	20,613	-
Corporate Bonds	2,239,627	-	2,217,119	22,508
Total Debt Securities	5,062,537	-	5,038,512	24,025
Equity securities				
Common Stock	12,883,960	12,862,720	793	15,316
Preferred Stock	54,800	54,781	-	19
Other	1,089	871	-	218
Total Equity Securities	12,934,718	12,918,372	793	15,553
Real estate	657,939	246,657	-	411,282
Derivatives	3,224	11	(349)	3,562
Total Investments by Fair Value	$ 18,658,418	$ 13,165,040	$ 5,038,956	$ 454,422

Investment measured at the net asset value (NAV)	
Private Equity Funds	$ 2,816,952
Real Estate	780,298
Hedge Funds	102,750
Corporate Debt Securities	30,866
U.S. Agencies Debt Securities	370
Total Investments measured at NAV	$ 3,731,236

Note: Temporary investments of $1,541 million are not included in the fair value hierarchy above.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities such as U.S. Treasuries, U.S. Agencies, municipal bonds, collateralized debt obligations, commercial paper, corporate bonds and other equity securities are classified in Level 2. They are valued using quoted prices for identical securities in markets that are not active. The value prices observed used market-based inputs.

Debt securities, namely collateralized debt obligations and corporate bonds, classified in Level 3 are valued using unobservable inputs which can be extrapolated data, proprietary models or indicative quotes. Other equity securities classified in Level 3 are valued using uncorroborated indicative quotes.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Fair Value of Investments (continued)

Real estate corporate accounts investments are valued based on an independent appraisal or other methods using various techniques including models. Real estate corporate accounts are scheduled for independent appraisal on a rolling 3-year period.

The System's investments such as private equity partnerships, comingled real estate funds, hedge funds, asset/mortgage-backed security funds and commercial mortgages are valued using the net asset value (NAV). Real estate pooled investments are valued based on an independent appraisal or other methods using various techniques including models. Hedge funds generally do not have readily obtainable market values and take the form of limited partnerships. Valuation is either based on the partnerships audited financial statements or from the most recently available internal valuation.

Investments measured at the NAV ($ in thousands):

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently	Redemption Notice Period
Private Equity Funds	$ 2,816,952	$ 1,827,800	N/A	-
Real Estate[1]	780,298	234,630	Quarterly	90 -179 days
Hedge Funds	102,750	-	Quarterly	90 days
Corporate Debt Securities	30,866	-	Anytime	-
U.S. Agencies Debt Securities	370	-	N/A	-
Total Investments measured at NAV	$ 3,731,236			

(1) This type investment includes $532 million of commingled real estate committed and funded that can be redeemed quarterly with 90 to 179 days redemption notice period.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Investment Policy

The Board is responsible for adopting an investment policy using the "prudent person standard" per Article XI, Section 1106 (c) of the City Charter. Investments are made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.

The Board's adopted allocation policy effective during fiscal years 2020 and 2019 were as follow:

Asset Class	2020	2019
Large Cap U.S. Equity	23.00%	23.00%
Small Cap U.S. Equity	6.00%	6.00%
Developed International Equity	16.00%	16.00%
Emerging Markets Equity	5.00%	5.00%
U.S. Core Fixed Income	13.00%	12.00%
High Yield Bonds	3.00%	3.00%
Real Estate	7.00%	10.00%
TIPS	4.00%	5.00%
Commodities	5.00%	5.00%
Cash	1.00%	1.00%
Unconstrained Fixed Income	2.00%	2.00%
Private Equity	12.00%	12.00%
Real Estate Investment Trusts (REITS)	3.00%	N/A
Total Portfolio	100.00%	100.00%

Credit Risk

Credit risk is the risk that an issuer or a counterparty to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income securities in order to obtain the highest total return at an acceptable level of risk within this asset class.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Credit Risk (continued)

As of June 30, 2020, the quality ratings of the System's fixed income investments in U.S. Government obligations and domestic corporate and foreign bonds are as follows:

Quality Rating	Fair Value	Percentage
AAA	$ 1,883,785,686	43.13%
AA	110,021,876	2.52%
A	589,308,870	13.49%
BBB	835,240,280	19.12%
BB	371,501,626	8.50%
B	254,534,234	5.83%
CCC	72,481,622	1.66%
CC	8,760,485	0.20%
C	4,038,699	0.09%
Not Rated	238,123,140	5.45%
Subtotal	4,367,796,518	100.00%
U.S. Government Issued or Guaranteed Securities	725,975,803	
Total Fixed Income Investments	$ 5,093,772,321	

As of June 30, 2019, the quality ratings of the System's fixed income investments in U.S. Government obligations and domestic corporate and foreign bonds are as follows:

Quality Rating	Fair Value	Percentage
AAA	$ 2,194,000,303	55.97%
AA	97,034,827	2.48%
A	380,177,719	9.70%
BBB	458,351,000	11.69%
BB	319,716,629	8.16%
B	255,044,156	6.51%
CCC	52,549,811	1.34%
CC	7,730,940	0.20%
C	3,426,456	0.09%
Not Rated	152,176,573	3.88%
Subtotal	3,920,208,415	100.00%
U.S. Government Issued or Guaranteed Securities	731,430,449	
Total Fixed Income Investments	$ 4,651,638,864	

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the System's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2020 and 2019, the System's exposure to custodial credit risk comprised of foreign currencies held outside the custodial bank amounted to $9,731,278 and $12,447,295, respectively.

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the System's name, and held by the counterparty. As of June 30, 2020 and 2019, the System's investments in publicly traded stocks and bonds were not exposed to custodial risk since they are all held by the custodian and are registered in the System's name. As of June 30, 2020 and 2019, the System's sole hedge fund investment of $102,749,908 and $102,350,808, private equity of $2,820,179,036 and $2,552,414,436, and commingled real estate funds of $780,297,799 and $805,565,111, were exposed to custodial credit risk, respectively.

Concentration of Credit Risk

Concentration of credit risk exists when the System has investments in a single issuer totaling 5% or more of the total investment portfolio. As of June 30, 2020 and 2019, the System's investment portfolio contained no such concentrations. Securities issued or guaranteed by the U.S. Government are exempt from this limitation.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System manages its exposure to interest rate risk by requiring a fixed income investment manager to maintain the effective duration of their portfolio within a specified range of (1) the Bloomberg Barclays US Aggregate Bond Index for core fixed income investments, (2) the Bloomberg Barclays US Government/Credit Long-Term Bond Index for long duration investments, and (3) the B of A ML High Yield Master II Index for high yield investments. The longer the duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the System's investments to interest rate fluctuations is provided in the following table that shows the weighted average effective duration of the System's fixed income investments by investment type.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Fiscal Year 2020

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 112,038,876	12.40
Bank Loans	20,612,742	4.95
Commercial Mortgage-Backed	62,833,755	22.49
Corporate Bonds	2,174,919,533	12.10
Corporate Convertible Bonds	6,795,713	17.76
Government Agencies Bonds	66,692,494	9.48
Government Bonds	677,022,512	13.92
Government Mortgage Backed Securities	626,170,088	23.67
Government Issued Commercial Mortgage-Backed	13,906,396	4.45
Index Linked Government Bonds	1,211,763,434	9.13
Municipal/Provincial Bonds	24,782,028	54.90
Non-Government Backed Collateralized Mortgage Obligations	64,676,607	20.36
Sukuk	411,968	1.75
Asset/Mortgage Backed Securities/Other Fixed Income Funds	31,146,175	N/A
Total Fixed Income Investments	$ 5,093,772,321	

Fiscal Year 2019

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 77,304,821	13.41
Bank Loans	16,907,666	4.83
Commercial Mortgage-Backed	53,783,021	23.75
Corporate Bonds	1,505,970,785	10.04
Corporate Convertible Bonds	1,879,006	7.88
Government Agencies Bonds	69,632,607	10.84
Government Bonds	1,057,805,022	12.42
Government Mortgage Backed Securities	427,794,538	21.42
Government Issued Commercial Mortgage-Backed	15,360,486	5.23
Index Linked Government Bonds	1,093,820,498	8.84
Municipal/Provincial Bonds	22,423,487	54.15
Non-Government Backed Collateralized Mortgage Obligations	58,872,066	21.15
Sukuk	406,036	2.75
Asset/Mortgage Backed Securities/Other Fixed Income Funds	249,678,825	N/A
Total Fixed Income Investments	$ 4,651,638,864	

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. The following are asset-backed investments by investment type:

Investment Type	2020 Fair Value	2019 Fair Value
Asset Backed Securities	$ 112,038,876	$ 77,304,821
Commercial Mortgage-Backed	62,833,755	53,783,021
Government Agencies Bonds	66,692,494	69,632,607
Government Mortgage Backed Securities	626,170,088	443,155,024
Index Linked Government Bonds	1,211,763,434	1,093,820,498
Non-Government Backed Collateralized Mortgage Obligations	64,676,607	58,872,066
	$ 2,144,175,254	$ 1,796,568,037

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of deposits or investments. The System's asset allocation policy sets a target of 16% of the total portfolio for non-U.S. investments in equities. The majority of the System's currency exposure comes from its holdings of foreign stocks.

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2020 and 2019 are as follows:

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Foreign Currency Risk (Continued)

Foreign Currency Type	2020	2019
United Arab Emirates Dirham	$ -	$ 1,366,293
Australian Dollar	162,908,588	179,842,002
Brazilian Real	71,917,571	98,209,474
British Pound Sterling	577,648,189	688,679,146
Canadian Dollar	122,363,463	147,032,400
Chilean Peso	2,639,801	5,683,485
Colombian Peso	1,128,539	2,257,236
Czech Koruna	3,390,443	5,859,091
Danish Krone	74,662,488	53,149,150
Euro	1,109,052,505	1,205,804,844
HK offshore Chinese Yuan Renminbi	19,473,978	15,827,525
Hong Kong Dollar	440,464,734	359,843,510
Hungarian Forint	1,461,144	2,167,202
Indian Rupee	98,465,315	111,478,108
Indonesian Rupiah	21,691,397	43,403,920
Japanese Yen	661,876,873	630,477,373
Kenyan Shilling	5,730,402	6,089,850
Malaysian Ringgit	10,456,144	14,902,506
Mexican Peso	36,335,396	62,218,842
New Israeli Shekel	9,375,530	9,987,037
New Taiwan Dollar	165,703,908	151,629,879
New Zealand Dollar	13,228,964	13,166,119
Norwegian Krone	22,456,573	28,900,178
Philippine Peso	5,021,418	8,097,348
Polish Zloty	4,643,313	8,891,147
Russian ruble	-	136,706
Singapore Dollar	40,590,016	42,473,573
South African Rand	46,622,587	80,987,635
South Korean Won	183,412,944	218,647,478
Swedish Krona	100,209,980	76,323,856
Swiss Franc	251,937,147	238,807,551
Thai Baht	17,889,348	33,036,175
Turkish Lira	4,039,132	5,326,920
	4,286,797,830	4,550,703,559

Note: The foreign currency total comprises foreign stocks, foreign bonds, and currency holdings.

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on the investment of the Pension Plan and Health Subsidy Plan, gross of investment expense, for the years ended June 30, 2020 and 2019, was 3.04% and 6.21%, respectively. The source for the rate of return was the June 30, 2020 and 2019 Investment Hierarchy provided by the custodian bank, Northern Trust.

NOTE 8 – SECURITIES LENDING

The System has entered into various short-term arrangements with its custodian, whereby investments are loaned to various brokers, as selected by the custodian. The lending arrangements are collateralized by cash, letters of credit, and marketable securities held on the System's behalf by the custodian. These agreements provide for the return of the investments and for a payment of a) a fee when the collateral is marketable securities or letters of credit, or b) interest earned when the collateral is cash on deposit.

Upon direction of the Board, the custodian may loan securities to brokers or dealers or other borrowers upon such terms and conditions, as it deems advisable. Collateral for the securities on loan will be maintained at a level of at least 102 percent of their fair value plus any accrued interest for U.S. securities lending and 105 percent of the fair value plus any accrued interest for non-U.S. securities lending. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

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

These agreements provide the return of the securities and revenue determined by the type of collateral received (from which the custodian's fee is deducted). The securities on loan to brokers are shown at their fair value on the System's Statements of Fiduciary Net Position.

As required by GASB, cash received as collateral on securities lending transactions is reported as an asset, and the liabilities from these transactions are reported in the Statements of Fiduciary Net Position. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

NOTE 8 – SECURITIES LENDING (Continued)

As of June 30, 2020 and 2019, the fair value of securities on loan was $1,599,939,446 and $1,255,869,344, respectively, and the fair value of collateral received was $1,633,668,501 and $1,279,294,007, respectively. Of the $1,633,668,501 collateral received as of June 30, 2020, $1,382,664,598 was cash collateral and $251,003,903 represented the fair value of non-cash collateral; and of the $1,279,294,007 collateral received as of June 30, 2019, $436,070,942 was cash collateral and $843,223,065 represented the fair value of non-cash collateral. Non-cash collateral, which the System does not have the ability to pledge or sell unless the borrower defaults, is not reported in the Statements of Fiduciary Net Position.

The following represents the balances relating to the securities lending transactions as of June 30, 2020 and 2019:

Fair value of collateral received for loaned securities as of June 30, 2020:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	$ 292,486,517	$ 23,668,581	$ 316,155,098
Domestic Corporate Fixed Income Securities	227,862,321	5,992,991	233,855,312
Domestic Equities	800,411,773	142,925,427	943,337,200
International Fixed Income Securities	2,920,259	-	2,920,259
International Equities	58,983,728	78,416,904	137,400,632
	$ 1,382,664,598	$ 251,003,903	$ 1,633,668,501

Fair value of loaned securities as of June 30, 2020:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency	$ 285,087,010	$ 23,119,919	$ 308,206,929
Domestic Corporate Fixed Income Securities	224,097,011	5,873,598	229,970,609
Domestic Equities	788,735,862	140,927,314	929,663,176
International Fixed Income Securities	2,757,870	-	2,757,870
International Equities	55,658,437	73,682,425	129,340,862
	$ 1,356,336,190	$ 243,603,256	$ 1,599,939,446

NOTE 8 – SECURITIES LENDING (Continued)

Fair value of collateral received for loaned securities as of June 30, 2019:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	$ 197,088,050	$ 95,324,195	$ 292,412,245
Domestic Corporate Fixed Income Securities	37,617,856	52,563,015	90,180,871
Domestic Equities	163,666,088	599,768,599	763,434,687
International Fixed Income Securities	597,057	-	597,057
International Equities	37,101,891	95,567,256	132,669,147
	$ 436,070,942	$ 843,223,065	$ 1,279,294,007

Fair value of loaned securities as of June 30, 2019:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency	$ 193,374,935	$ 93,576,274	$ 286,951,209
Domestic Corporate Fixed Income Securities	36,920,674	51,955,959	88,876,633
Domestic Equities	161,142,892	592,079,718	753,222,610
International Fixed Income Securities	538,703	-	538,703
International Equities	35,313,503	90,966,686	126,280,189
	$ 427,290,707	$ 828,578,637	$ 1,255,869,344

For the fiscal years ended June 30, 2020 and 2019, securities lending income amounted to $6,722,798 and $5,946,796, respectively, while securities lending expenses amounted to $939,899 and $831,930, respectively.

NOTE 9 – DERIVATIVE INSTRUMENTS

The System, through its outside investment managers, holds investments in swaps, options, rights, and warrants and enters into futures and forward foreign currency contracts to manage portfolio risk or use them as substitutes for owning securities. Forward contracts are subject to credit risk if the counterparties to the contracts are unable to meet the terms of the contract. Futures contracts have little credit risk, as organized exchanges are the guarantors. Due to the level of risk associated with derivative investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amount reported in the financial statements.

NOTE 9 – DERIVATIVE INSTRUMENTS (Continued)

The fair values of the futures that are traded on various exchanges are determined by the price on that exchange. Fair values for the currency forward contracts are determined by the exchange rate of the reference currency on the last day of the reporting period.

For options, swaps, rights, and warrants pricing would come from the exchange they are traded on if they are exchange traded securities.

They can also trade as over the counter securities and the market values would then be determined by the value of a reference security or value that would typically be publicly priced. For assets traded over the counter and held at the custodian bank an independent pricing service is involved in calculating the price of the derivative security using the value of the reference security or reference value.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2020 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2020		Notional
Type	Classification		Classification	Amount	Amount
Investment Derivatives:					
Futures - Shorts	N/A	$ -	Investment	$ -	$ (117,544,122)
Futures - Longs	Investment Loss	(19,089,808)	Investment	-	168,458,859
Forwards	Investment Revenue	93,960	Investment	(410,904)	-
Options	Investment Loss	(25,139)	Investment	(52,433)	
Rights/Warrants	Investment Revenue	1,464,943	Investment	1,088,235	-
Swaps	Investment Loss	(50,163,699)	Investment	3,525,580	

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		Notional
Type	Classification		Classification	Amount	Amount
Investment Derivatives:					
Futures - Shorts	N/A	$ -	Investment	$ -	$ (87,079,908)
Futures - Longs	Investment Loss	(13,971,500)	Investment	-	159,084,888
Forwards	Investment Revenue	54,468	Investment	(106,081)	-
Options	Investment Loss	(516,789)	Investment	33,914	
Rights/Warrants	Investment Revenue	1,766,361	Investment	354,057	-
Swaps	Investment Loss	(7,080,797)	Investment	1,925,201	

NOTE 10 – CAPITAL ASSETS

The System's capital assets include land, building, computer/software, and furniture and fixtures.

The following is a summary of the System's capital assets at June 30, 2020 and 2019:

	2020	2019
Capital Assets Not Depreciated/Amortized		
Land	$ 6,465,660	$ 6,465,660
Total Capital Assets Not Depreciated/Amortized	6,465,660	6,465,660
Capital Assets Depreciated/Amortized		
Building	18,777,794	18,777,794
Computer/Software under Development	5,581,608	3,851,442
Furniture and fixtures	1,297,014	1,297,014
Total Capital Assets Depreciated/Amortized	25,656,416	23,926,250
Less: Accumulated Depreciation/Amortization		
Building	(3,989,638)	(3,048,176)
Computer/Software under Development	(524,648)	-
Furniture and fixtures	(1,102,462)	(843,059)
Total Accumulated Depreciation/Amortization	(5,616,748)	(3,891,235)
Total Capital Assets Depreciated/Amortized, Net	20,039,668	20,035,015
Total Capital Assets, Net	$ 26,505,328	$ 26,500,675

NOTE 11 – MORTGAGES PAYABLE

Mortgages are secured by real estate. For fiscal year 2020, interest rates range from 2.90% to 4.30% per annum. The average monthly principal and interest payments range from $52,890 to $95,501. For fiscal year 2019, interest rates range from 2.90% to 7.50% per annum. The average monthly principal and interest payments range from $52,890 to $184,838.

The mortgages mature from January 2022 to October 2029. Principal and interest payments due under such mortgages are as follows for the years ending June 30:

Year Ending	Principal	Interest	Total
2021	$ 1,062,448	$ 6,529,808	$ 7,592,256
2022	55,267,393	5,929,926	61,197,319
2023	553,869	4,799,524	5,353,393
2024	37,593,299	3,997,455	41,590,754
2025	29,050,000	2,796,890	31,846,890
2026-2030	71,010,000	9,693,088	80,703,088
	$ 194,537,009	$ 33,746,691	$ 228,283,700

The mortgages are secured by real estate that was purchased with the funds.

The following is a summary of mortgage payable activities for the years ended June 30, 2020 and 2019:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Fair Value June 30, 2020
Mortgage Payable	$ 179,749,386	$ 34,250,000	$ 19,462,377	$ 194,537,009	$ 194,370,013

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Fair Value June 30, 2019
Mortgage Payable	$ 177,777,115	$ 14,760,000	$ 12,787,729	$ 179,749,386	$ 178,599,162

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Termination Rights

All members who were active on or after July 1, 1982, have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement, except Tier 4 members. The dollar amount of contributions and interest subject to this right were $2,090,045,997 and $2,033,349,962 as of June 30, 2020 and 2019, respectively.

The City Charter and the Administrative Code provide that member contributions as of June 30 and December 31 of each year earn interest at a rate based on investment earnings, exclusive of gains and losses on principal resulting from sales of securities.

Investment Commitment

The System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $2,062,430,000 and $1,733,891,000 at June 30, 2020 and 2019, respectively.

The Patient Protection and Affordable Care Act (PPACA) of 2010

The PPACA of 2010 contained a provision that would impose a forty percent excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2018; subsequent legislation postponed this provision until 2020 (subsequently deferred to 2022). On December 20, 2019, the President signed legislation repealing the excise tax.

Retiree Health Subsidy Freeze Litigation

In 2019-2020, there were two cases before the courts that involved the retiree health insurance premium subsidy program that LAFPP administers ("retiree medical subsidy"). Both pending actions were brought by the Los Angeles Police Protective League against the Board and the City.

The two cases (the "LAPPL I Action" and the "LAPPL II Action") both seek to determine what retiree medical subsidy benefit the additional 2% salary contribution provides members who make the contribution under the unions' and City's 2011 Letter of Agreement ("LOA"). The union plaintiffs argue that the 2% contribution grants members the ceiling amount under LAAC § 4.1167, meaning either 7% or the medical trend rate for that year with no discretion reserved to the Board to grant anything lower. The City argues that the 2% contribution gives member only the right to get out from under the Freeze Ordinance and participate in the process that existed under LAAC § 4.1154(e) prior to the 2011 Freeze Ordinance. Under the pre-Freeze Ordinance process, the LAFPP Board may exercise its discretion in setting the annual subsidy rate and can set it up to the maximum amount of 7% or the medical trend rate, whichever is lower.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Retiree Health Subsidy Freeze Litigation (Continued)

In the LAPPL I Action, on April 15, 2016, the plaintiffs agreed to dismiss LAFPP from the action in exchange for LAFPP's agreement to be bound by the final judgment rendered in the case. Until a court of competent jurisdiction renders a final judgement on the interpretation of the LOA, LAFPP has a fiduciary duty to follow LAAC § 4.1154(e) as written, and must continue to exercise its discretion in setting the retiree medical subsidy as it did before the 2011 Freeze Ordinance.

The LAPPL Action I proceeded to trial, and on November 1, 2016, the trial court ruled in favor of the plaintiffs, finding that the language of the LOA was unambiguous without weighing the conflicting evidence regarding the interpretation of the LOA and the parties' intent. The City appealed, and on October 30, 2018, the Second District Court of Appeal reversed and remanded the case for further proceedings consistent with the Court of Appeal's decision. In its decision, the Court of Appeal found that the provisions at issue in the LOA were ambiguous, which required the trial court to consider and weigh the evidence of the parties' intent in its interpretation of the provisions, which the trial court did not do. Upon remand back to the Superior Court, on February 15, 2019, the case was reassigned to Judge Holly Fujie for further trial proceedings.

While the LAPPL Action I was pending on appeal, on August 10, 2017, the unions filed a second action ("LAPPL Action II"). The LAPPL Action II raises the same issues as the LAPPL Action I regarding the 2% contribution, and also asserts a new breach of fiduciary duty claim, which preserves the unions' rights to challenge LAFPP's 2017 discretionary action to set the subsidy should the unions lose in the pending LAPPL Action I. On July 3, 2018, the LAPPL filed a First Amended Complaint, asserting the same claims based on LAFPP's 2018 discretionary action in setting the subsidy. The unions also sought to file a Second Amended Complaint to add LAFPP's 2019 and 2020 discretionary actions in setting the subsidy, and the parties agreed to stipulate to allow the unions to file the Second Amended Complaint. Although the unions have filed the stipulation, the Court has not approved the stipulation and therefore the unions have not yet filed their Second Amended Complaint.

Upon remand of the LAPPL I Action, the City filed a motion to consolidate the two actions before Judge Fujie, which the Court granted. Given the similarities between the two LAPPL Actions and the dispositive effect of the first action on the second, the trial court has stayed the LAPPL Action II pending of the outcome of LAPPL I. On September 20, 2019, Judge Fujie held a status conference following consolidation and ordered that the case be heard in phases. In Phase One, the LOA interpretation issues common to LAPPL I and LAPPL II are to be heard in a trial before Judge Fujie, and upon resolution of Phase One, the Court will then address the residual fiduciary duty claims against LAFPP unique to LAPPL II. Currently, the LAPPL Action I is set for trial on August 16, 2021, but the counsel for the City has asked the Court to move the trial date to September 20, 2021 due to an existing conflict. The City's request to the Court is currently pending.

Current Status of the Retiree Medical Subsidy

As a result of the outcome in the Fry Action, which concluded in the 2016-2017 fiscal year, LAFPP continues to provide a subsidy frozen at the 2011 levels to current and future retired members who chose not to "opt-in" and contribute an additional 2% of their salaries in order to avoid the consequences of the Freeze Ordinance.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Retiree Health Subsidy Freeze Litigation (Continued)

With regard to the LAPPL Action I and LAPPL Action II, until a final judgment is rendered on the LOA issues, LAFPP will continue to abide by its fiduciary duty to follow LAAC § 4.1154(e) as written and to set and implement the retiree health insurance premium subsidy increases in the same manner as it did prior to the 2011 Freeze Ordinance for members who opted-in to pay the 2% contribution. This means that LAFPP continues to exercise its discretion provided under the Los Angeles Administrative Code to set the subsidy up to and including the medical trend rate or 7%, whichever is lower, until the courts render final judgment.

NOTE 13 – DONATIONS

From 1999 to 2002, the System received donations of non-voting common stock of non-public corporations, pursuant to repurchase agreements between the System and the donors, structured entirely by the donors' tax advisers. Under the terms of the agreements, the System, although the owner of the donated common stock, acknowledged that: the non-voting common shares have not been registered under the Federal Securities Act of 1933 or qualified under the California Corporate Securities Law of 1968; that no public market exists with respect to the non-voting common shares; and that the common shares are subject to a right of first refusal prohibiting the System from selling or otherwise disposing of any common shares without first offering to sell them to the donor.

The shares are recorded at carry and market values of zero for the following reasons: (1) there is no public market for the shares, (2) the System does not have the right to sell or otherwise dispose of the shares until the agreed upon future date, and (3) the shares were received as a donation for no consideration. Donation income is only recorded if cash dividends are received from the stock while in the possession of the System or when the stock is sold.

As previously reported in fiscal year ending June 30, 2005, the System has been informed that the Internal Revenue Service is disputing the tax treatment claimed by the donors in connection with these donations of stock. There have been no allegations of inappropriate activity by the System.

The last donation of private equity accepted by the System was in 2002. The System has sold or returned the majority of donated private equity since August 2005. The System has received the following income from these donations: $2,685,000 in 2002; $2,918,066 in 2003; $14,402,308 in 2004; $7,791,262 in 2005; none in 2006; $864,281 in 2007; $67,568 in 2008; $50,676 in 2009; and no dividends in 2010, 2011, 2012, 2013, 2014, 2015 or 2016. The System sold the remaining donated stocks in February 2017 for a total of $21,185,000 and received cash of $10,299,250 and promissory notes of $10,885,750. In 2019, the System received cash for the remaining balance.

NOTE 14 – RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and contributed to the deterioration and instability in financial markets. As a result, the Plan's investment portfolio has experienced volatility in fair market value since June 30, 2020. However, because the values of the Plan's investments have and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. The value of the Plan's investments has a direct impact on its funded status. As a result of any declines in market value the Plan Sponsor may need to make greater cash contributions to fund the Plan in the future. However, the actual impact, if any, on future required contributions or Plan liquidity cannot be determined at this time.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 23, 2020, which is the date the financial statements were available to be issued and, no events have occurred that require consideration or adjustments in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABLITY AND RELATED RATIO
($ in Thousands)
(Unaudited)

	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Total Pension Liability:							
Service Cost	$ 410,559	$ 402,708	$ 390,743	$ 367,600	$ 365,956	$ 368,700	$ 368,018
Interest	1,654,964	1,572,220	1,502,656	1,436,068	1,399,576	1,384,527	1,392,552
Benefit Payments	(1,121,252)	(1,070,456)	(994,800)	(930,078)	(990,363)	(918,909)	(858,986)
Administrative Expenses	-	-	-	-	-	-	-
Experience Losses (Gains)	(23,348)	81,465	21,700	(320,404)	(595,188)	(310,882)	(234,638)
Assumption Changes	48,286	357,369	-	695,450	-	-	(69,482)
Benefit Changes	-	(79,650)	-	-	-	-	-
Other[1]	-	-	2,505	-	-	-	-
Net Change	969,209	1,263,656	922,804	1,248,636	179,981	523,436	597,464
Total Pension Liability at Beginning of Year	23,000,505	21,736,849	20,814,045	19,565,409	19,385,428	18,861,992	18,264,528
Total Pension Liability at End of Year (a)	$ 23,969,714	$23,000,505	$21,736,849	$20,814,045	$19,565,409	$19,385,428	$18,861,992
Fiduciary Net Position:							
Employer Contributions	$ 516,638	$ 504,877	$ 459,632	$ 454,309	$ 478,385	$ 480,332	$ 440,698
Member Contributions	153,787	147,753	145,112	128,900	129,734	126,771	124,395
Net Investment Income	606,244	1,218,138	1,892,870	2,260,130	159,313	686,470	2,617,090
Benefit Payments	(1,121,252)	(1,070,456)	(994,800)	(930,078)	(990,363)	(918,909)	(858,986)
Administrative Expenses	(20,685)	(20,244)	(19,908)	(20,816)	(19,346)	(17,815)	(13,865)
Other[1]	-	-	2,505	-	-	-	-
Net Change (Gain)	134,732	780,068	1,485,411	1,892,445	(242,277)	356,849	2,309,332
Fiduciary Net Position at Beginning of Year	21,262,201	20,482,133	18,996,722	17,104,277	17,346,554	16,989,705	14,680,373
Fiduciary Net Position at End of Year* (b)[2]	$ 21,396,933	$21,262,201	$20,482,133	$18,996,722	$17,104,277	$17,346,554	$16,989,705
Net Pension Liability/(Asset) (a)-(b)	$ 2,572,781	$ 1,738,304	$ 1,254,716	$ 1,817,323	$ 2,461,132	$ 2,038,874	$ 1,872,287
Plan fiduciary net position as a percentage of the total pension liability	89.27%	92.44%	94.23%	91.27%	87.42%	89.48%	90.07%
Covered employee payroll	$ 1,509,613	$ 1,487,978	$ 1,451,996	$ 1,397,245	$ 1,351,788	$ 1,316,969	$ 1,308,149
Plan net position liability as a percentage of covered employee payroll	170.43%	116.82%	86.41%	130.06%	182.06%	154.82%	143.12%

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABLITY AND RELATED RATIO
($ in Thousands)
(Unaudited)

Notes to Schedule:
GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

(1) Includes employer and employee contributions transferred from the Los Angeles City Employees' Retirement System (LACERS) for the Airport Police Officers who elected to join the System in Tier 6.

(2) Excludes the transfer of employer and employee contributions referenced in footnote (1).

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
($ in Thousands)
(Unaudited)

Fiscal Year Ending	Actuarially Determined Contribution	Actual Fiscal Year Contribution	Deficiency (Excess)	Covered Payroll [3]	Contribution as % of Payroll [1]
6/30/2020	$ 516,638	$ 516,638	-	$ 1,509,613	34%
6/30/2019	504,877	504,877	-	1,487,978	34%
6/30/2018	459,632 [2]	459,632 [2]	-	1,451,996	32%
6/30/2017	454,309	454,309	-	1,397,245	33%
6/30/2016	478,385	478,385	-	1,351,788	35%
6/30/2015	480,332	480,332	-	1,316,969	36%
6/30/2014	440,698	440,698	-	1,308,149	34%
6/30/2013	375,448	375,448	-	1,277,031	29%
6/30/2012	321,593	321,593	-	1,213,396	27%
6/30/2011	277,092	277,092	-	1,289,857	21%

Notes to Schedule:

[1] Contribution rate as a percentage of covered payroll reflects discount applied when the employer prepays its contributions. This rate has been "backed" into by dividing the actual contributions by the budgeted covered payroll.

[2] Figures excluded amounts transferred from the Los Angeles City Employees' Retirement System (LACERS) for the Airport Police members who elected to join the Pension Plan in Tier 6.

[3] Covered payroll represents payroll in which contributions to the Pension Plan are based.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Methods and assumptions used to establish "actuarially determined contribution" (ADC) rates:

The assumptions used in establishing the ADC for the year ended June 30, 2020 were based on the June 30, 2018 funding valuation.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method.
Amortization method	For Tier 1, level dollar amortization is used with last period ending on June 30, 2037. For Tiers 2, 3 and 4, level percent of payroll amortization with multiple layers is used as a percent of total valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer (i.e., City, Harbor Port Police, or Airport).
Remaining amortization period	Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 20 years. Plan changes are amortized over 15 years.
Asset valuation method	The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a seven-year period. Deferred gains and losses as of June 30, 2013 have been combined and will be recognized over a period of six years from July 1, 2013. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial assumptions:	
June 30, 2018 valuation	
Investment rate of return	7.25%, net of investment expenses
Inflation rate	3.00%
Administrative Expenses:	Out of the total 1.25% of payroll in administrative expense, 1.16% of payroll payable biweekly is allocated to the Pension Plan. This is equal to 1.12% of payroll payable at beginning of the year.
Real across-the-board salary	0.50%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service
Cost of living adjustments	3.0% of retirement income for all Tiers.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, gross of investment expense	3.04%	6.21%	9.21%	13.27%	1.04%	4.15%	17.84%

Notes to schedule:

GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The source for the rate of return was the June 30 Investment Hierarchy provided by the custodian bank, Northern Trust. For the fiscal years 2014 through 2020, the custodian bank did not have all information related to investment expense to calculate the money-weighted rate of return net of investment expense.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY
($ in Thousands)
(Unaudited)

Date	Discount Rate	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Funded Status (FNP/TPL)	Covered Payroll	NPL % Pay
6/30/2020	7.00%	$ 23,969,714	$ 21,396,933	$ 2,572,781	89.3%	$ 1,509,613	170%
6/30/2019	7.25%	23,000,505	21,262,200	1,738,304	92.4%	1,487,978	117%
6/30/2018	7.25%	21,736,849	20,482,133	1,254,716	94.2%	1,451,996	86%
6/30/2017	7.25%	20,814,045	18,996,721	1,817,323	91.3%	1,397,245	130%
6/30/2016	7.50%	19,565,409	17,104,276	2,461,132	87.4%	1,351,788	182%
6/30/2015	7.50%	19,385,428	17,346,554	2,038,874	89.5%	1,316,969	155%
6/30/2014	7.50%	18,861,992	16,989,705	1,872,287	90.1%	1,308,149	143%
6/30/2013	7.75%	16,989,705	14,680,373	3,584,155	86.4%	1,277,031	281%

Notes to schedule:
GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS
LIABLITY AND RELATED RATIO
($ in Thousands)
(Unaudited)

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability:					
Service Cost	$ 79,394	$ 74,090	$ 69,940	$ 65,407	$ 61,292
Interest	263,088	260,513	243,769	231,285	222,424
Benefit Payments	(143,600)	(137,874)	(130,722)	(122,561)	(116,678)
Experience Losses (Gains)	(190,525)	(249,568)	(16,532)	(144,022)	(50,071)
Assumption Changes	80,297	85,911	63,332	248,049	-
Other[1]	-	-	517	-	-
Net Change	88,654	33,072	230,304	278,158	116,967
Total OPEB Liability at Beginning of Year	3,621,204	3,588,132	3,357,828	3,079,670	2,962,703
Total OPEB Liability at End of Year (a)	$ 3,709,858	$ 3,621,204	$ 3,588,132	$ 3,357,828	$ 3,079,670
Fiduciary Net Position:					
Employer Contributions	$ 193,213	$ 188,020	$ 178,462	$ 165,170	$ 150,315
Member Contributions	-	-	-	-	-
Net Investment Income	58,101	111,188	166,040	189,420	12,771
Benefit Payments	(143,600)	(137,874)	(130,722)	(122,561)	(116,678)
Administrative Expenses	(1,982)	(1,856)	(1,745)	(1,747)	(1,551)
Other[1]	-	-	517	-	-
Net Change (Gain)	105,732	159,478	212,552	230,282	44,857
Fiduciary Net Position at Beginning of Year	2,037,716	1,878,238	1,665,686	1,435,404	1,390,547
Fiduciary Net Position at End of Year (b)[2]	$ 2,143,448	$ 2,037,716	$ 1,878,238	$ 1,665,686	$ 1,435,404
Net OPEB Liability/(Asset) (a)-(b)	$ 1,566,410	$ 1,583,488	$ 1,709,894	$ 1,692,142	$ 1,644,266
Plan fiduciary net position as a percentage of the total OPEB liability	57.78%	56.27%	52.35%	49.61%	46.61%
Covered employee payroll	$ 1,509,613	$ 1,487,978	$ 1,451,996	$ 1,397,245	$ 1,351,788
Plan net position liability as a percentage of covered employee payroll	103.76%	106.42%	117.76%	121.11%	121.64%

Notes to schedule:
GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

(1) Includes employer contributions transferred from the Los Angeles City Employees' Retirement System (LACERS) for the Airport Police members who elected to join the System in Tier 6.

(2) Excludes the transfer of employer contributions referenced in footnote 1.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF EMPLOYER CONTRIBUTION
($ in Thousands)
(Unaudited)

Fiscal Year Ending	Actuarially Determined Contribution	Actual Fiscal Year Contribution	Deficiency (Excess)	Covered Payroll [2]	Contribution as % of Payroll
2020	$ 193,213	$ 193,213	-	$ 1,509,613	13%
2019	188,020	188,020	-	1,487,978	13%
2018	178,462 [1]	178,462 [1]	-	1,451,996	12%
2017	165,170	165,170	-	1,397,245	12%
2016	150,315	150,315	-	1,351,788	11%
2015	148,477	148,477	-	1,316,969	11%
2014	138,107	138,107	-	1,308,149	11%
2013	132,939	132,939	-	1,277,031	10%
2012	122,972	122,972	-	1,213,396	10%
2011	111,681	111,681	-	1,289,857	9%

Notes to schedule:

(1) Exclude the transfer of employer contributions for all new Airport Police members from the Los Angeles City Employees' Retirement System (LACERS) who elected to join the Pension Plan in Tier 6.

(2) Covered payroll represents payroll in which contributions to the Pension Plan are based.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
HEALTH SUBSIDY PLAN
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Methods and assumptions used to establish "actuarially determined contribution" (ADC) rates:

The assumptions used in establishing the ADC for the year ended June 30, 2020 were based on the June 30, 2018 funding valuation.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method.
Amortization method	For Tier 1, level dollar amortization is used with last period ending on June 30, 2037. For Tiers 2, 3 and 4, level percent of payroll amortization with multiple layers is used as a percent of total valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer (i.e., City or Harbor Port Police).
Remaining amortization period	Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 20 years. Plan changes are amortized over 15 years.
Asset valuation method	The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis and is recognized over a seven-year period. Deferred gains and losses as of June 30, 2013 have been combined and will be recognized over a period of six years from July 1, 2013. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial assumptions:	
June 30, 2018 valuation	
Investment rate of return	7.25%, net of investment expenses
Inflation rate	3.00%
Administrative Expenses:	Out of the total 1.25% of payroll in administrative expense, 0.09% of payroll payable biweekly is allocated to the Retiree Health Plan. This is equal to 0.09% of payroll payable at beginning of the year.
Real across-the-board salary	0.50%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuations.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, gross of investment expense	3.04%	6.21%	9.21%	13.27%	1.04%	4.15%	17.84%

Notes to schedule:
GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The source for the rate of return was the June 30 Investment Hierarchy provided by the custodian bank, Northern Trust. For the fiscal years 2016 through 2020, the custodian bank did not have all information related to investment expense to calculate the money-weighted rate of return net of investment expense.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF EMPLOYER'S NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
($ in Thousands)
(Unaudited)

Date	Discount Rate	Total OPEB Liability (TOL)	Fiduciary Net Position (FNP)	Net OPEB Liability (NOL)	Funded Status (FNP/TOL)	Covered Payroll	NOL %Pay
6/30/2020	7.00%	$ 3,709,858	$ 2,143,448	$ 1,566,410	57.8%	$ 1,509,613	104%
6/30/2019	7.25%	3,621,204	2,037,716	1,583,488	56.3%	1,487,978	106%
6/30/2018	7.25%	3,588,132	1,878,237	1,709,895	52.3%	1,451,996	118%
6/30/2017	7.25%	3,357,828	1,665,686	1,692,142	49.6%	1,397,245	121%
6/30/2016	7.50%	3,079,670	1,435,404	1,644,266	46.6%	1,351,788	122%

Notes to schedule:
GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

See accompanying independent auditor's report

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Fire and Police Pension Commissioners
Los Angeles Fire and Police Pension System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the Pension Plan and Health Subsidy Plan, administered by the Los Angeles Fire and Police Pension System (the System), which comprise the statements of fiduciary net position as of June 30, 2020, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements for each plan, and have issued our report thereon dated November 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 23, 2020

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A BUDGET IS MORE THAN JUST A SERIES OF NUMBERS ON A PAGE; IT IS AN EMBODIMENT OF OUR VALUES.

—BARACK OBAMA

SECTION THREE

Department Budget

03

3.1 Department Budget

RECEIPTS	BUDGETED 2019-20	ACTUAL 2019-20[5]
City Contribution	702,980,531	702,980,531
Special Fund (Harbor)	5,183,156	5,183,156
Special Fund (Airport)	1,687,886	1,687,886
Member Contributions[1]	155,938,944	153,786,863
Earnings on Investments	468,900,000	518,327,343
Gain (Loss) on Sale of Investments[2]	--------	482,927,000
Miscellaneous[3]	1,500,000	411,357
Total Receipts	**1,336,190,517**	**1,865,304,136**
Excess Benefit Plan[4]	2,095,442	2,095,442

[1] Includes receipts from members for purchases of prior years' pension buybacks or overpayments.
[2] This amount does not include a $226,511,541 unrealized decrease in the value of investments as a result of the current market conditions. If included, it would match the amount shown in the System's audited financial report of $256,415,459 as Net Appreciation in Fair Value of Investments including Gain and Loss on Sale of Investments.
[3] Reflects miscellaneous receipts from various sources.
[4] Represents the City of Los Angeles General Fund earmarked to pay excess benefits, including administrative costs, in compliance with IRC Section 415(b). As Excess Benefit Plan funds are not transferred to LAFPP, they are not included in the Total Receipts.
[5] Based on Audited Financial Statements, which are reported on an accrual basis. Totals may differ from General Manager's Monthly Reports, which are reported on a cash-basis.

EXPENDITURES	BUDGETED 2019-20	ACTUAL 2019-20
Service Pensions	710,000,000	720,876,949
Service Pensions – DROP Distributions	162,192,000	146,314,776
Disability Pensions	113,000,000	110,938,177
Surviving Spouse/Domestic Partner Pensions	132,000,000	134,860,657
Minor/Dependent Child Pensions	3,900,000	3,731,079
Refund of Member Contributions	4,500,000	4,530,043
Health Insurance Premium Subsidy	127,000,000	126,586,226
Dental Insurance Premium Subsidy	4,650,000	4,406,877
Medicare Reimbursement	15,500,000	10,844,349
Health Insurance Premium Reimbursement	1,300,000	1,762,696
Investment Management Expense	106,908,329	110,808,714
Administrative Expense	22,498,810	22,667,875
Total Expenditures	**1,403,449,139**	**1,398,328,418**
Increase (Decrease) in Fund Balance	**(67,258,622)**	**446,975,718**

3.2 Summary of Receipts

The Department receives revenue primarily from three sources: Employer Contributions (City, Harbor, and Airport), Member Contributions, and Investment Earnings. In 2019-20, the Department received total revenue of $1.87 billion[1], a decrease of $481.18 million, or 20.51 percent, from 2018-19. The change was primarily due to a decrease in Investment Earnings.

EMPLOYER CONTRIBUTIONS

Employer Contributions are based on the application of the actuary's computed rates for each tier to the budgeted sworn payroll. It is comprised of the City's General Fund contribution and Special Fund (Harbor and Airport Departments) contributions. In 2019-20, Employer Contributions, excluding funds for the Excess Benefit Plan, totaled $709.85 million, an increase of $16.95 million, or 2.45 percent, from 2018-19.

MEMBER CONTRIBUTIONS

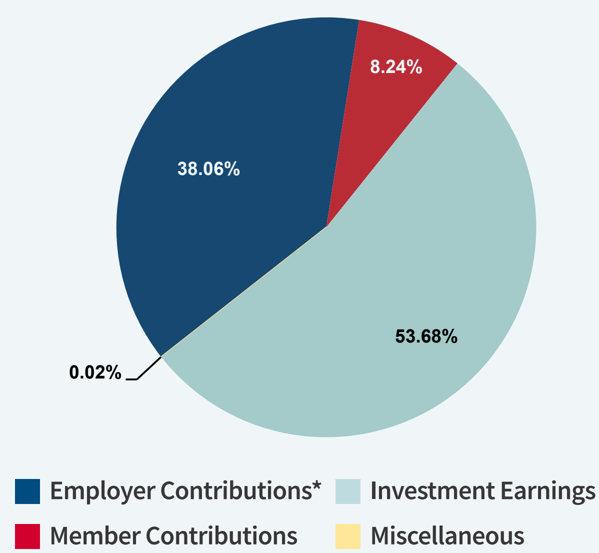
Member Contributions are calculated based on the member's contribution rate for his or her tier. These rates range from 8 to 9 percent of salaries for members in Tiers 3 through 5, while members in Tier 6 contribute 11 percent of salary. All remaining active Tier 2 members have completed at least 30 years of service and therefore no longer make pension contributions. In 2019-20, revenue received from Member Contributions was $153.79 million, an increase of $6.03 million, or 4.08 percent, from 2018-19.

INVESTMENT EARNINGS

Investment Earnings consist of 'Earnings on Investments' and 'Gain (Loss) on Sale of Investments'. In 2019-20, the Department received investment earnings of $1.00 billion, a decrease of $504.18 million, or 33.49 percent, from 2018-19.

- **Earnings on Investments** – includes real estate and private equity net cash, interest and dividends, and miscellaneous income. Earnings on Investments in 2019-20 were $518.33 million, a decrease of $53.59 million, or 9.37 percent, from 2018-19.
- **Gain (Loss) on Sale of Investments** – includes actual cash receipts to the Pension System on the sale of investments. Gains or losses on the sale of investments are a function of how many transactions are performed by our investment advisors. In 2019-20, the Department received $482.93 million in cash through these transactions, a decrease of $450.59 million, or 48.27 percent, from 2018-19.

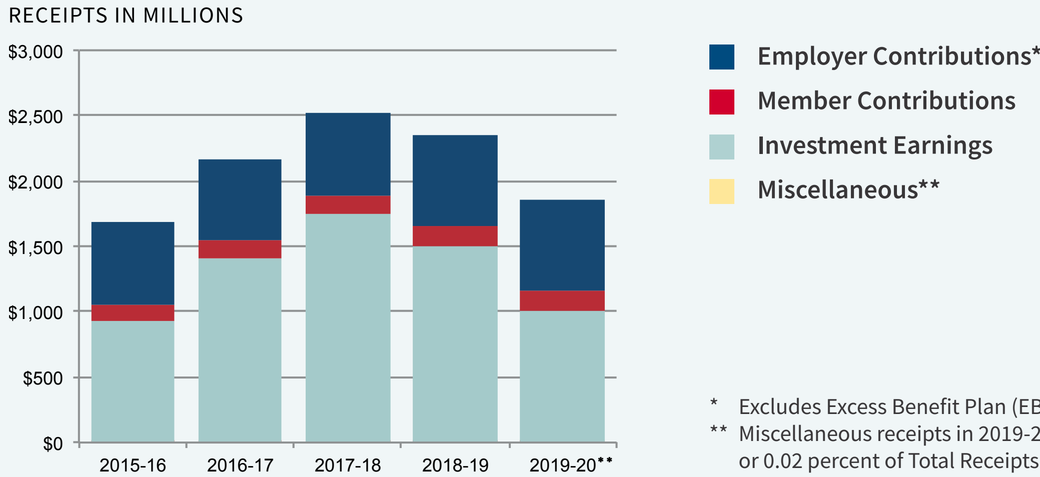
2019-20 BUDGET – ACTUAL RECEIPTS



*Excludes Excess Benefit Plan (EBP)

[1] This does not include Excess Benefit Plan funds.

FIVE-YEAR RECEIPTS HISTORY



* Excludes Excess Benefit Plan (EBP).
** Miscellaneous receipts in 2019-20 were $0.41 million or 0.02 percent of Total Receipts.

3.3 Summary of Expenditures

The Department's expenses can be divided into three categories: Pensions and Benefits, Investment Management, and Administrative. Expenses for 2019-20 totaled $1.40 billion, an increase of $54.51 million, or 4.06 percent, from 2018-19.

PENSIONS AND BENEFIT EXPENSES

The Department's Pensions and Benefits Expense includes Service Pensions, Deferred Retirement Option Plan (DROP) Distributions, Disability Pensions, Surviving Spouse/Domestic Partner Pensions, Minor/Dependent Child Pensions, Refund of Member Contributions, and health benefit-related expenses. In 2019-20, Pensions and Benefits Expenses were $1.26 billion, which represented 90.45 percent of total expenses and an increase of $56.52 million, or 4.68 percent, from 2018-19. The increase in Pensions and Benefits Expenses can be largely attributed to a $41.91 million increase in Service Pensions, $4.94 million increase in DROP Distributions, and $5.03 million increase in Surviving Spouse/Domestic Partner Pensions.

INVESTMENT MANAGEMENT EXPENSE

In 2019-20, the Investment Management Expense was $110.81 million, which represented 7.92 percent of total expenses and a decrease of $2.58 million, or 2.28 percent, from 2018-19. Actual payments to investment managers depend on the amount of assets under management, portfolio performance, the period in which the fee is calculated, and the terms and conditions of the individual contracts as approved by the Board.

ADMINISTRATIVE EXPENSE

Administrative Expense includes staff salaries and benefits, and operating costs. In 2019-20, the Department's Administrative Expense was $22.67 million, which represented 1.62 percent of the total expenses and an increase of $0.57 million, or 2.57 percent, from 2018-19. The Detail of Administrative Expense is provided on page 93.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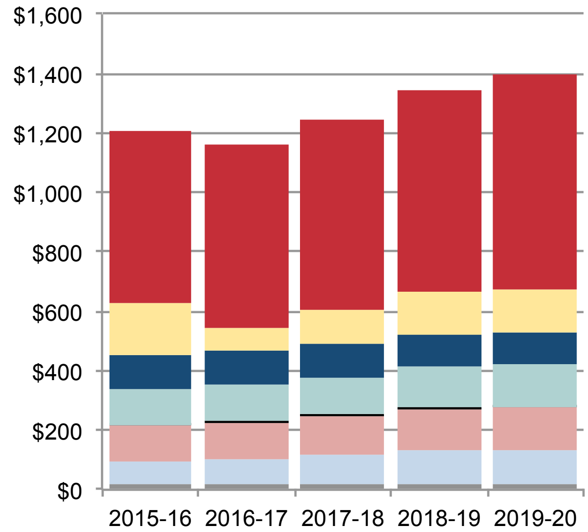
2019-20 BUDGET – ACTUAL EXPENDITURES
0.33%
10.27%
9.91%
7.92%
1.62%
7.94%
10.46%
51.55%
Service Pensions
Service Pensions - DROP Distributions
Disability Pensions
Surviving Spouse/Domestic Partner & Minor/Dependent Child Pensions
Refund of Member Contributions
Health Insurance Premium Subsidy, Dental Insurance Premium Subsidy, Medicare & Health Insurance Premium Reimbursement
Investment Management Expense
Administrative Expense

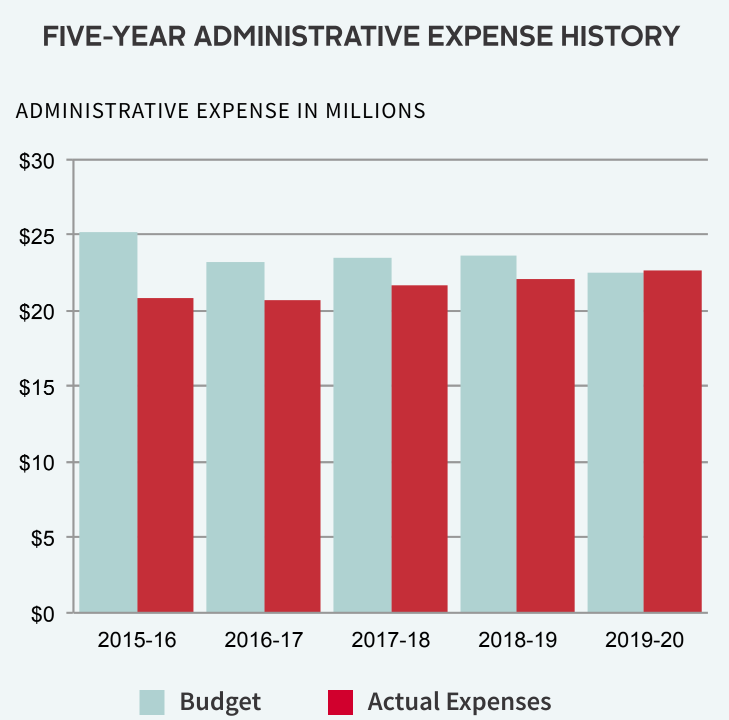
FIVE-YEAR EXPENDITURES HISTORY

EXPENDITURES IN MILLIONS



- Service Pensions
- Service Pensions - DROP Distributions
- Disability Pensions
- Surviving Spouse/Domestic Partner & Minor/Dependent Child Pensions
- Refund of Member Contributions
- Health Insurance Premium Subsidy, Dental Insurance Premium Subsidy, Medicare & Health Insurance Premium Reimbursement
- Investment Management Expense
- Administrative Expense

3.4 Detail of Administrative Expense



Administrative Expense includes staff salaries and related costs, and operating costs (including office and technical equipment).

SALARIES AND RELATED COSTS

Salaries and related costs comprised 76.48 percent of the total Administrative Expense in 2019-20, with a total of $17.34 million expended (an increase of $1.36 million or 8.50 percent from 2018-19). The increase is attributed to unanticipated salary costs that included retroactive and one-time payouts and cost-of-living increases due to finalized labor agreements.

OPERATING COSTS

Operating costs comprised 23.52 percent of the total Administrative Expense in 2019-20, with a total of $5.33 million expended (a decrease of $0.79 million or 12.90 percent from 2018-19). Decreased operating costs are a result of COVID-19 pandemic impacts, including reduced office and administrative expenses due to staff working from home, postponement of certain contractual services, and a drastic reduction in travel expenditures.

SOMEONE IS SITTING IN THE SHADE TODAY BECAUSE SOMEONE PLANTED A TREE A LONG TIME AGO.

—WARREN BUFFETT

SECTION FOUR

Investments

04

4.1 Investment Statement

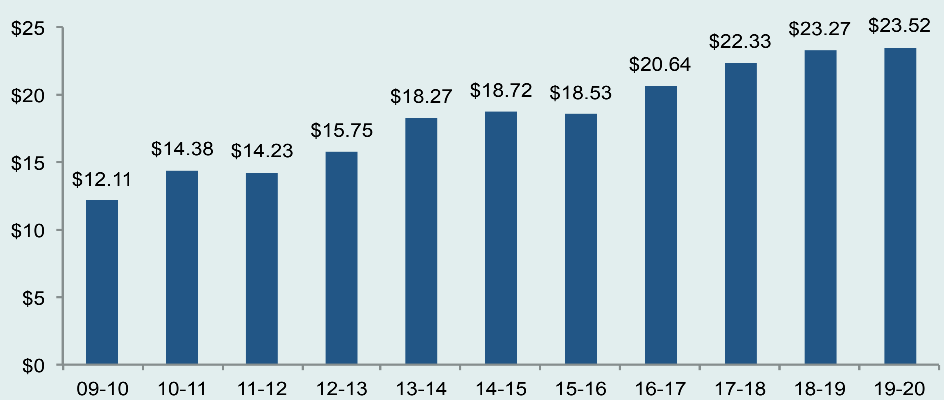
The main goal of the Los Angeles Fire and Police Pension Plan's (System, Fund or Plan) investment program is to manage the System's assets to be able to provide the retirement benefits promised to the System's members and their beneficiaries. The Charter of the City of Los Angeles created the System, and it delegates control and management of the System to the Board of Fire and Police Pension Commissioners (Board). Article XI, Section 1106 of the City Charter grants the Board sole and exclusive responsibility for administering the System and specifies the Board's powers and duties, which includes the power to adopt any rules, regulations or forms necessary to carry out its administration of the System and the assets under its control.

The Board has adopted Investment Policies to assist and guide it in managing the System's assets. The Investment Policies assist the Board in effectively supervising and monitoring the System's investments by: providing the goals of the investment program, the policies and procedures for the management of the investments, specific asset allocations and minimum diversification requirements, performance objectives and criteria for investment performance evaluation, and the parties responsible for carrying out the Investment Policies. The Investment Policies are reviewed by the Board at least annually and are revised as needed. The Policies are available at www.lafpp.com/investment-policies.

The single most important decision the Board can make in the management of the investment program is the determination of the System's asset allocation. The allocation of the System's assets among various asset classes influences both the expected investment return and the amount of investment risk undertaken. The asset allocation employed in 2019-20 was approved by the Board on June 16, 2016. It is available in Appendix 1 of Section 1 of the Investment Policies; it is also illustrated and discussed later in this Section under *Asset Allocation Decisions.*

MARKET VALUE GROWTH OF SYSTEM ASSETS [1]

(IN BILLIONS)



[1] Based on the most recent final valuations of each fiscal year and supersedes earlier annual report exhibits.

For the five-year period ended June 30, 2020, the System's total assets increased by $4.80 billion to $23.52 billion. For the one-year period ended June 30, 2020, the System's total assets increased by $80 million.

4.2 Investment Environment

The COVID-19 pandemic ended the longest economic expansion in U.S. history and plunged the economy into a global recession. The U.S. took a broad range of steps to combat the economic disruption caused by COVID-19, including several fiscal stimulus programs and monetary relief packages. Economic activity began to rebound in May and June as some States began to reopen.

For the fiscal year ended June 30, 2020, the national unemployment rate increased from 3.7% in July 2019 to 11.1% in June 2020. The real Gross Domestic Product (GDP) for this period decreased 31.7% while the Consumer Price Index (CPI) rose 0.6%. The Federal Reserve lowered the federal funds target rate by 25 basis points in August, September and October of 2019 to counteract a weakening economy. In 2020, the Federal Reserve again lowered rates 50 basis points on March 3rd and 100 basis points on March 16th in an emergency action to support the U.S. economy against the fallout from the escalating COVID-19 pandemic. The federal funds target rate ended in a range of 0% to 0.25% in June 2020.

The 6-month Treasury bill rate, a measure of short-term interest rates, decreased from 2.0% in July 2019 to 0.18% in June 2020. The U.S. 10-year Treasury yield, which is less affected by the federal funds rate and influenced by other factors such as future growth projections, expectations of the Federal Reserve rate decisions, and geopolitical situations, decreased from 2.03% in July 2019 to 0.66% in June 2020.

Global equity markets ended calendar year 2019 strong with U.S., international developed, and emerging markets all adding to previously realized gains. Also, the strong performance in the U.S. equity market at the close of 2019 was driven by accommodative monetary policies and the announcement of a potential trade deal between the U.S. and China. U.S. markets hit a peak in February 2020 before growing concerns about COVID-19 caused the S&P 500 to drop nearly 34%. However, markets rallied in the second quarter of 2020, bolstered by fiscal and monetary stimulus programs.

The COVID-19 outbreak during the first quarter of 2020 did not begin to affect markets until the end of February. In order to address the economic disruption, the Federal Reserve introduced two interest rate cuts and several fiscal stimulus programs, while the Federal government concurrently introduced a package of monetary stimulus programs. In addition to the interest rate cuts in March 2020, the Federal Reserve cut target interest rates three times in 2019. Short-term interest rates now stand near 0%. Due to the Federal Reserve's policy response, markets rallied significantly.

For the year ending June 30, 2020, the Standard & Poor's (S&P) 500 index recorded a return of 7.51% while the MSCI EAFE (Europe, Australasia and Far East) and MSCI Emerging Markets indices returned –4.39% and –3.05% respectively. The U.S. bond market (Bloomberg US Universal Bond Index) returned 7.88% and the real estate market as measured by the NCREIF NFI-ODCE (National Council of Real Estate Investment Fiduciaries) Open End Diversified Core Equity returned 2.22%

4.3 Investment Performance

The investment objective of the total Fund over a full market cycle (usually five to seven years) is to earn a return on investments matching or exceeding the actuarial assumed rate of return of 7.00% (7.25% prior to July 1, 2020) and investment performance above the median of a sampling of public funds.

Over the past five years the System experienced annualized returns of 6.63%, exceeding the RVK Public Funds' median return of 5.86%. For the one-and three-year periods, the System's overall investment returns were 3.04% and 6.35%, respectively.

The Fund was ranked in the 51st percentile of the RVK Public Fund universe for the one-year period, the 29th percentile for the three-year period, the 17th percentile for the five-year period, and the 15th percentile for the seven-year period ending June 30, 2020.

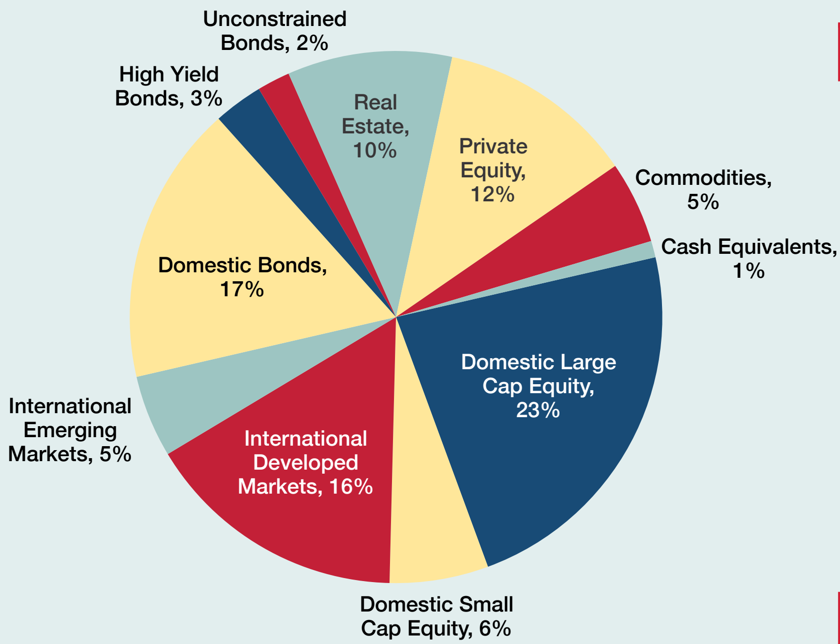
The System's top performers during this past year were its fixed income and private equity portfolios, which generated returns of 10.26% and 9.18%, respectively. The commodities portfolio was the Fund's worst performer at -11.82%.

4.4 Asset Allocation Decisions

Our asset allocation plan establishes the blueprint for investing the System's assets in stocks, bonds, real estate, and cash equivalents over a three-to five-year period. This plan is the single most important factor in managing risk and achieving the investment returns necessary to fund benefits.

THE BOARD'S ASSET ALLOCATION TARGETS

AS OF JUNE 30, 2020



> The actual asset class percentages of the System will vary from target allocations due to inflows (such as employer and member contributions), outflows (such as pension payments), and the movements of the securities markets. Assets are periodically rebalanced to adjust for these movements.

NET ASSET VALUES

AS OF JUNE 30, 2020

ASSET CLASS	MARKET VALUE (IN MILLIONS)	PERCENT
Domestic Stocks	$ 7,672	32.63%
International Stocks	$ 4,263	18.13%
Bonds	$ 5,300	22.54%
Private Equity	$ 2,748	11.68%
Real Estate	$ 1,886	8.02%
Commodities	$ 939	3.99%
Cash Equivalents	$ 707	3.01%
TOTAL	**$ 23,515**	**100.00%**

4.5 Investment Activities

During the year the Fund implemented several changes to the portfolio consistent with Board decisions, resulting in some turnover among its investment managers. Fisher Asset Management (International Equities) and FIS International (Mgr. of Emerging Managers) were terminated. Three small cap domestic equity managers were hired: Denali Advisors Small Cap Value, Eastern Shore Small Cap Core, and Lisanti Small Cap Growth. Several of the Fund's existing manager contracts were renewed. Managers that were rehired include:

- AllianceBernstein, LP, a passive commodities public equity manager
- AllianceBernstein, LP, a domestic equity index and systemic value manager
- Boston Partners Global Investors, Inc., an active domestic public equities manager
- Brandes Investment Partners, LP, an active international equity manager
- Bridgewater Associates, LP, an active fixed income manager
- Harding Loevner L.P., an active international emerging markets manager
- Principal Real Estate Investors, LLC, an active global REIT manager
- Principal Real Estate Investors, LLC, an active domestic REIT manager Reams Asset Management, an active fixed income manager
- Northern Trust Company, the Plan's custodian bank
- Portfolio Advisors, a private equity consultant
- Fairview Capital Partners, Inc., a private equity consultant

The System's assets are managed by both active and passive investment managers. The active managers are hired to outperform a market index. The passive managers are hired to match the performance of certain investment indices, and they include the domestic public equity S&P 500 and 600 indices, the Russell 1000 Growth index, the international public equity MSCI EAFE index, the fixed income Bloomberg Barclays U.S. Aggregate index, the Bloomberg Barclays U.S. Government Inflation Linked Bond index, the commodity related public equity S&P Global Natural Resources index and five other related indices, and the FTSE EPRA/NAREIT Developed index, a real estate investment trust index. A list of the System's managers is provided at the end of this section.

4.6 Emerging Managers

LAFPP's Emerging Manager program began with the goal of providing access to investment managers who may not have access to institutional investors because of their size and/or experience as a firm. The Board believes that newer and/or smaller firms are able to produce competitive investment returns for the Plan. Over the years, LAFPP has extended its outreach criteria to include firms owned by minorities, women, disabled veterans and/or LGBTQ individuals. The emerging manager program seeks to remove barriers to the hiring of successful smaller and less established firms.

The System has had an emerging manager program since 1987. LM Capital Group, LLC (an opportunistic fixed income manager first hired in 1997) is an example of a former emerging manager that is now one of our core managers. LM "graduated" long ago from emerging manager status and continues to manage money for the System. The current program includes one direct international equity emerging manager, two direct fixed income emerging managers, and six direct domestic equity emerging managers.The System also has a Specilized Manager Program as part of the private equity allocation. This program is focused on attracting private equity funds that are first, second or third-time funds and with a fund size of approximately $500 million or less. Additionally, the focus is on funds that include minority, woman, Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) or disabled veteran ownership, investments in underserved areas, or investments in California or Los Angeles. Two consultants, Portfolio Advisors and Fairview Capital, are tasked with managing this successful program.

4.7 Proxy Voting

The System votes all domestic proxy ballots, while the international equities managers vote the proxies for their portfolios in accordance with the Board's proxy guidelines. The Board has a comprehensive proxy voting policy, which can be found in the Board's Investment Policies. Recent changes to the proxy voting policies include diversity and inclusion efforts as well as climate reporting by portfolio companies.

4.8 Investment Data

ANNUAL RATES OF RETURN[1]

LAST TEN YEARS

FISCAL YEAR	DOMESTIC EQUITIES	INTERNATIONAL EQUITIES	FIXED INCOME	REAL ESTATE	PRIVATE EQUITY	HEDGE FUNDS	COMMODITIES	TOTAL FUND[2]	CPI[3]
10-11	33.23%	29.92%	7.07%	13.79%	24.66%	7.00%	–	22.09%	3.56%
11-12	2.19%	-14.81%	12.32%	12.32%	5.18%	-1.83%	–	1.89%	1.70%
12-13	23.06%	14.64%	0.18%	11.00%	13.79%	9.47%	–	13.01%	1.80%
13-14	24.76%	22.78%	6.80%	12.93%	21.92%	–	_	17.85%	2.10%
14-15	7.36%	-2.14%	1.20%	11.41%	12.51%	–	-13.19%	4.15%	0.12%
15-16	-0.32%	-8.54%	6.40%	13.80%	5.31%	–	-6.19%	1.18%	1.01%
16-17	19.30%	22.90%	2.09%	5.19%	16.52%	–	7.99%	13.27%	1.60%
17-18	16.38%	8.11%	1.18%	5.50%	18.65%	–	13.02%	9.91%	2.87%
18-19	6.88%	0.32%	7.84%	9.83%	14.85%	–	-1.85%	6.21%	1.6%
19-20	4.79%	-3.84%	10.26%	-0.70%	9.18%	–	-11.82%	3.04%	0.6%

[1] Based on the most recent final valuations of each fiscal year and supersedes earlier annual report exhibits.
[2] Total Fund includes Short-Term Investments.
[3] CPI is for the U.S. for the year ending June 30.

ASSUMED VS ACTUAL RATE OF RETURN

LAST TEN YEARS

FISCAL YEAR	ASSUMED RATE	ACTUAL RATE[1]
10-11	7.75%	22.09%
11-12	7.75%	1.89%
12-13	7.75%	13.01%
13-14	7.75%	17.85%
14-15	7.50%	4.15%
15-16	7.50%	1.18%
16-17	7.50%	13.27%
17-18	7.25%	9.91%
18-19	7.25%	6.21%
19-20	7.25%	3.04%

TOTAL FUND RETURNS

AS OF JUNE 30, 2020

1 Year	3.04%
3 Years	6.35%
5 Years	6.63%
10 Years	9.05%
15 Years	6.98%
20 Years	5.81%
25 Years	7.88%
30 Years	8.30%

CHANGES IN ASSET MIX

LAST TEN YEARS

FISCAL YEAR	DOMESTIC STOCKS	INTL STOCKS	BONDS	REAL ESTATE	PRIVATE EQUITY	HEDGE FUNDS	COMMODITIES	SHORT-TERM INVESTMENTS
10-11	38.87%	19.45%	21.80%	7.60%	7.4%	4.0%	–	0.80%
11-12	34.59%	18.51%	23.40%	8.90%	8.5%	4.0%	–	2.10%
12-13	37.75%	19.54%	20.60%	8.30%	8.3%	3.5%	–	2.00%
13-14	36.46%	21.41%	19.70%	9.80%	8.2%	–	1.00%	3.40%
14-15	33.76%	21.05%	21.70%	10.30%	8.7%	–	2.80%	1.70%
15-16	31.96%	19.29%	22.90%	10.80%	9.3%	–	3.90%	1.80%
16-17	32.70%	20.77%	20.40%	9.70%	9.4%	–	4.20%	2.80%
17-18	32.64%	20.36%	19.53%	8.37%	9.9%	–	4.65%	4.55%
18-19	31.54%	20.03%	20.95%	8.54%	10.52%	–	4.35%	4.08%
19-20	32.63%	18.13%	22.54%	8.02%	11.68%	–	3.99%	3.01%

4.9 Investment Advisors

STOCK MANAGERS

AllianceBernstein
Boston Partners
Channing Capital Management
Denali Advisors
Eastern Shore Capital
Frontier Capital Management
Lisanti Capital
Los Angeles Capital Management
Northern Trust Investments
Palisade Capital Management
PHOCAS Financial
PIMCO
Westwood Management

INTERNATIONAL STOCK MANAGERS

Baillie Gifford
BlackRock
Boston Common Asset Management
Brandes Investment Partners
Dimensional Fund Advisors
Harding Loevner
Principal Global Investors
Victory Capital Management

BOND MANAGERS

Bridgewater Associates
GIA Partners
LM Capital Group
Loomis Sayles & Company
MacKay Shields
Northern Trust Investments
Payden & Rygel
Reams Asset Management
Semper Capital Management

SEPARATE ACCOUNT REAL ESTATE MANAGERS

AEW Capital Management

REIT MANAGERS

AllianceBernstein
Cohen & Steers
Principal Global Investors

COMMODITIES MANAGERS

AllianceBernstein
Goldman Sachs Asset Management
Gresham Investment Management
Portfolio Advisors

PRIVATE EQUITY CONSULTANTS

Fairview Capital Partners, Inc.
Portfolio Advisors

REAL ESTATE CONSULTANT

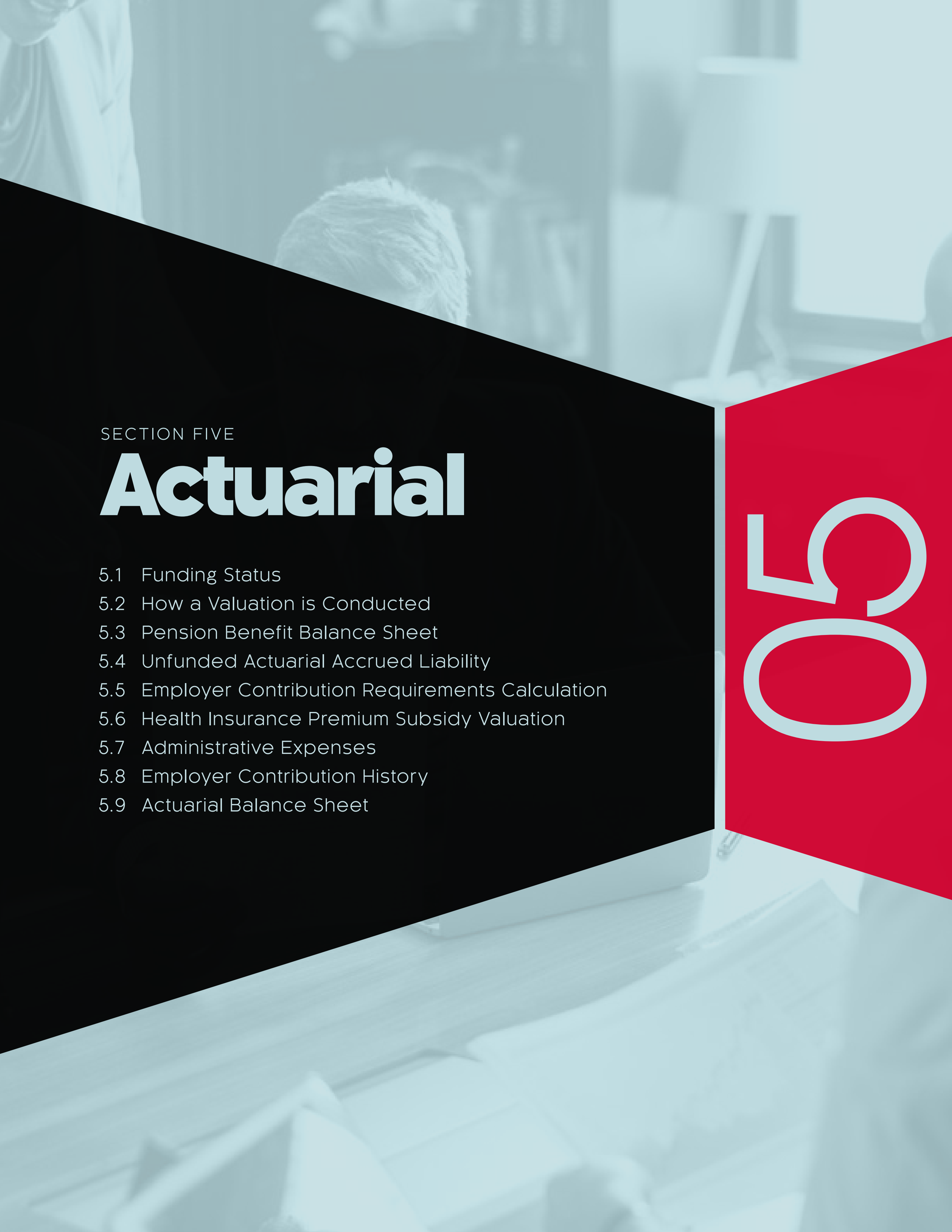
The Townsend Group

GENERAL CONSULTANT

RVK, Inc.

YOU DON'T CONCENTRATE ON RISKS. YOU CONCENTRATE ON RESULTS. NO RISK IS TOO GREAT TO PREVENT THE NECESSARY JOB FROM GETTING DONE.

—CHUCK YEAGER



SECTION FIVE

Actuarial

05

The purpose of an actuarial valuation is to determine the funding progress and the contribution requirements of a retirement plan at a specific moment in time. The System conducts two studies annually for the fiscal year ending June 30: one study evaluates the ratio of assets to liabilities for pension benefits for members and their beneficiaries; the other study evaluates the same ratio for health insurance premium subsidy benefits. The ratios establish the funding status of the System and determine the annual contribution requirements to fund the benefits.

5.1 Funding Status

The funded status of the System is examined over a span of several years to determine if progress is made. When the assets equal or exceed the liabilities, the Plan is funded at 100 percent or more and is considered fully funded; otherwise it is underfunded.

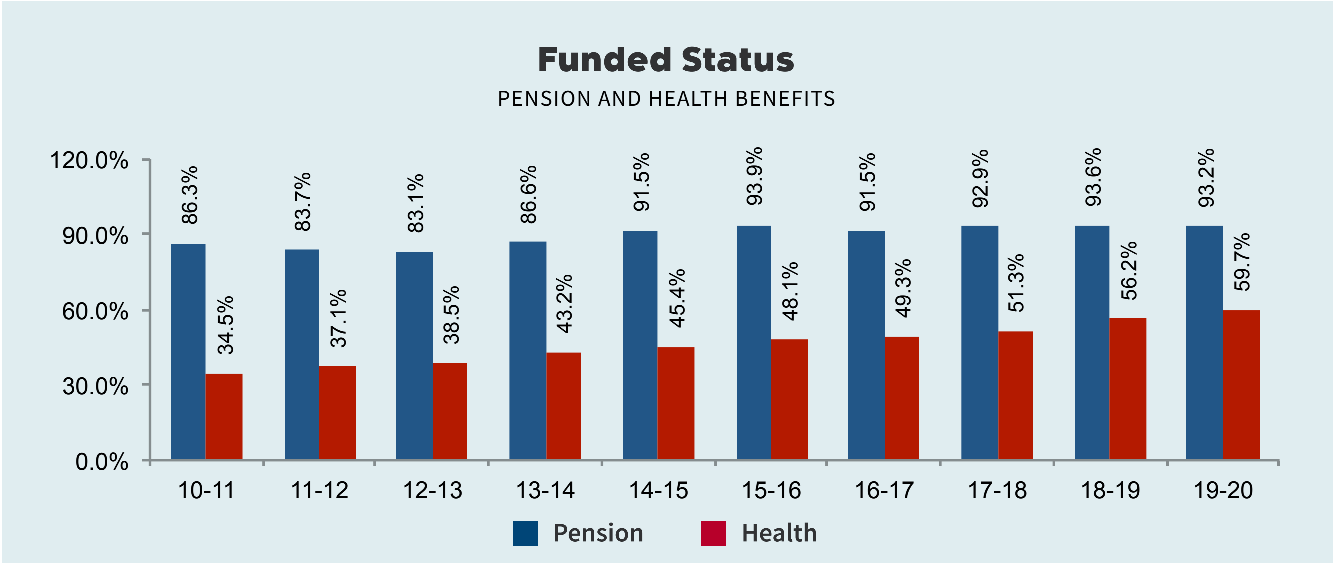
PENSION BENEFITS

A 10-year history of the System's funded status for pension benefits is provided on page 109. Although the funding ratios decreased due to the investment losses sustained in the 2008-2009 Great Recession, the results of the last several actuarial studies reflect improved, stable funding progress overall.

As of June 30, 2020, the funded status for pension benefits is 93.2 percent, a decrease of 0.4 percent from the prior year. The decrease in the funded ratio was primarily the result of higher than expected salary increases for continuing active members, the change in actuarial assumptions, a loss due to actual employer contributions less than expected, and higher than expected COLA increases for Tier 1 and Tier 2 retirees and beneficiaries, partially offset by a higher than expected return on the Valuation Value of Assets (after smoothing), and other experience gains. Details on the determination of the actuarial value of assets for the year are available in Section 2 of the June 30, 2020 Actuarial Valuation and Review of Retirement Benefits.

HEALTH INSURANCE PREMIUM SUBSIDY BENEFITS

The System began pre-funding health insurance premium subsidy benefits in 1989. A 10-year history of the System's funded status for health benefits is included in the chart on page 109. As of June 30, 2020, the funding status of health benefits increased from 56.2 to 59.7 percent, an increase of 3.5 percent, primarily because, on average, health premiums and subsidies were lower than projected for 2020-2021. Details on the factors which contributed to the increased funding status are available in Section 2 of the June 30, 2020 Actuarial Valuation and Review of Other Postemployment Benefits.



5.2 How a Valuation is Conducted

In accordance with the Board's actuarial funding policy, the Entry Age Normal Cost is the actuarial funding method used to determine the contribution requirements to fund the benefits. To determine the cost of benefits, an actuarial valuation takes into consideration the Plan's provisions, participant data, and various actuarial assumptions.

ACTUARIAL ASSUMPTIONS

The System's actuary recommends assumptions – both demographic and economic – based on the Plan's actual experience, economic forecasts, and other factors. The Board adopts these assumptions in consultation with the actuary. Demographic assumptions explore the probabilities of when and how long members will receive the various types of benefits, e.g., the likelihood of retirement, disability, and death. Economic assumptions are based on factors that affect the value of benefits or the value of a plan's assets, e.g., inflation, rate of salary increases, and assumed investment return.

Every three years, the assumptions are examined to determine if any adjustments are necessary for future valuations. Examples of assumptions used for the valuation period ending June 30, 2020 are provided below and on page 110.

Average Life Expectancy for Retirees

(AGE = 65)

Service Retiree	21.5 years*
Disabled Retiree	19.9 years*
Surviving Spouse	23.1 years**

*The average is calculated based on a proportion of 90% male and 10% female in the current retiree population.
**The average is calculated based on a proportion of 5% male and 95% female.

Rate of Inflation

Annual increase in the Consumer Price Index	2.75%

Rate of Salary Increases

Inflation: 2.75% per year; plus 0.50% "across the board" increases; plus the following Merit and Promotional increases based on years of service.

Years of Service	Additional Salary Increase
Less than 1	9.00%
1 - 2	7.50%
2 - 3	6.50%
3 - 4	5.50%
4 - 5	4.00%
5 - 6	2.60%
6 - 7	2.20%
7 - 8	2.00%
8 - 9	2.00%
9 - 10	2.00%
10 - 11	1.90%
11 - 12	1.80%
12 - 13	1.70%
13 - 14	1.60%
14 - 15	1.50%
15-16	1.40%
16-17	1.30%
17-18	1.20%
18-19	1.20%
19-20	1.10%
20-25	1.00%
25 & Over	0.90%

Investment Rate of Return

Inflation	2.75%
Plus Portfolio Real Rate of Return	4.99%
Less Expense Adjustment	(0.40%)
Less Risk Adjustment	(0.34%)
Net Investment Return*	**7.00%**

* Net of Investment Expenses Only

The investment return assumption is comprised of two primary components: inflation and real rate of investment return, adjusted for expenses and risk.

5.3 Pension Benefit Balance Sheet

Cost of living adjustments and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the investment rate of return assumption. Once the liabilities of the System are computed, the valuation study projects the member and employer contributions expected to be received using the individual salary increase assumptions. The contributions are then reduced to today's dollar terms using the investment rate of return assumption.

The projected future contributions are considered assets of the System, along with assets currently invested by the System. For purposes of determining the contributions to the System, any investment gains and losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40 percent of the market value of assets.

The Actuarial Balance Sheet comparing the System's assets and liabilities as of June 30, 2020 is available on page 115.

5.4 Unfunded Actuarial Accrued Liability

An unfunded actuarial accrued liability (UAAL) of a retirement system occurs when a system's actuarial liability is greater than the actuarial value of its assets, yielding a funded ratio less than 100 percent. As of June 30, 2020, the Actuarial Balance Sheet on page 115 shows the UAAL for pension benefits for all tiers to be approximately $1.6 billion. The UAAL for health insurance premium subsidy benefits for all tiers is approximately $1.5 billion.

Numerous variables, including pension benefit increases and actuarial losses, generate or increase the UAAL. Actuarial gains or losses arise from differences between the actual experience of a pension system and the actuarial assumptions used to project the system's funding requirements. An example would be if combined members' salaries increased more than what was assumed.

The gains and losses reflected in the UAAL must be amortized over a period of time in accordance with the Board's Actuarial Funding Policy and are a key component in determining the City's required contribution to the System each year.

5.5 Employer Contribution Requirements Calculation

The City's General Fund, Harbor Department, and Airport Department's contributions to the System are composed of two parts: (1) the Entry Age Normal Cost; and (2) the contribution to amortize the unfunded liability.

ENTRY AGE NORMAL COST

The Entry Age Normal Cost contribution is the amount the employer would contribute for a hypothetical new entrant into the System. This amount would theoretically be sufficient to fully fund a member's retirement benefit on the date of retirement if all assumptions were realized and no benefit changes were made.

AMORTIZATION OF THE UAAL

In March 2011, the voters approved a Charter amendment that allows the Board to set the funding policy, consistent with its plenary authority to administer the System. Prior to this, the amortization policy was prescribed in the City Charter. Since then, the funding policy has been revised periodically by the Board. The current funding policy may be found at www.lafpp.com/board.

Under the current policy, the unfunded liability for Tier 1 is amortized as a level dollar amount and is scheduled to end on June 30, 2037. For all other tiers, it is amortized as a level percent of payroll. Specifically, for Tiers 2 - 4, the unfunded liability is amortized as a percentage of the total City sworn covered payroll. For Tier 5, it is amortized as a percentage of the combined payroll from the respective employer – the City or Harbor Department. For Tier 6, it is amortized as a percentage of the combined payroll from the respective employer – the City, Harbor Department, or Airport Department. Actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 20 years, and Plan amendments are amortized over 15 years. In the event of an actuarial surplus, 30-year amortization is used.

With this information, the actuary computes the employer contribution requirements for pension benefits.

Employer Normal Cost Pension Contribution Requirements Recommended 2021-22*

(as a percentage of Plan member salaries)

Tier 1	N/A
Tier 2	24.63%
Tier 3	18.95%
Tier 4	20.58%
Tier 5	21.15%
Tier 6	17.64%
Harbor Port Police – Tier 5	21.59%
Harbor Port Police – Tier 6	16.79%
Airport Police – Tier 6	17.50%

*Contributions to be made on July 15, 2021.

Unfunded Liability Pension Contribution Requirements Recommended 2021-22*

Tier 1	$13,744,677
Tier 2	0.25% of total payroll of Tiers 2 – 6**
Tier 3	-0.13% of total payroll of Tiers 2 – 6**
Tier 4	0.37% of total payroll of Tiers 2 – 6**
Tier 5	11.72% of Tier 5 payroll**
Tier 6	11.72% of Tier 6 payroll**
Harbor Port Police – Tier 5	7.41% of Tier 5 payroll***
Harbor Port Police – Tier 6	7.41% of Tier 6 payroll***
Airport Police – Tier 6	1.41% of payroll****

*Contributions to be made on July 15, 2021.
** Excluding the Harbor & Airport Departments.
*** Excluding the City & Airport Department.
**** Excluding the City & Harbor Department.

5.6 Health Insurance Premium Subsidy Valuation

The health insurance premium subsidy valuation utilizes the same actuarial assumptions as the pension benefits valuation, with the addition of a medical inflation assumption. Medical costs continue to increase at a faster pace than inflation. However, the trends for fiscal year 2020-2021 reflect additional estimated decreases of 2.00% (non-Medicare) and 1.75% (Medicare) from the impact of the repeal of the Affordable Care Act's Health Insurance Tax ("HIT"). Prior to the HIT repeal, the increases were 6.75% for non-Medicare and 6.25% for Medicare plans. Therefore, the assumptions in the June 30, 2020 actuarial valuation have a medical trend rate of 4.75 percent for non-Medicare premiums and 4.50 percent for Medicare premiums in Fiscal Year 2020-21, then increasing the following year by 1.75% for non-Medicare and 1.50% for Medicare, followed by decreases of 0.25 percent each year thereafter until reaching an ultimate rate of 4.50 percent. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health insurance premium subsidy benefits is shown on page 115. The contributions recommended to fund the health insurance premium subsidy benefits are on page 113.

5.7 Administrative Expenses

Beginning with the June 30, 2014 valuation, the assumed investment rate of return excludes the Plan's administrative expenses. This change was made in order to implement new Governmental Accounting Standards Board (GASB) financial reporting requirements (GASB Statements 67 and 68) so that the same investment return assumption can be used for both funding and financial reporting purposes. The actuary now recommends an explicit assumption to account for the Plan's administrative expenses.

Contribution Amount Allocated for Administrative Expenses*

Pension	1.25%
Health	0.11%

*Percent of total payroll. Contributions to be made on July 15, 2021.

Health Insurance Premium Cost Trend Rates

(applied to calculate following year's premiums)

Fiscal Year	Non-Medicare	Medicare
2020-2021	4.75%*	4.50%*
2021-2022	6.50%	6.00%
2022-2023	6.25%	5.75%
2023-2024	6.00%	5.50%
2024-2025	5.75%	5.25%
2025-2026	5.50%	5.00%
2026-2027	5.25%	4.75%
2027-2028	5.00%	4.50%
2028-2029	4.75%	4.50%
2029 and later	4.50%	4.50%

* Trends reflect additional estimated decreases of 2% (non-Medicare) and 1.75% (Medicare) from the impact of the repeal of the ACA Health Insurance Tax.

Health Insurance Premium Subsidy Contribution Rates Recommended 2021-22*

(as a percentage of Plan member salaries)

Tier 1	$1,304,389
Tier 2	7.40%
Tier 3	4.93%
Tier 4	4.73%
Tier 5	7.26%
Tier 6	9.64%
Harbor Port Police – Tier 5	6.46%
Harbor Port Police – Tier 6	6.65%
Airport Police – Tier 6	7.87%

*Contributions to be made on July 15, 2021. Rates do not include amounts allocated for administrative expenses.

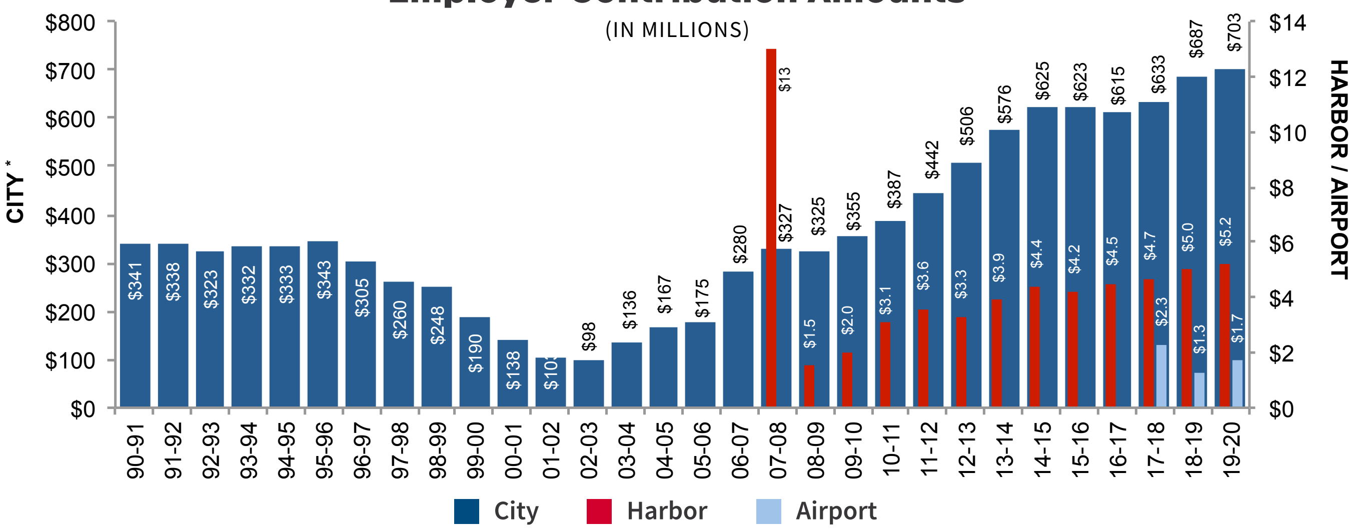
5.8 Employer Contribution History

A history of employer contributions is illustrated in the following charts. Over the last two decades, the City's contribution to the System for pension and health benefits has grown, although there were periods when the contribution amount was decreased due to the System's actuarial surplus status.

After the inclusion of Harbor Port Police in January 2006, the Harbor Department began making contributions to the System in Fiscal Year 2007-08. Since its first-year contribution, subsequent contributions have been stable. Airport Police became members of the Plan beginning in January 2018, and the Airport Department began making contributions to the System in Fiscal Year 2017-18.

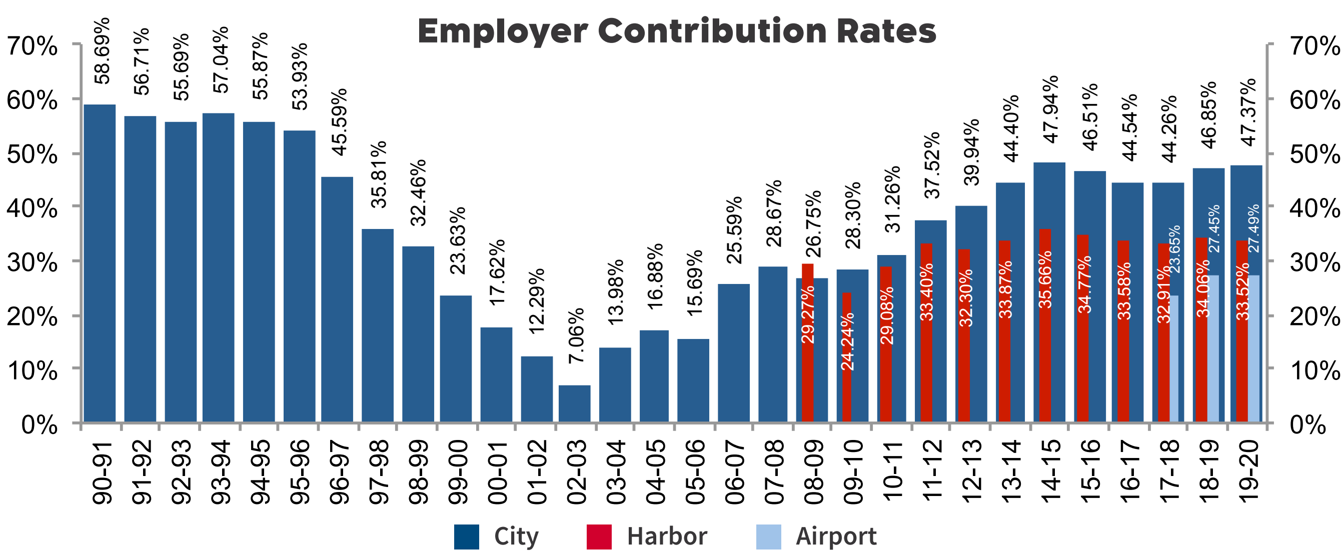
Employer Contribution Amounts

(IN MILLIONS)



*The City's contribution amount excludes Excess Benefit Plan funding from FY 2010-11 to the present.

Employer Contribution Rates



5.9 Actuarial Balance Sheet

JUNE 30, 2020

Present Resources and Expected Future Resources

ASSETS	PENSION	HEALTH	TOTAL
1. Valuation value of assets	$22,106,722,439	$2,214,551,726	$24,321,274,165
2. Present value of future normal costs:			
Member	$1,719,607,538		$1,719,607,538
Employer	$3,618,935,635	$927,417,943	$4,546,353,578
Total	$5,338,543,173	$927,417,943	$6,265,961,116
3. Unfunded actuarial accrued liability	$1,620,592,579	$1,495,306,555	$3,115,899,134
4. Present value of current and future assets	$29,065,858,191	$4,637,276,224	$33,703,134,415

Present Value of Expected Future Benefit Payments and Reserve

LIABILITIES	PENSION	HEALTH	TOTAL
5. Present value of future benefits:			
Retired members and beneficiaries	$13,135,651,607	$2,010,050,484	$15,145,702,091
Inactive members with vested rights	$55,821,286	$133,285,663	$189,106,949
Active members	$15,874,385,298	$2,493,940,077	$18,368,325,375
6. Total present value of expected future benefit payments	$29,065,858,191	$4,637,276,224	$33,703,134,415

FACTS ARE STUBBORN THINGS, BUT STATISTICS ARE PLIABLE.

— MARK TWAIN

SECTION SIX

Statistical

06

6.1 Membership Statistics

FIRE AND POLICE PENSION PLANS

As of June 30, 2020, the System is composed of six tiers. Benefits are based on the member's pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Members hired pursuant to the provisions of Article XI 1/2 of the 1925 Charter are known as "fluctuators." Fluctuator pensioners receive 50 percent of the current salary received by the classification they retired from. Such beneficiaries are included in Tier 1 for purposes of our actuarial valuations.

Members hired from July 1, 1925 to January 28, 1967 participate in Tier 1 (formerly Article XVII). Tier 2 (formerly Article XVIII) includes members hired from January 29, 1967 through December 7, 1980, and Tier 1 members who elected to transfer during an enrollment period.

Tier 3 (formerly Article XXXV, Plan 1) consists of members hired from December 8, 1980 to June 30, 1997. Members hired from July 1, 1997 to December 31, 2001 are in Tier 4 (formerly Article XXXV, Plan 2). Tier 4 also includes members who elected to transfer from Tier 3 during an enrollment period. Additionally, Tier 4 members hired from July 1, 1997 through December 31, 1997 were given the opportunity to transfer to Tier 3 during an enrollment period.

Tier 5 includes members hired from January 1, 2002 through June 30, 2011. Active members in Tiers 2 – 4 were allowed to transfer to Tier 5 during an enrollment period.

Additionally, all eligible sworn members of the Harbor Department hired on or after January 8, 2006 become members of the Fire and Police Pension System. Members hired from January 8, 2006 through June 30, 2011 are in Tier 5. Those hired prior to January 8, 2006 were provided the option to transfer to Tier 5 from the Los Angeles City Employees' Retirement System (LACERS) from January 8, 2006 to January 5, 2007.

Tier 6 consists of all new members hired on or after July 1, 2011. On July 1, 2012, the Department of General Services, Office of Public Safety (OPS) was consolidated into the Los Angeles Police Department (LAPD). As a result, OPS employees who successfully transitioned to regular LAPD sworn classifications could make an election to opt out of LACERS and become a Tier 6 member of the Fire and Police Pension System. The opt-out election period expired on December 12, 2014.

All eligible sworn members of the Airport Department hired on or after January 7, 2018 become members of the Fire and Police Pension System, Tier 6. Airport Peace Officers hired prior to January 7, 2018 were provided the option to transfer to Tier 6 from LACERS effective January 7, 2018.

DEFERRED RETIREMENT OPTION PLAN

Effective May 1, 2002, the System began administering a Deferred Retirement Option Plan (DROP). DROP is a voluntary program whereby a member with a minimum of 25 years of service (members of Tiers 3, 5 and 6 must also be at least age 50) may file for a service pension but continue to work and earn salary and receive benefits as an active employee. The monthly service pension benefit is deposited into an interest-bearing account (5 percent per annum), payable upon exiting DROP. Participation in DROP is limited to a maximum of five years.

All eligible members of the Fire and Police Pension System, except the Fire and Police Chiefs, may elect to participate in DROP. The intent of the program was to retain police officers and lengthen their careers due to significant challenges faced by the City in police retention and recruitment. In addition, DROP must be cost neutral with regard to plan funding. Administrative Code §4.2100 requires the City to conduct an actuarial study at least every five years to determine whether the program is maintaining cost neutrality and/or meeting the City's goal of retaining sworn personnel.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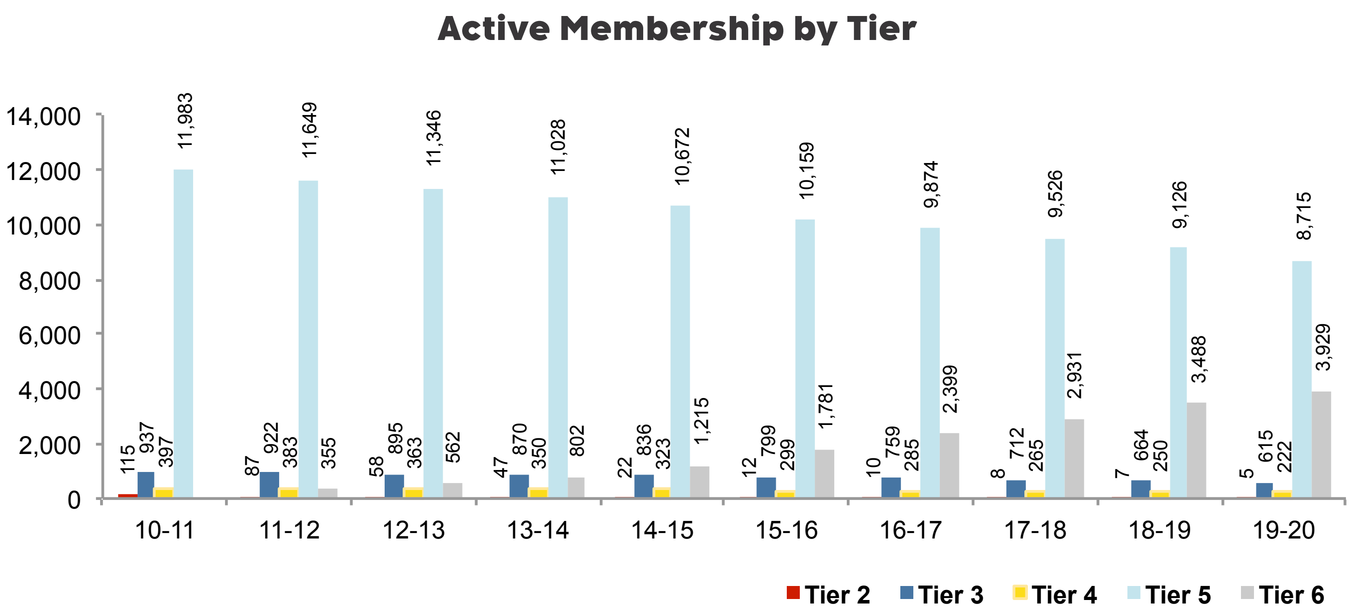
6.1.1 Active Membership[1]



[1] Total Active Membership includes recruit trainees.

Refunds of Member Contributions

	15-16	16-17	17-18	18-19	19-20
Fire					
Tier 2	0	0	0	0	0
Tier 3	0	1	0	1	0
Tier 4	0	0	0	0	0
Tier 5	4	6	9	9	2
Tier 6	0	0	3	6	0
Police					
Tier 2	0	0	0	0	0
Tier 3	2	1	0	1	0
Tier 4	0	0	0	0	0
Tier 5	50	40	45	39	47
Tier 6	18	33	36	40	44
Harbor					
Tier 5	0	3	2	1	1
Tier 6	0	0	0	0	1
Airport					
Tier 6	-	-	0	0	5
Total	**74**	**84**	**95**	**97**	**100**

Active Membership

AS OF JUNE 30, 2020

Tier	Fire	Police	Harbor	Airport	Total
Tier 2	4	1	---	---	5
Tier 3	17	598	---	---	615
Tier 4	44	178	---	---	222
Tier 5	2,339	6,279	97	---	8,715
Tier 6	975	2,825	29	100	3,929
TOTAL	**3,379***	**9,881****	**126*****	**100**	**13,486**

* Includes 485 DROP participants.
** Includes 992 DROP participants.
*** Includes 1 DROP participant.

Active Fire Membership

AGE AND YEARS OF SERVICE

	Years of Service								
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
<25	70	0	0	0	0	0	0	0	0	70
25-29	376	24	0	0	0	0	0	0	0	400
30-34	299	52	85	0	0	0	0	0	0	436
35-39	107	14	354	48	0	0	0	0	0	523
40-44	23	4	195	293	19	0	0	0	0	534
45-49	5	1	56	267	73	31	0	0	0	433
50-54	1	0	15	133	70	122	105	1	0	447
55-59	1	0	2	28	24	104	209	26	0	394
60-64	1	0	0	8	5	8	79	25	4	130
65-69	0	0	0	0	0	0	4	4	4	12
70 & over	0	0	0	0	0	0	0	0	0	0
TOTAL	**883**	**95**	**707**	**777**	**191**	**265**	**397**	**56**	**8**	**3,379**

Active Police Membership

AGE AND YEARS OF SERVICE

	Years of Service									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
<25	369	0	0	0	0	0	0	0	0	369
25-29	1,055	154	0	0	0	0	0	0	0	1,209
30-34	441	474	264	0	0	0	0	0	0	1,179
35-39	124	216	923	130	0	0	0	0	0	1,393
40-44	39	47	551	544	198	0	0	0	0	1,379
45-49	15	23	222	358	1,026	198	0	0	0	1,842
50-54	4	9	75	117	667	482	293	0	0	1,647
55-59	0	3	21	26	169	196	269	12	0	696
60-64	0	0	2	3	39	55	42	6	2	149
65-69	0	0	0	0	8	4	2	2	1	17
70 & over	0	0	0	0	0	0	1	0	0	1
TOTAL	**2,047**	**926**	**2,058**	**1,178**	**2,107**	**935**	**607**	**20**	**3**	**9,881**

Active Harbor Membership

AGE AND YEARS OF SERVICE

	Years of Service									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
<25	2	0	0	0	0	0	0	0	0	2
25-29	10	1	0	0	0	0	0	0	0	11
30-34	3	5	5	0	0	0	0	0	0	13
35-39	4	0	28	1	0	0	0	0	0	33
40-44	0	2	26	4	0	0	0	0	0	32
45-49	0	0	11	3	1	0	0	0	0	15
50-54	1	0	5	2	2	1	0	0	0	11
55-59	0	0	1	2	2	0	0	0	0	5
60-64	0	1	0	0	1	1	0	0	0	3
65-69	1	0	0	0	0	0	0	0	0	1
70 & over	0	0	0	0	0	0	0	0	0	0
TOTAL	**21**	**9**	**76**	**12**	**6**	**2**	**0**	**0**	**0**	**126**

Active Airport Membership

AGE AND YEARS OF SERVICE

	Years of Service*									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Over**	**Total**
<25	10	0	0	0	0	0	0	0	0	10
25-29	33	4	0	0	0	0	0	0	0	37
30-34	23	6	1	0	0	0	0	0	0	30
35-39	10	3	0	0	0	0	0	0	0	13
40-44	3	0	1	0	0	0	0	0	0	4
45-49	0	0	0	1	0	0	1	0	0	2
50-54	1	0	0	0	2	0	0	0	0	3
55-59	0	0	0	0	0	0	0	0	0	0
60-64	1	0	0	0	0	0	0	0	0	1
65-69	0	0	0	0	0	0	0	0	0	0
70 & over	0	0	0	0	0	0	0	0	0	0
TOTAL	**81**	**13**	**2**	**1**	**2**	**0**	**1**	**0**	**0**	**100**

*Includes all prior service transferred from Los Angeles City Employees' Retirement System (LACERS).

6.1.2 DROP Membership

DROP Program Summary of Participation

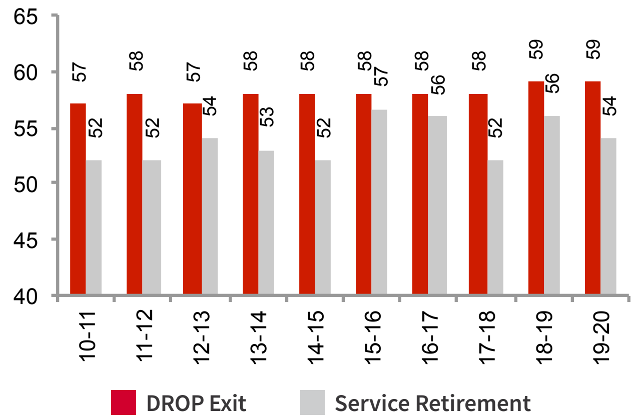
FISCAL YEAR	AVERAGE PARTICIPATION PER MONTH			TOTAL ENTRIES			AVERAGE AGE AT ENTRY			AVERAGE YEARS OF SERVICE AT ENTRY			TOTAL EXITS		
	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD
10-11	502	578	4	180	166	1	53	53	55	29	28	25	105	123	2
11-12	565	657	4	82	166	0	53	53	0	28	27	0	115	140	0
12-13	512	644	3	73	166	1	53	53	58	28	27	25	100	143	3
13-14	506	681	1	101	218	1	54	53	50	29	26	27	72	146	2
14-15	524	775	1	99	275	0	54	53	0	29	26	0	121	173	0
15-16	492	890	1	86	235	0	54	52	0	28	27	0	194	193	0
16-17	402	886	1	70	204	0	54	53	0	29	28	0	76	187	0
17-18	450	979	1	137	278	1	55	52	58	26	28	25	76	205	0
18-19	545	1,071	1	208	333	0	55	53	0	30	28	0	97	222	1
19-20	522	1,131	1	15	166	0	55	53	0	28	26	0	58	225	0

6.1.3 Retired Membership

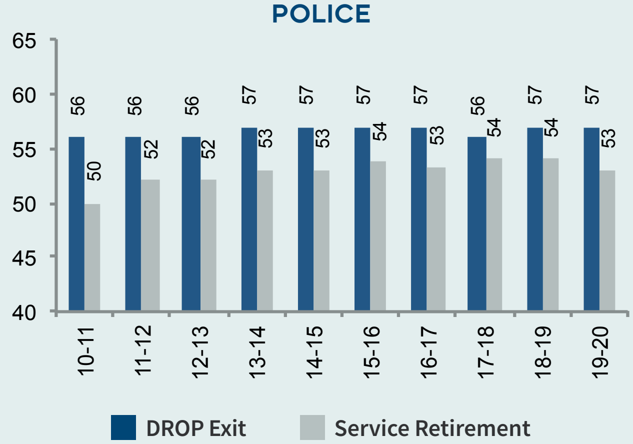
DROP vs. Service Retirement

AVERAGE AGE

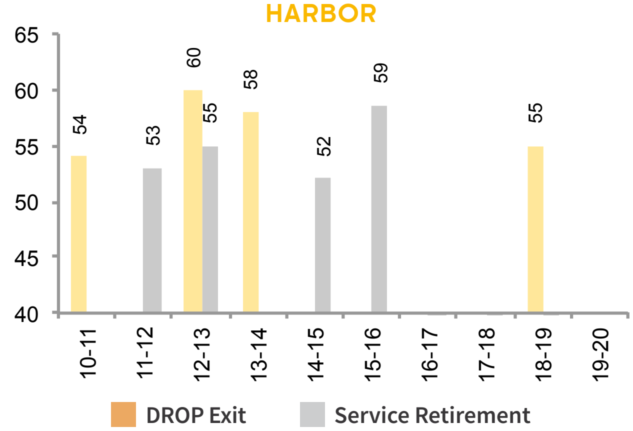
FIRE



POLICE



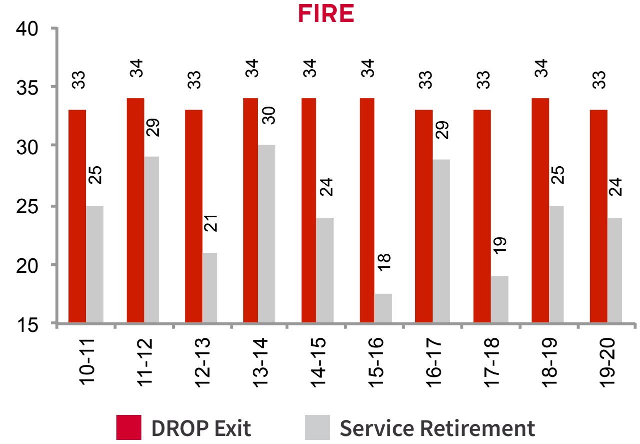
HARBOR



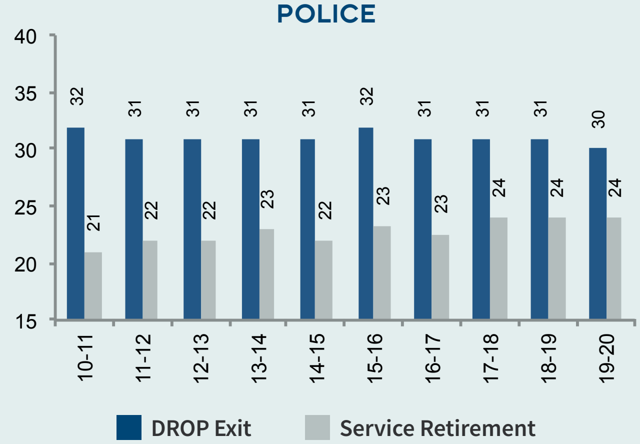
DROP vs. Service Retirement

AVERAGE YEARS OF SERVICE

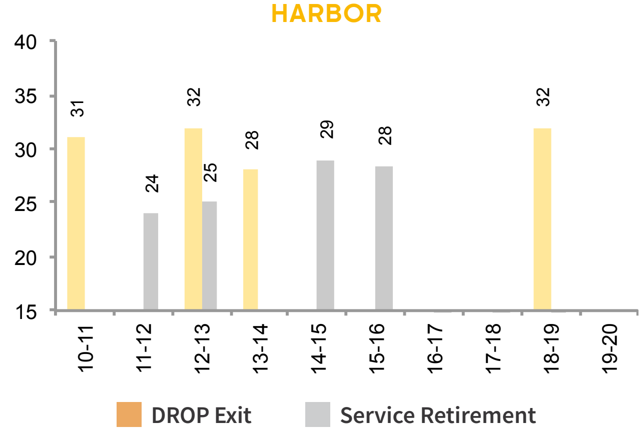
FIRE



POLICE

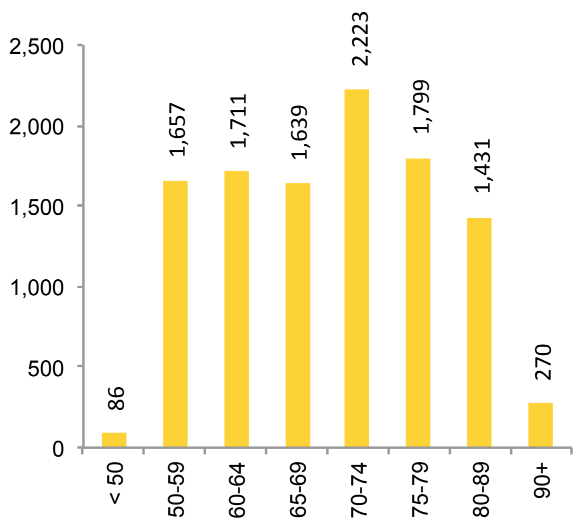


HARBOR



Retired Membership by Age

EXCLUDES SURVIVOR PENSIONERS



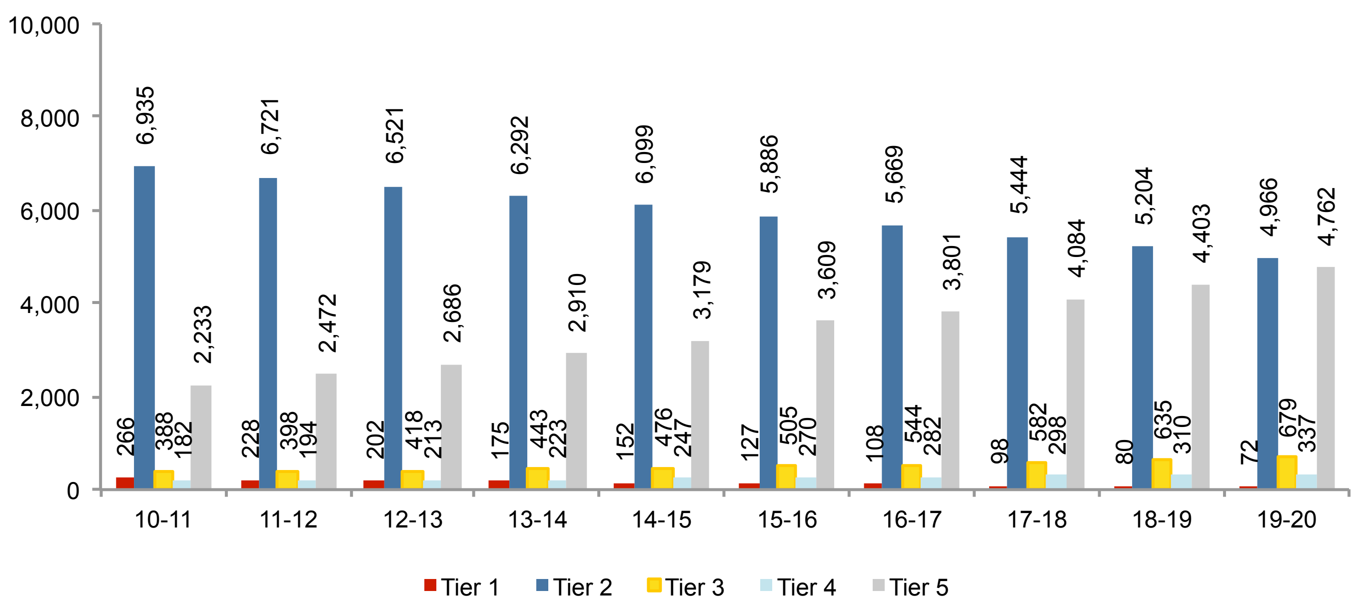
Retired Membership as of June 30, 2020

EXCLUDES SURVIVOR PENSIONERS

TIER	FIRE	POLICE	HARBOR	AIRPORT	TOTAL
Tier 1	8	64	0	0	72
Tier 2	1,038	3,927	1	0	4,966
Tier 3	86	593	0	0	679
Tier 4	26	311	0	0	337
Tier 5	1,640	3,106	16	0	4,762
Tier 6	0	0	0	0	0
TOTAL	**2,798**	**8,001**	**17**	**0**	**10,816**

Retired Membership by Tier

EXCLUDES SURVIVOR PENSIONERS



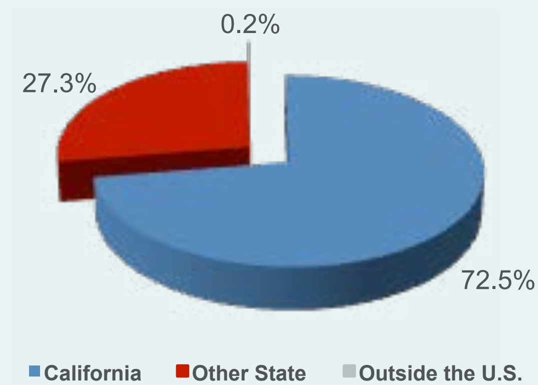
Retired Membership

SERVICE PENSIONERS	
Number in pay status	**9,049**
Average age at retirement	**52.1**
Average age	**70.0**
Average monthly benefit	**$7,028**

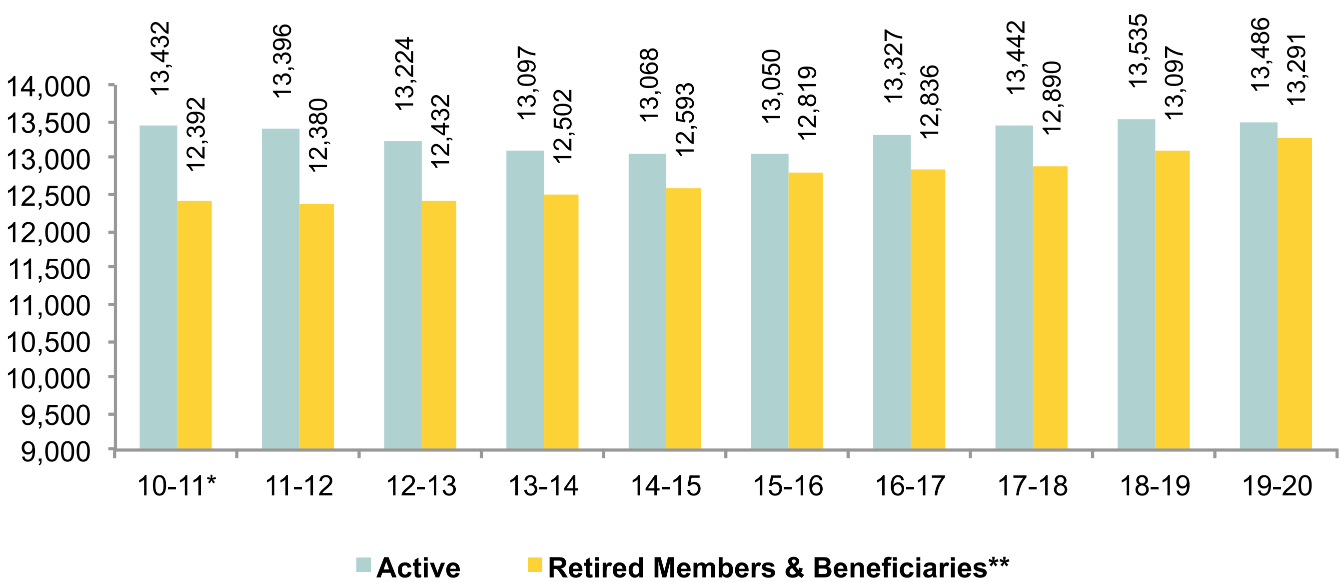
DISABILITY PENSIONERS	
Number in pay status	**1,767**
Average age at retirement	**43.7**
Average age	**72.3**
Average monthly benefit	**$5,316**

SURVIVOR PENSIONERS	
Number in pay status	**2,475**
Average age	**76.5**
Average monthly benefit	**$4,801**

Residency of Pensioners



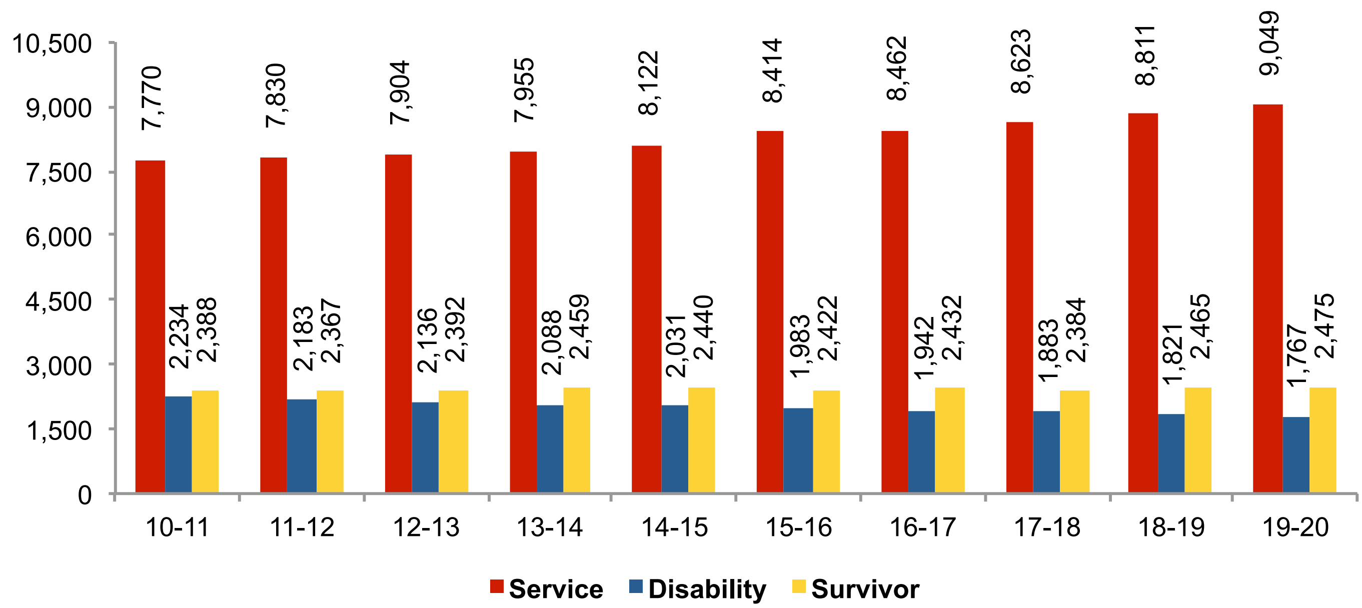
Active vs. Retired Members



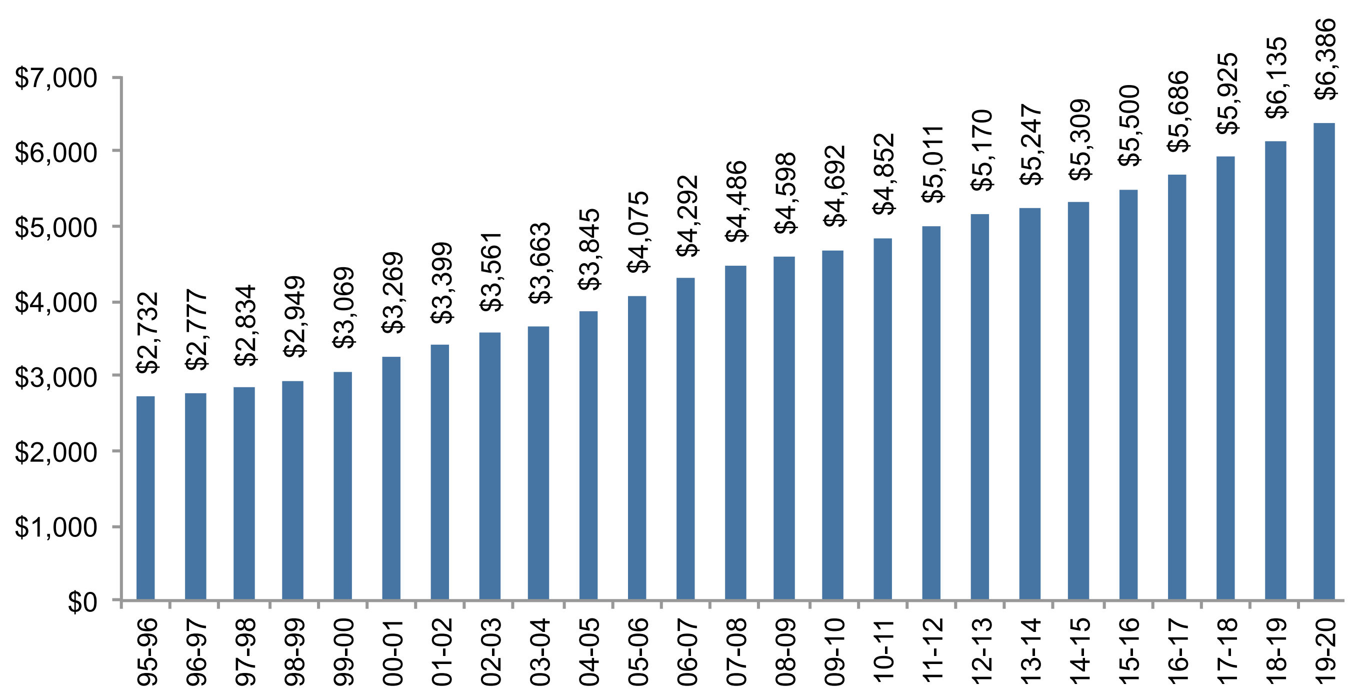
*2011 Retired membership includes 13 new retirees during the period July 1, 2011 to July 14, 2011.
**Retired membership excludes Inactive Vested Members

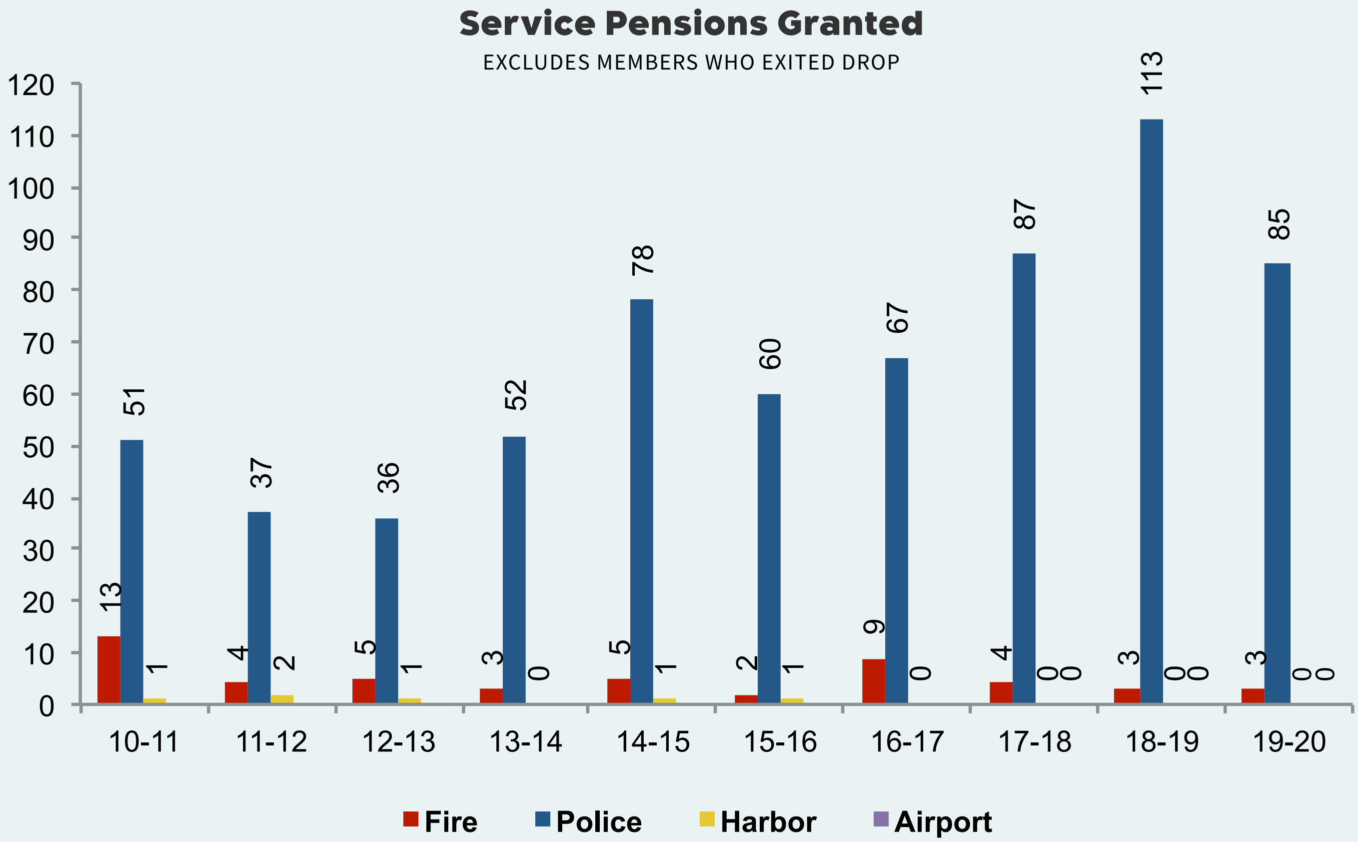
Pensioners

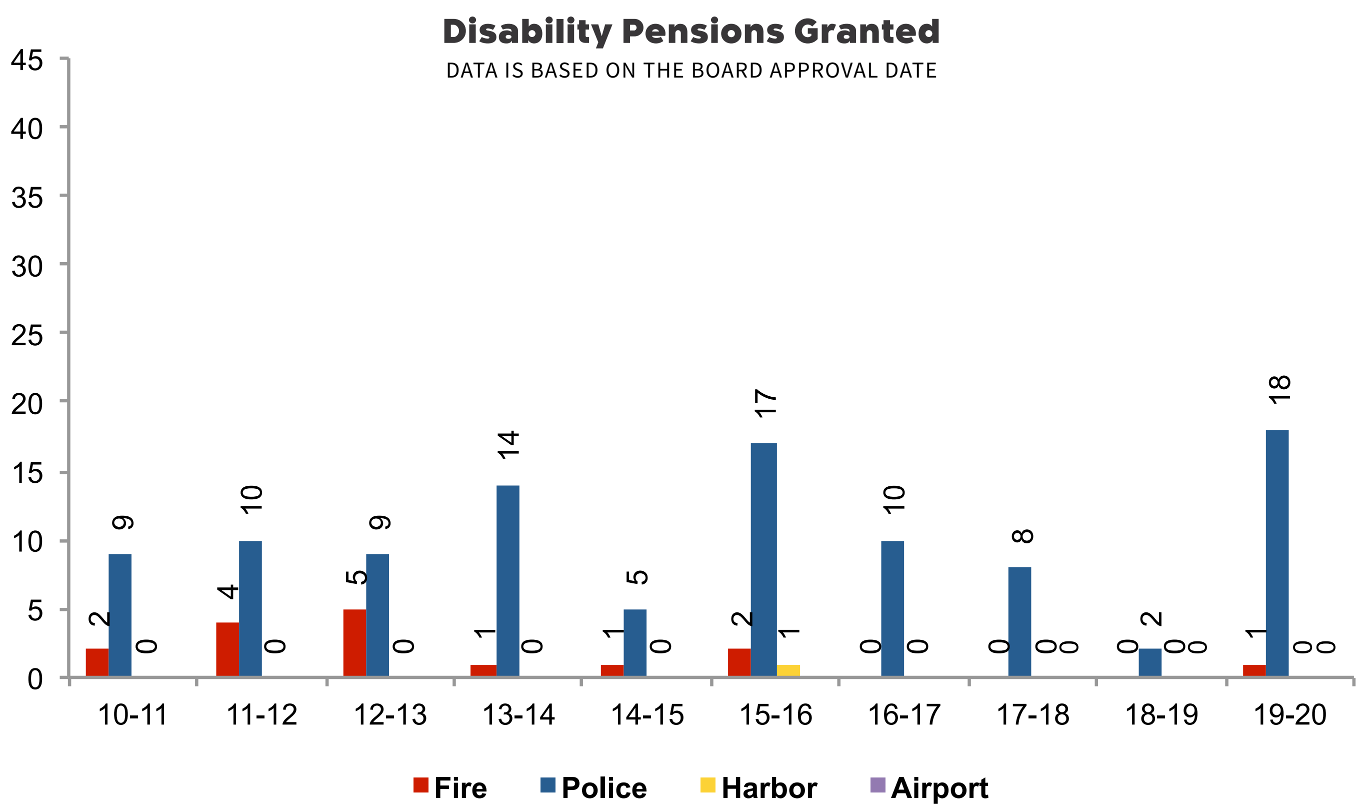
BY BENEFIT TYPE



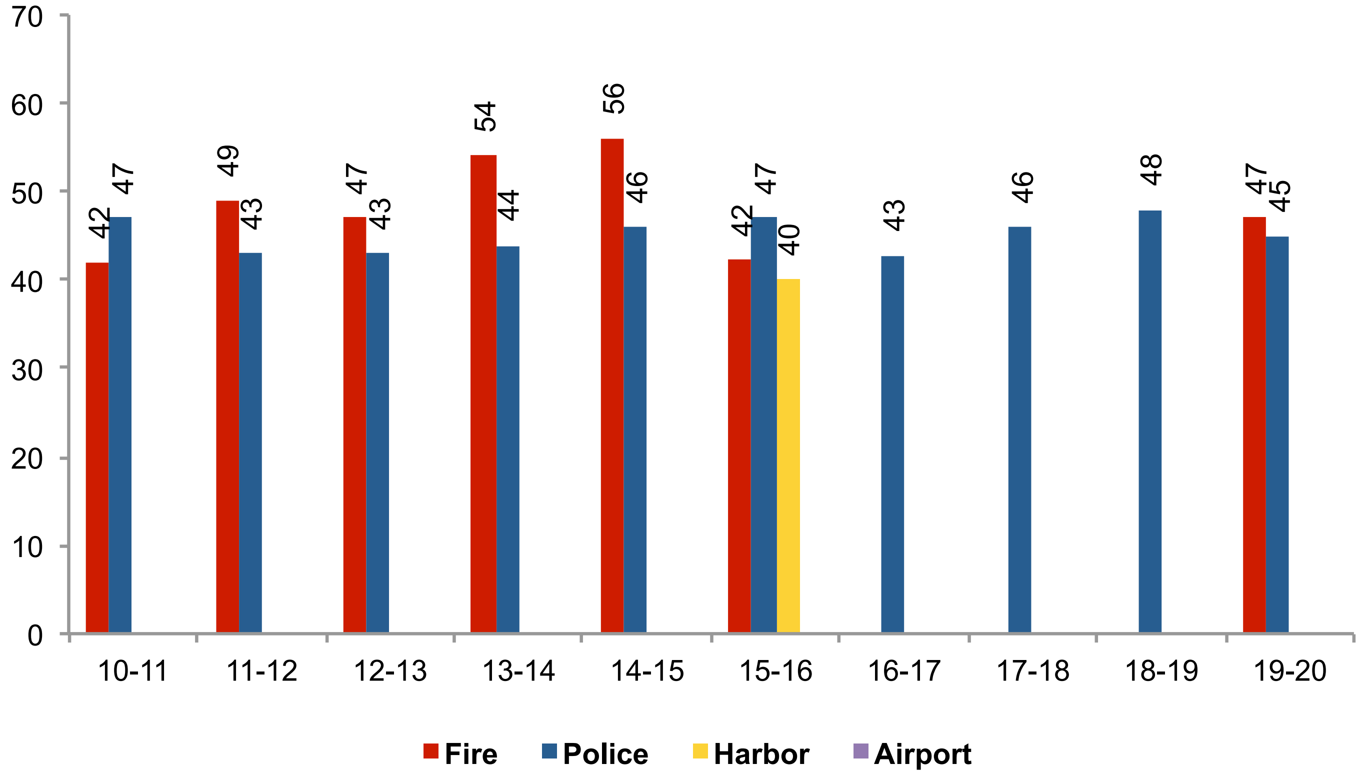
Average Monthly Pension



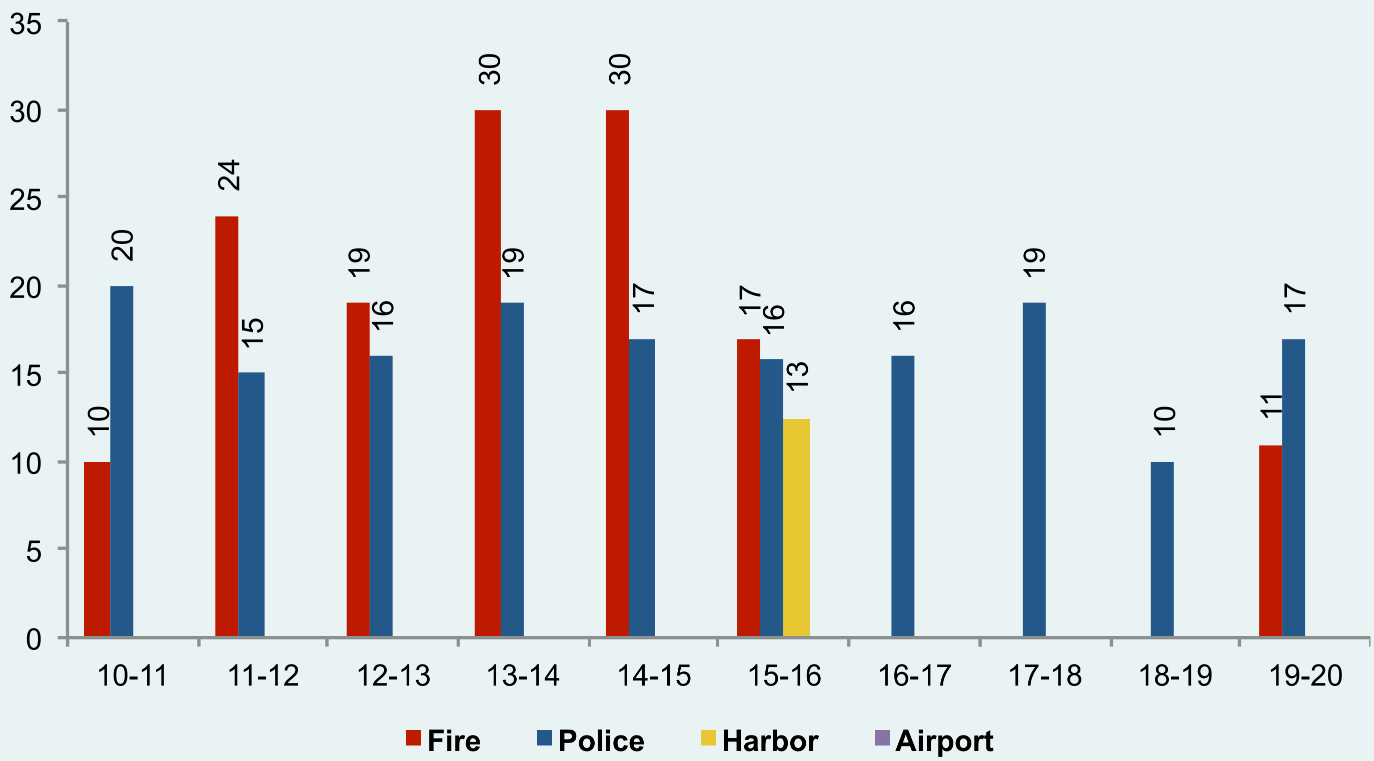

Service Pensions Granted
EXCLUDES MEMBERS WHO EXITED DROP
120
110
100
90
80
70
60
50
40
30
20
10
0
13 51 1
4 37 2
5 36 1
3 52 0
5 78 1
2 60 1
9 67 0
4 87 0 0
3 113 0 0
3 85 0 0
10-11
11-12
12-13
13-14
14-15
15-16
16-17
17-18
18-19
19-20
Fire
Police
Harbor
Airport


Disability Pensions Granted
DATA IS BASED ON THE BOARD APPROVAL DATE
45
40
35
30
25
20
15
10
5
0
2 9 0
4 10 0
5 9 0
1 14 0
1 5 0
2 17 1
0 10 0
0 8 0 0
0 2 0 0
1 18 0 0
10-11
11-12
12-13
13-14
14-15
15-16
16-17
17-18
18-19
19-20
Fire
Police
Harbor
Airport

Average Age at Disability Retirement



Average Years of Service at Disability Retirement



Service-Connected Disability Pensions by Type and Department*

Disability Pensions Granted	FISCAL YEAR 15-16				FISCAL YEAR 16-17				FISCAL YEAR 17-18					FISCAL YEAR 18-19					FISCAL YEAR 19-20				
	FD	PD	HD	Total	FD	PD	HD	Total	FD	PD	HD	AD	Total	FD	PD	HD	AD	Total	FD	PD	HD	AD	Total
Physical Only	2	10	1	13	0	8	0	8	0	8	0	0	8	0	1	0	0	1	1	16	0	0	17
Physical/ Psychiatric	0	2	0	2	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	2	0	0	2
Psychiatric Only	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**2**	**13**	**1**	**16**	**0**	**8**	**0**	**8**	**0**	**8**	**0**	**0**	**8**	**0**	**2**	**0**	**0**	**2**	**1**	**18**	**0**	**0**	**19**

Types of Claims**	FISCAL YEAR 15-16				FISCAL YEAR 16-17				FISCAL YEAR 17-18					FISCAL YEAR 18-19					FISCAL YEAR 19-20				
	FD	PD	HD	Total	FD	PD	HD	Total	FD	PD	HD	AD	Total	FD	PD	HD	AD	Total	FD	PD	HD	AD	Total
Back	1	4	0	5	0	6	0	6	0	6	0	0	6	0	1	0	0	1	1	9	0	0	10
Neck	0	5	1	6	0	2	0	2	0	2	0	0	2	0	1	0	0	1	0	11	0	0	11
Knees	1	3	0	4	0	3	0	3	0	0	0	0	0	0	2	0	0	2	0	7	0	0	7
Other Orthopedic	1	7	1	9	0	8	0	8	0	2	0	0	2	0	1	0	0	1	11	0	0	0	11
Cardiovascular	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	3
Ulcer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hypertension	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2
Pulmonary	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
Cancer	0	1	0	1	0	1	0	1	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0
Gun Shot Wound	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	1	0	0	1	0	1	0	1	0	2	0	0	2	0	1	0	0	1	0	5	0	0	5

*Data is based on disability pensions approved by the Board during each fiscal year.
**Total claims will not equal the total number of disability pensions granted due to multiple claimed disabilities.

Service-and Nonservice-Connected Disability Pensions by Department and Rank*

FIRE	FISCAL YEAR 15-16	FISCAL YEAR 16-17	FISCAL YEAR 17-18	FISCAL YEAR 18-19	FISCAL YEAR 19-20
Firefighter	1	0	0	0	1
Apparatus Operator	1	0	0	0	0
Engineer	0	0	0	0	0
Inspector	0	0	0	0	0
Captain	0	0	0	0	0
Battalion Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
Deputy Chief	0	0	0	0	0
TOTAL	**2**	**0**	**0**	**0**	**1**

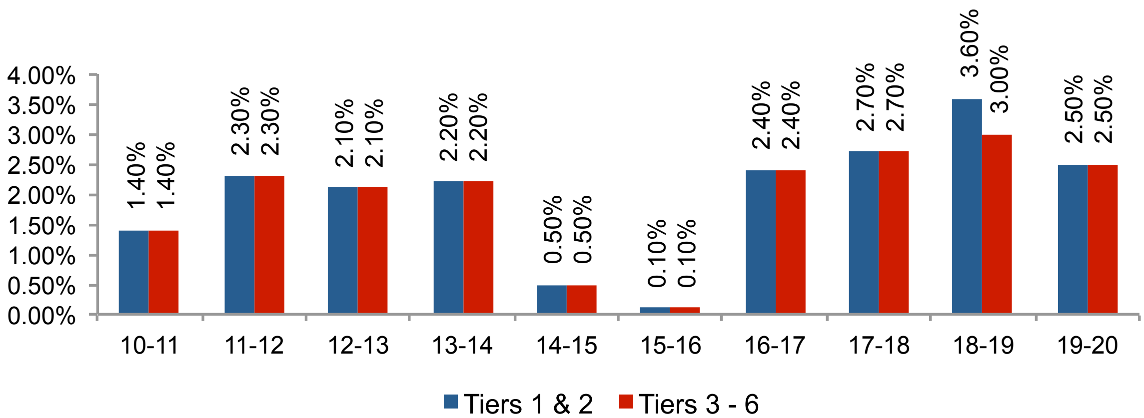
POLICE	FISCAL YEAR 15-16	FISCAL YEAR 16-17	FISCAL YEAR 17-18	FISCAL YEAR 18-19	FISCAL YEAR 19-20
Police Officer	12	6	6	2	13
Sergeant	3	3	2	0	3
Detective	2	1	0	0	2
Lieutenant	0	0	0	0	0
Captain	0	0	0	0	0
Commander	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	**17**	**10**	**8**	**2**	**18**

HARBOR	FISCAL YEAR 15-16	FISCAL YEAR 16-17	FISCAL YEAR 17-18	FISCAL YEAR 18-19	FISCAL YEAR 19-20
Sergeant	1	0	0	0	0
TOTAL	**1**	**0**	**0**	**0**	**0**

*Data is based on disability pensions approved by the Board during each fiscal year.

COST OF LIVING ADJUSTMENTS – EFFECTIVE JULY 1

The size of any year's Cost of Living Adjustment (COLA) is based on the Los Angeles Area Consumer Price Index (CPI) for All Urban Consumers as published by the Bureau of Labor Statistics for the previous one-year period ending March 1. Tiers 1 and 2 members have an uncapped COLA, while members in Tiers 3 – 6 have a 3 percent maximum COLA. However, Tiers 5 and 6 members have a COLA bank to "store" amounts above the 3 percent cap.

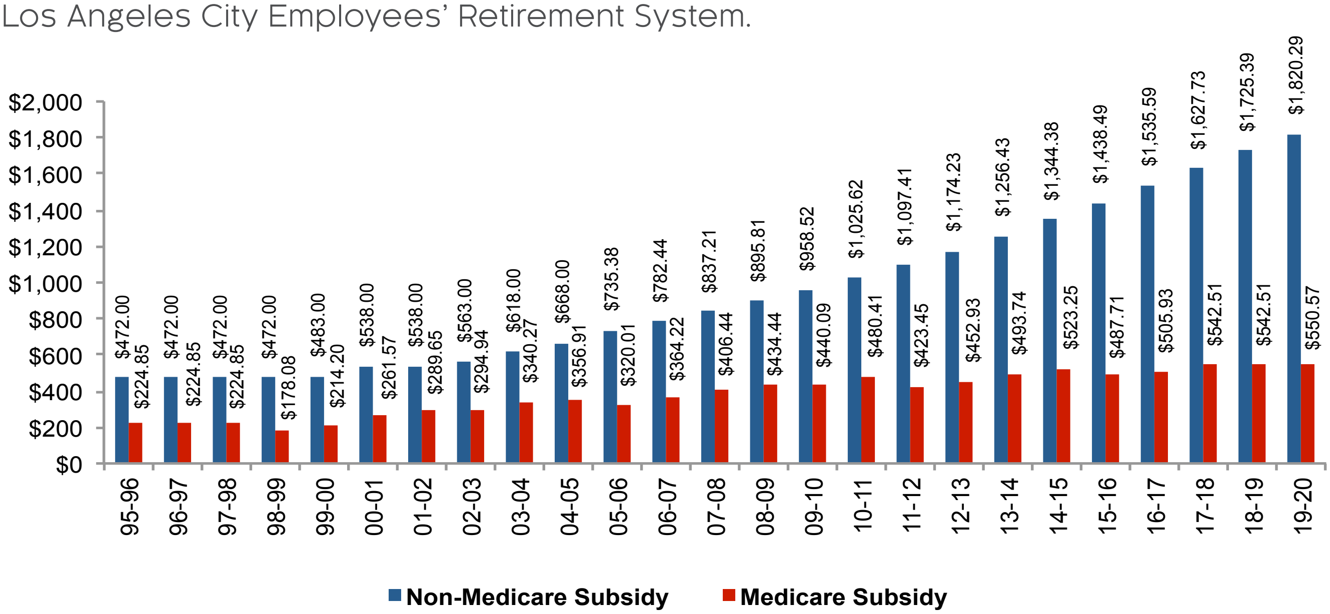


NOTE:
For years in which the COLA as shown in the chart is below 3%, members in Tiers 5 and 6 may receive up to 3% depending on their available COLA bank balance.

MAXIMUM HEALTH INSURANCE PREMIUM SUBSIDY BENEFIT FOR RETIRED MEMBERS

In 1974, voters approved a Charter amendment to provide a health insurance premium subsidy benefit for pensioners. Effective July 1, 2005, the Los Angeles Administrative Code § 4.1154(e) grants the Board of Fire and Police Pension Commissioners the authority to raise the maximum non-Medicare health insurance premium subsidy for retired members on an annual basis. The Board may raise the subsidy up to the lesser of 7 percent or the approved actuarially assumed rate for medical inflation for pre-65 health benefits for the fiscal year. Per the City Charter, the subsidy was previously linked to the subsidy for active members and retired civilians.

The maximum Medicare health insurance premium subsidy for retired members is equivalent to the highest single-party Medicare plan premium offered by the Los Angeles City Employees' Retirement System.



6.2 Member Outreach

One of the Plan's fundamental duties is to communicate benefits information to members and other stakeholders. Information is disseminated through written communications such as Summary Plan Descriptions (SPDs), benefits handbooks, newsletters, targeted notifications, annual reports, and the Department's online resources (e.g., website, social media).

Staff also provides benefits education by phone, in-person or video conference counseling sessions, and by attending various outreach events with members and their beneficiaries. During the 2019-20 fiscal year, staff interacted with approximately 2,490 members at 66 events. Our attendance at various events provides an opportunity to speak directly with members to help them understand their retirement benefits. As part of our strategic goals, we are committed to enhancing our customer service, communications efforts and outreach to our members. A summary of the events conducted over the last two fiscal years is provided below.

Outreach Events	FISCAL YEAR 18-19		FISCAL YEAR 19-20*	
	Number of Events	Members Reached	Number of Events	Members Reached
New Recruit Talks Staff develops and conducts presentations specifically for new hires of the Fire, Police, Harbor, and Airport Departments.	14	572	8	342
Benefits Presentations Staff conducts benefit presentations at fire stations, roll-calls, and training days for members in various tiers and/or stages of their careers, and in-house focus groups.	24	588	29	725
Financial Planning Education Seminars Together with the Financial Planning Education Consultant, staff holds full-day seminars to assist members at specific stages of retirement planning with their total financial plan.	22	966	14	722
Other Outreach Events Staff participates at various outreach events sponsored by the sworn departments and associations for active and retired members.	11	496	15	701
TOTAL	**71**	**2,622**	**66**	**2,490**

** All in-person outreach events were suspended beginning in March 2020 due to the COVID-19 mandated restrictions.*

6.3 Financial

This section provides historical perspective, context, and detail to assist in utilizing the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information, to understand and assess the System's economic condition.

The statistical information provided here is divided into two main categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how the System's financial position has changed over time. The "Changes in Fiduciary Net Position – Pension Plan" and "Changes in Fiduciary Net Position – Health Subsidy Plan" present additions by source, deductions by type, and the total change in fiduciary net position for the last ten fiscal years. The "Pension Benefit Expenses by Type" presents a ten-year history of the total benefit amounts for service, disability, and survivor pensioners.

Operating Information is intended to provide contextual information about the System's operations and membership, and to assist readers in using financial statement information to understand and evaluate the System's fiscal condition. "Retired Members by Type of Pension Benefit" and the "Retired Members by Type of Health Subsidy Benefit" present the dollar levels for each benefit as of June 30, 2020.

6.3.1 Financial Trends Information

Schedule of Additions by Source – Pension Plan

(IN THOUSANDS)

	Employer Contributions					
Fiscal Year	**Dollars**	**% of Annual Covered Payroll**	**Member Contributions**	**Net Investment Income (Loss)***	**Other Income (Loss)**	**Total**
10-11	277,092	21%	105,535	2,538,155	2,124	2,922,906
11-12	321,593	27%	120,099	225,458	1,877	669,027
12-13	375,448	29%	121,778	1,705,251	2,525	2,205,002
13-14	440,698	34%	124,395	2,626,144	2,899	3,194,136
14-15	480,332	36%	126,771	669,668	4,849	1,281,620
15-16	478,385	35%	129,734	156,205	3,108	767,432
16-17	454,309	33%	128,900	2,256,694	3,436	2,843,339
17-18	459,632**	32%	145,112	1,886,956	7,184	2,498,884
18-19	504,877	34%	147,753	1,217,329	362	1,870,322
19-20	516,638	34%	153,787	605,869	375	1,276,669

* Includes change in unrealized gain and loss of investment.

** This amount will not reconcile with the Financial Statements, as it excludes L.A. World Airports contributions transferred from LACERS, which were reported as Other Income.

Schedule of Deductions by Type – Pension Plan

(IN THOUSANDS)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Total
10-11	786,861	3,145	12,662	802,668
11-12	831,191	1,338	13,611	846,140
12-13	856,237	3,267	12,200	871,704
13-14	856,036	2,950	13,865	872,851
14-15	915,163	3,746	17,814	936,723
15-16	987,296	3,067	19,347	1,009,710
16-17	925,903	4,175	19,134	949,212
17-18	991,014	3,786	19,908	1,014,708
18-19	1,065,978	4,478	20,244	1,090,701
19-20	1,116,722	4,530	20,685	1,141,937

Schedule of Additions by Source – Health Subsidy Plan

(IN THOUSANDS)

Fiscal Year	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Net Investment Income (Loss)*	Other Income (Loss)	Total
10-11	111,681	9%	156,461	131	268,273
11-12	122,972	10%	14,690	122	137,784
12-13	132,939	10%	118,124	175	251,238
13-14	138,107	11%	192,600	212	330,919
14-15	148,477	11%	51,291	371	200,139
15-16	150,315	11%	12,522	249	163,086
16-17	165,170	12%	189,381	39	354,590
17-18	178,462**	12%	165,453	517	344,432
18-19	188,020	13%	111,602	33	299,655
19-20	193,214	13%	58,065	36	251,315

* *Includes change in unrealized gain and loss of investment.*

** *This amount will not reconcile with the Financial Statements, as it excludes L.A. World Airports contributions transferred from LACERS, which were reported as Other Income.*

Schedule of Deductions by Type – Health Subsidy Plan

(IN THOUSANDS)

Fiscal Year	Benefit Payments	Administrative Expenses	Total
10-11	89,271	781	90,052
11-12	93,536	887	94,423
12-13	98,306	845	99,151
13-14	104,371	1,017	105,388
14-15	110,411	1,364	111,775
15-16	116,678	1,551	118,229
16-17	122,562	1,606	124,168
17-18	130,722	1,746	132,468
18-19	137,874	1,856	139,730
19-20	143,600	1,983	145,583

Changes in Plan Net Position – Pension Plan

(IN THOUSANDS)

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
ADDITIONS										
Employer Contributions	$ 277,092	$ 321,593	$ 375,448	$ 440,698	$ 480,332	$ 478,385	$ 454,309	$ 459,632	$504,877	$516,638
Member Contributions	105,535	120,099	121,778	124,395	126,771	129,734	128,900	145,112	147,753	153,787
Net Investment Income (Loss)	2,538,155	225,458	1,705,251	2,626,144	669,668	156,205	2,256,694	1,886,956	1,217,329	605,869
Other Income (Loss)	2,124	1,877	2,525	2,899	4,849	3,108	3,436	7,184	362	375
TOTAL ADDITIONS	**2,922,906**	**669,027**	**2,205,002**	**3,194,136**	**1,281,620**	**767,432**	**2,843,339**	**2,498,884**	**1,870,322**	**1,276,669**
DEDUCTIONS										
Benefit Payments	786,861	831,191	856,237	856,036	915,163	987,296	925,903	991,014	1,065,979	1,116,722
Refunds of Contributions	3,145	1,338	3,267	2,950	3,746	3,067	4,175	3,786	4,478	4,530
Administrative Expenses	12,662	13,611	12,200	13,865	17,814	19,347	19,134	19,908	20,244	20,685
TOTAL DEDUCTIONS	**802,668**	**846,140**	**871,704**	**872,851**	**936,723**	**1,009,710**	**949,212**	**1,014,708**	**1,090,701**	**1,141,937**
CHANGES IN PLAN NET POSITION	**$2,120,238**	**$(177,113)**	**$1,333,298**	**$2,321,285**	**$344,897**	**$(242,278)**	**$1,894,127**	**$1,484,176**	**$779,621**	**$134,732**

Changes in Plan Net Position – Health Subsidy Plan

(IN THOUSANDS)

	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
ADDITIONS										
Employer Contributions	$111,681	$122,972	$132,939	$ 138,107	$148,477	$150,315	$165,170	$ 178,462	$188,020	$193,214
Net Investment Income (Loss)	156,461	14,690	118,124	192,600	51,291	12,522	189,381	165,453	111,602	58,065
Other Income (Loss)	131	122	175	212	371	249	39	517	33	36
TOTAL ADDITIONS	**268,273**	**137,784**	**251,238**	**330,919**	**200,139**	**163,086**	**354,590**	**344,432**	**299,655**	**251,315**
DEDUCTIONS										
Benefit Payments	89,271	93,536	98,306	104,371	110,411	116,678	122,562	130,722	137,874	143,600
Administrative Expenses	781	887	845	1,017	1,364	1,551	1,606	1,746	1,856	1,983
TOTAL DEDUCTIONS	**90,052**	**94,423**	**99,151**	**105,388**	**111,775**	**118,229**	**124,168**	**132,468**	**139,730**	**145,583**
CHANGES IN PLAN NET POSITION	**$178,221**	**$43,361**	**$152,087**	**$225,531**	**$88,364**	**$44,857**	**$230,422**	**$211,964**	**$159,925**	**$105,732**

Schedule of Benefit Expenses by Type – Pension Plan

(IN THOUSANDS)

Type of Benefit	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Service/DROP	$563,023	$604,220	$625,443	$620,845	$681,484	$755,237	$690,500	$751,333	$820,342	$867,192
Disability	115,960	116,390	117,217	117,601	114,429	112,097	111,471	111,744	111,575	110,938
Surviving Spouse	105,633	108,774	111,722	115,726	116,935	117,554	121,499	125,174	129,826	134,861
Minors	2,245	1,807	1,855	1,864	2,315	2,408	2,433	2,763	4,236	3,731
TOTAL BENEFITS PAID	**$786,861**	**$831,191**	**$856,237**	**$856,036**	**$915,163**	**$987,296**	**$925,903**	**$991,014**	**$1,065,979**	**$1,116,722**

Schedule of Benefit Expenses by Type – Health Subsidy Plan

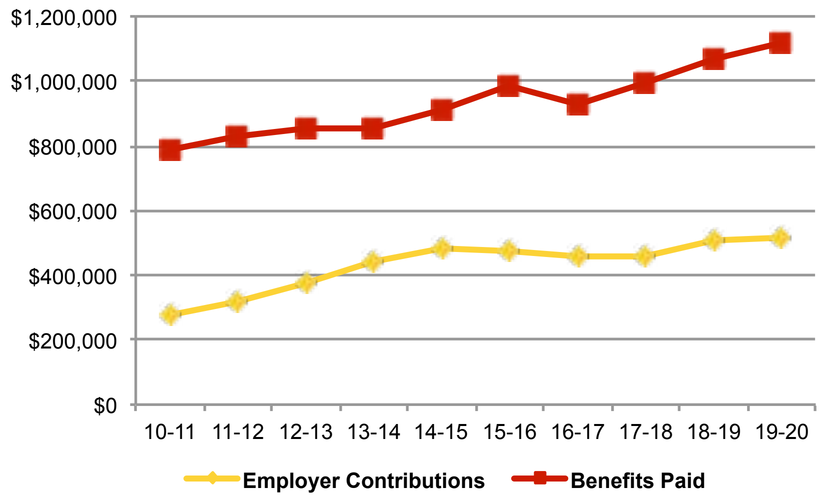
(IN THOUSANDS)

Type of Benefit	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Medicare	$7,871	$8,232	$8,855	$9,295	$9,477	$9,614	$9,817	$10,872	$11,294	$10,844
Health Subsidy	77,509	81,030	84,870	90,462	96,198	102,172	107,640	114,559	121,406	126,586
Dental Subsidy	2,839	3,236	3,591	3,631	3,729	3,861	4,062	4,143	4,289	4,407
Health Insurance Reimbursement	1,052	1,039	990	983	1,006	1,031	1,043	1,148	885	1,763
TOTAL BENEFITS PAID	**$89,271**	**$93,537**	**$98,306**	**$104,371**	**$110,410**	**$116,678**	**$122,562**	**$130,722**	**$137,874**	**$143,600**

Employer Contributions vs. Benefits Paid – Pension Plan

(IN THOUSANDS)

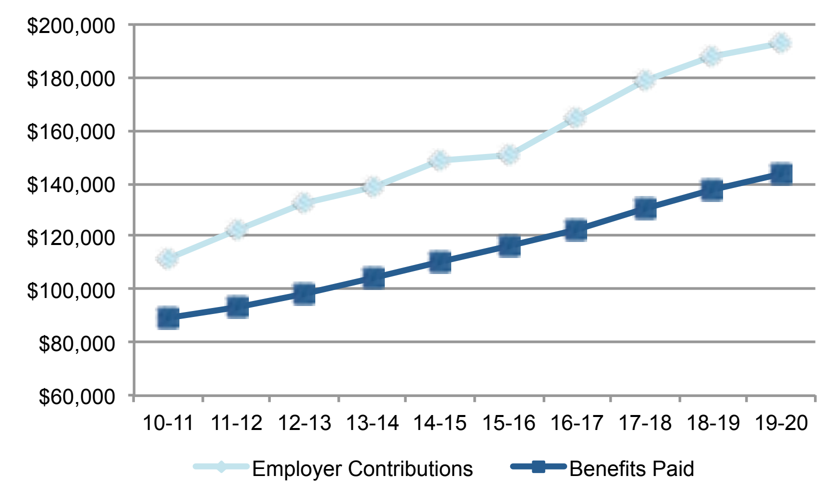
Fiscal Year	Employer Contributions	Benefits Paid
10-11	277,092	786,861
11-12	321,593	831,191
12-13	375,448	856,237
13-14	440,698	856,036
14-15	480,332	915,163
15-16	478,385	987,296
16-17	454,309	925,903
17-18	459,632	991,014
18-19	504,877	1,065,979
19-20	516,638	1,116,722



Employer Contributions vs. Benefits Paid – Health Subsidy Plan

(IN THOUSANDS)

Fiscal Year	Employer Contributions	Benefits Paid
10-11	111,681	89,271
11-12	122,972	93,537
12-13	132,939	98,306
13-14	138,107	104,371
14-15	148,477	110,411
15-16	150,315	116,678
16-17	165,170	122,562
17-18	178,462	130,722
18-19	188,020	137,874
19-20	193,214	143,600



6.3.2 Operating Information

Schedule of Retired Membership by Type of Benefits

PENSION PLAN

		TYPES OF BENEFIT		
Monthly Benefit	**Number of Pensioners**	**Service**	**Disability**	**Survivor**
$ 1 to $1,000	23	0	0	23
1,001 to 2,000	164	76	11	77
2,001 to 3,000	734	254	120	360
3,001 to 4,000	1,309	761	210	338
4,001 to 5,000	1,596	573	520	503
5,001 to 6,000	2,124	1,109	400	615
6,001 to 7,000	2,359	1,770	227	362
7,001 to 8,000	1,963	1,731	148	84
8,001 to 9,000	1,454	1,315	82	57
9,001 to 10,000	740	686	21	33
Over $ 10,000	825	774	28	23
Total	**13,291**	**9,049**	**1,767**	**2,475**

Schedule of Retired Membership by Type of Benefits

HEALTH SUBSIDY PLAN

Monthly Benefit	Number of Pensioners	TYPES OF BENEFIT Service	Disability*	Survivor*
HEALTH				
Not receiving subsidy	1,733	835	272	626
$ 1 to $ 200	89	53	15	21
201 to 400	570	252	52	266
401 to 600	3,451	1,760	411	1,280
601 to 800	356	246	58	52
801 to 1,000	1,841	1,452	315	74
1,001 to 1,200	518	442	76	0
1,201 to 1,300	169	154	15	0
1,301 to 1,400	2,061	1,889	172	0
1,401 to 1,920.41**	2,017	1,966	51	0
Total	**12,805**	**9,049**	**1,437**	**2,319**
DENTAL				
Not receiving subsidy	1,720	1,288	432	----
$ 1 to $10	0	0	0	----
11 to 20	62	6	56	----
21 to 30	437	172	265	----
31 to 44.60***	8,267	7,583	684	----
Total	**10,486**	**9,049**	**1,437**	----

* Excludes 330 disability pensioners and 156 survivors with less than 10 years of service and ineligible for a health or dental subsidy.

** Maximum health subsidy effective July 1, 2020.

*** Maximum dental subsidy for Plan year 2020-2021.

A SUCCESSFUL LAWSUIT IS THE ONE WORN BY A POLICEMAN.

—ROBERT FROST

SECTION SEVEN

Legal

07

7.1 Legal

Under Los Angeles City Attorney Mike Feuer, the Public Pensions General Counsel Division of the City Attorney's Office serves as legal counsel to the Department and the Board of Fire and Police Pension Commissioners. Managing Assistant City Attorney Anya Freedman leads the Division, assisted by Deputy City Attorneys John Blair, James Napier, Joshua Geller, and Miguel Bahamon, and by Legal Secretary Nicole Paul.

The City Attorney's Office provided advice and assistance to the Board and the Department on a variety of subjects ranging from fiduciary obligations, the Ralph M. Brown Act and California Public Records Act, pension benefit and Deferred Retirement Option Plan (DROP) issues for members and beneficiaries of the Plan, tax law compliance, ethics laws and regulations, legal review of investment and other contracts, and disability pension applications. The City Attorney's Office also represented the Department in Superior Court cases.

Additionally, the City Attorney's Office assisted members and their beneficiaries in understanding the effects of dissolution proceedings on pension and DROP benefits.

The City Attorney's Office also supervises and assists the Board in the selection of outside law firms that are engaged to provide the Department with advice in certain specialized areas, such as federal and state tax laws, real estate and alternative investment transactions, and with

occasional representation in complex or specialized litigation matters, such as bankruptcy cases and securities fraud cases.

The City Attorney's Office also provides legal counsel to the Board of Administration of the Los Angeles City Employees' Retirement System and the Retirement Board of the Water and Power Employees' Retirement Plan.

7.2 Pending Litigation

In 2019-2020, there were two cases before the courts that involved the retiree health insurance premium subsidy program that LAFPP administers ("retiree medical subsidy").

Both pending actions were brought by the Los Angeles Police Protective League against the Board and the City.

The two cases (the "LAPPL I Action" and the "LAPPL II Action") both seek to determine what retiree medical subsidy benefit the additional 2% salary contribution provides members who make the contribution under the unions' and City's 2011 Letter of Agreement ("LOA"). The union plaintiffs argue that the 2% contribution grants members the ceiling amount under LAAC § 4.1167, meaning either 7% or the medical trend rate for that year with no discretion reserved to the Board to grant anything lower. The City argues that the 2% contribution gives members only the right to get out from under the Freeze Ordinance and participate in the process that existed under LAAC § 4.1154(e) prior to the 2011 Freeze Ordinance. Under the pre-Freeze Ordinance process, the LAFPP Board may exercise its discretion in setting the annual subsidy rate, and can set it up to the maximum amount of 7% or the medical trend rate, whichever is lower.

In the LAPPL I Action, on April 15, 2016, the plaintiffs agreed to dismiss LAFPP from the action in exchange for LAFPP's agreement to be bound by the final judgment rendered in the case. Until a court of competent jurisdiction renders a final judgment on the interpretation of the LOA, LAFPP has a fiduciary duty to continue to follow LAAC § 4.1154 (e) as written, and must continue to exercise its discretion in setting the retiree medical subsidy as it did before the 2011 Freeze Ordinance.

The LAPPL Action I proceeded to trial, and on November 1, 2016, the trial court ruled in favor of the plaintiffs, finding that the language of the LOA was unambiguous without weighing the conflicting evidence regarding the interpretation of the LOA and the parties' intent. The City appealed, and on October 30, 2018, the Second District Court of Appeal reversed and remanded the case for further proceedings consistent with the Court of Appeal's decision. In its decision, the Court of Appeal found that the provisions at

issue in the LOA were ambiguous, which required the trial court to consider and weigh the evidence of the parties' intent in its interpretation of the provisions, which the trial court did not do. Upon remand back to the Superior Court, on February 15, 2019, the case was reassigned to Judge Holly Fujie for further trial proceedings.

While the LAPPL Action I was pending on appeal, on August 10, 2017, the unions filed a second action ("LAPPL Action II"). The LAPPL Action II raises the same issues as the LAPPL Action I regarding the 2% contribution, and also asserts a new breach of fiduciary duty claim, which preserves the unions' rights to challenge LAFPP's 2017 discretionary action to set the subsidy should the unions lose in the pending LAPPL Action I. On July 3, 2018, the LAPPL filed a First Amended Complaint, asserting the same claims based on LAFPP's 2018 discretionary action in setting the subsidy. The Unions also sought to file a Second Amended Complaint to add LAFPP's 2019 and 2020 discretionary actions in setting the subsidy, and the parties agreed to stipulate to allow the unions to file the Second Amended Complaint. Although the unions have filed the stipulation, the Court has not approved the stipulation and therefore the unions have not yet filed their Second Amended Complaint. Upon remand of the LAPPL I Action, the City filed a motion to consolidate the two actions before Judge Fujie, which the Court granted. Given the similarities between the two LAPPL Actions and the dispositive effect of the first action on the second, the trial court has stayed the LAPPL Action II pending of the outcome of LAPPL I. On September 20, 2019, Judge Fujie held a status conference following consolidation and ordered that the case be heard in phases. In Phase One, the LOA interpretation issues common to LAPPL I and LAPPL II are to be heard in a trial before Judge Fujie, and upon resolution of Phase One, the Court will then address the residual fiduciary duty claims against LAFPP unique to LAPPL II. Currently, the LAPPL Action I is set for trial on August 16, 2021, but the counsel for the City has asked the Court to move the trial date to September 20, 2021 due to an existing conflict. The City's request to the Court is currently pending.

CURRENT STATUS OF THE RETIREE MEDICAL SUBSIDY

As a result of the outcome in the Fry Action, which concluded in the 2016-2017 fiscal year, LAFPP continues to provide a subsidy frozen at the 2011 levels to current and future retired members who chose not to "opt-in" and contribute an additional 2% of their salaries in order to avoid the consequences of the Freeze Ordinance.

With regard to the LAPPL Action I and LAPPL Action II, until a final judgment is rendered on the LOA issues, LAFPP will continue to abide by its fiduciary duty to follow LAAC § 4.1154 (e) as written and to set and implement the retiree health insurance premium subsidy increases in the same manner as it did prior to the 2011 Freeze Ordinance for members who opted-in to pay the 2% contribution. This means that LAFPP continues to exercise its discretion provided under the Los Angeles Administrative Code to set the subsidy up to and including the medical trend rate or 7%, whichever is lower, until the courts render final judgment.

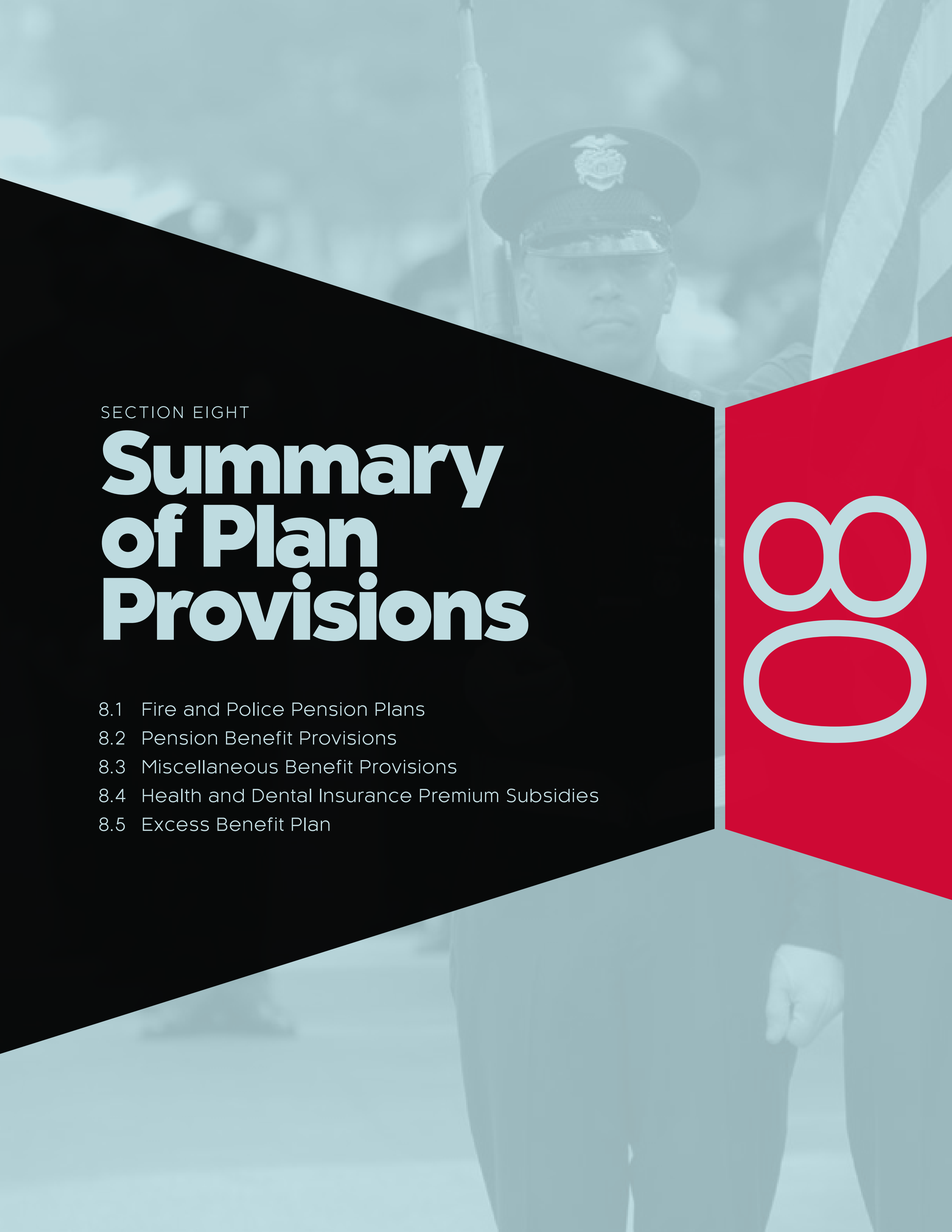
Sam v. Kwan, the initial complaint which did not include LAFPP, was filed on September 11, 2018. The first amended complaint, which added LAFPP as a co-defendant, was filed on December 28, 2018.

LAFPP's Board of Fire and Police Pension Commissioners ("Board") has been named as a defendant in a civil case (Sam v. Kwan, et al, BC721121) alleging that the managing member of Chino Americana Concepts 20133303 LLC ("Chino Americana"), the company that sold LAFPP its office parking lot in 2015, was unaware of, and never approved, the sale. The plaintiff in the lawsuit seeks monetary damages from the Board's co-defendants and title to the parking lot. The lawsuit currently contains two causes of action alleged against the Board: quiet title and declaratory relief. Both causes of action, and the Board's potential liabilities, are covered by the Board's title insurance policy up to the full purchase price of the parking lot--$3.8 million. The title policy also pays for all outside counsel defense fees.

In accordance with its fiduciary duty to safeguard LAFPP assets, the Board, through LAFPP's General Manager, is overseeing the City Attorney's Office and outside counsel who are providing litigation defense. On August 14, 2020, the court granted the Board's motion for summary judgment as to the plaintiff's causes of action against the Board. The court has indicated that it will enter judgment consistent with its ruling on the motion for summary judgment at the conclusion of the case. Upon the court entering judgment in favor of the Board, and barring any appeal by the plaintiff, the Board will be extricated from this litigation. If the plaintiff does appeal, the title policy will cover the appeal process.

EXPECT
THE BEST.
PREPARE FOR
THE WORST.
CAPITALIZE
ON WHAT
COMES.

—ZIG ZIGLAR



SECTION EIGHT

Summary of Plan Provisions

08


LOS ANGELES
POLICE
streetwise

8.1 Fire & Police Pension Plans

TIER 1
(Formerly Article XVII)
July 1, 1925 – January 28, 1967

TIER 2
(Formerly Article XVIII)
January 29, 1967 – December 7, 1980

TIER 3
(Formerly Article XXXV, Plan 1)
December 8, 1980 – June 30, 1997

TIER 4
(Formerly Article XXXV, Plan 2)
July 1, 1997 – December 31, 2001

TIER 5
January 1, 2002 – June 30, 2011

TIER 6
Effective July 1, 2011

8.2 Pension Benefit Provisions

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
1. SERVICE RETIREMENT					
a. Eligibility	20 years of service		**Tier 3:** Age 50 with 10 years of service **Tier 4:** 20 years of service	Age 50 with 20 years of service	
b. Salary Base	Normal Pension Base (Final monthly salary rate)		Final Average Salary (One-year average monthly salary)		Final Average Salary (Two-year average monthly salary)
c. Pension As a Percentage of Salary Base	40% at 20 years of service, plus 2% for each additional year up to 25 years of service, plus 1-2/3% for each additional year between 25 and 35 years of service Maximum of 66-2/3% for 35 or more years of service	40% at 20 years of service, plus 2% for each additional year up to 25 years of service. 55% at 25 years of service, plus 3% for each additional year between 25 and 30 years of service Maximum of 70% for 30 or more years of service	2% per year of service up to 20 years of service, plus 3% for each additional year of service up to 30 years of service Maximum of 70% for 30 or more years of service	50% at 20 years of service, plus 3% for each additional year (except 4% at 30 years of service) Maximum of 90% for 33 or more years of service	40% at 20 years of service, plus 3% per year for years 21 through 25, 4% per year for years 26 through 30, and 5% per year for years 31 through 33 Maximum of 90% for 33 or more years of service
2. SERVICE-CONNECTED DISABILITY					
a. Eligibility	Work related No age or service requirements				
b. Salary Base	Normal Pension Base (Final monthly salary rate)		Final Average Salary (One-year average monthly salary)		Final Average Salary (Two-year average monthly salary)
c. Pension As a Percentage of Salary Base	50% to 90% depending on severity of disability, with a minimum of member's Service Pension percentage rate		30% to 90% depending on severity of disability, with a minimum pension equal to the greater of 2% per year of service or 30%		
3. NONSERVICE-CONNECTED DISABILITY					
a. Eligibility	Not work related Five years of service				
b. Salary Base	Nonservice-Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)		Final Average Salary (One-year average monthly salary)		Final Average Salary (Two-year average monthly salary)
c. Pension As a Percentage of Salary Base	40%		30% to 50% depending on severity of disability		

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY					
a. Eligibility	Work related No age or service requirements				
b. Salary Base	Normal Pension Base (Final monthly salary rate)		Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit As a Percentage of Member's Salary Base	50% of Normal Pension Base	50% of Normal Pension Base OR 55% of Normal Pension Base with 25 years of service	**SERVICE-CONNECTED DEATH** 75% of Final Average Salary **DEATH AFTER SERVICE-CONNECTED DISABILITY** 75% of Final Average Salary if the death is due to service-connected cause(s) and occurs within 3 years after the effective date of the Service-Connected Disability Pension Otherwise, 60% of the member's Service-Connected Disability Pension	**SERVICE-CONNECTED DEATH** **Former Tier 2:** 75% of Normal Pension Base **All Other Tier 5:** 75% of Final Average Salary **DEATH AFTER SERVICE-CONNECTED DISABILITY** **Former Tier 2:** Same benefit as Tier 2 **All Other Tier 5:** 75% of Final Average Salary if the death is due to service-connected cause(s) and occurs within 3 years after the effective date of the Service-Connected Disability Pension Otherwise, 60% of the member's Service-Connected Disability Pension	**SERVICE-CONNECTED DEATH** 80% of Final Average Salary **DEATH AFTER SERVICE-CONNECTED DISABILITY** 80% of Final Average Salary if the death is due to service-connected cause(s) and occurs within 3 years after the effective date of the Service-Connected Disability Pension Otherwise, 80% of the member's Service-Connected Disability Pension
d. Eligible Children's Benefit As a Percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21		

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY (CONTINUED)					
e. Eligible Dependent Parent Benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive			
5. DEATH WHILE ELIGIBLE TO RECEIVE A SERVICE PENSION ON ACCOUNT OF YEARS OF SERVICE					
a. Eligibility	20 years of service		**Tier 3:** 10 years of service **Tier 4:** 20 years of service	20 years of service	
b. Salary Base	Normal Pension Base (Final monthly salary rate)		Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit As a Percentage of Member's Salary Base	100% of accrued service retirement the member would have received, not to exceed 50% of Normal Pension Base	100% of accrued service retirement the member would have received, not to exceed 55% of Normal Pension Base	80% of service retirement the member would have received, not to exceed 40% of Final Average Salary	**Former Tier 2**: Same benefit as Tier 2 **All Other Tier 5:** 40% of Final Average Salary	50% of Final Average Salary
d. Eligible Children's Benefit As a Percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21		

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
5. DEATH WHILE ELIGIBLE TO RECEIVE A SERVICE PENSION ON ACCOUNT OF YEARS OF SERVICE (CONTINUED)					
e. Eligible Dependent Parent Benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive			
6. DEATH AFTER SERVICE RETIREMENT					
a. Eligibility	Member was receiving a Service Pension				
b. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit	Same as the member's pension percentage, not to exceed 50% of the member's Normal Pension Base	Same as the member's pension percentage, not to exceed 55% of the member's Normal Pension Base	60% of the member's pension benefit	**Former Tier 2:** Same benefit as Tier 2 **All Other Tier 5:** 60% of the member's pension benefit	70% of the member's pension benefit
c. Eligible Children's Benefit As a Percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive Otherwise: • 25% for one child • 40% for two Children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/ QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two Children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21		
d. Eligible Dependent Parent Benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive			

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
7. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY					
a. Eligibility	Five years of service				
b. Salary Base	Nonservice-Connected Pension Base (Highest monthly salary as of member's death or retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)		Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit As a Percentage of Member's Salary Base	40% of the member's Nonservice-Connected Pension Base		**NONSERVICE-CONNECTED DEATH** 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the member would have received not to exceed 40% of Final Average Salary **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** 60% of the member's pension benefit	**NONSERVICE-CONNECTED DEATH** **Former Tier 2:** Same benefit as Tier 2 **All Other Tier 5:** 30% of Final Average Salary or, if eligible to retire based on years of service, 40% of Final Average Salary **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** **Former Tier 2:** Same benefit as Tier 2 **All Other Tier 5:** 60% of the member's pension benefit	**NONSERVICE-CONNECTED DEATH** 50% of Final Average Salary **Note:** If the member's death occurs while on military leave and is a result of his/her military duties, 50% of Final Average Salary **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** 70% of the member's pension benefit
d. Eligible Children's Benefit As a Percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) Benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two Children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21		

8.2 **Pension Benefit Provisions** (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
7. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY (CONTINUED)					
e. Eligible Dependent Parent Benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive			
8. COST OF LIVING ADJUSTMENTS (COLA)					
a. Generally Applicable Provisions	Full annual COLA increase or decrease COLAs compound and are based upon the Consumer Price Index for local urban Consumers Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death		Annual COLA increase or decrease up to 3% COLAs compound and are based upon the Consumer Price Index for local urban consumers Pro rata adjustment in the first year of retirement City Council may grant discretionary COLA increases once every three years Survivor's pension includes the percentage of COLAs applied to the member's pension prior to death	Annual COLA increase or decrease not to exceed 3% Amounts above 3% are banked to be credited during years when the Consumer Price Index is below 3% COLAs compound and are based upon the Consumer Price Index for local urban consumers Pro rata adjustment in the first year of retirement City Council may grant discretionary COLA increases once every three years - member's COLA Bank is reduced Survivor's pension includes the percentage of COLAs applied to the member's pension prior to death	
b. Effective Date of COLA: **i. Service Retirement**	Annual adjustments commence on the July 1 following the later of the effective date or the date the member would have been age 55	Annual adjustments commence on the July 1 following the later of the effective date or the date the member would have completed 25 years of service	Annual adjustments commence on the July 1 following the effective date		
ii. Service-Connected Disability, Service-Connected Death	Annual adjustments commence on the July 1 following the effective date				

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
8. COST OF LIVING ADJUSTMENTS (COLA) (CONTINUED)					
iii. Nonservice-Connected Disability, Death After Nonservice-Connected Disability	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier	Annual adjustments commence on the July 1 following the date the member would have completed 25 years of service or 5 years after the effective date of the member's pension, if earlier	Annual adjustments commence on the July 1 following the effective date		
iv. Nonservice-Connected Death	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier	While Eligible for Service Retirement - Annual adjustments commence on the July 1 following the later of the effective date or the date the member would have completed 25 years of service While Not Eligible for Service Retirement – Annual adjustments commence on the July 1 following the date the member would have completed 26 years of service or 5 years after the effective date of the survivor's pension, if earlier	Annual adjustments commence on the July 1 following the effective date		
v. Death After Service-Connected Disability	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier	Annual adjustments commence on the July 1 following the effective date			
9. MEMBER CONTRIBUTIONS AS A PERCENTAGE OF PAY					
	6% No member contributions required after 30 years of service	6% plus 1/2 cost of cost-of-living benefit up to 1% No member contributions required after 30 years of service	8% No member contributions required after 30 years of service	9% City pays 1% of the 9% if the Plan is at least 100% actuarially funded for pension benefits No member contributions required after 33 years of service	11% 2% of the 11% supports the funding of the retiree health subsidy benefits. This portion will cease once the member attains 25 years of service No member contributions required after 33 years of service

8.2 Pension Benefit Provisions (continued)

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
10. QUALIFIED SURVIVORS					
a. Qualified Surviving Spouse (QSS) or Qualified Surviving Domestic Partner (QSDP) Eligibility Requirements: **i. Nonservice-Connected Death**	Married to spouse at least one year prior to the date of the nonservice-connected death and as of the date of death	Married to spouse or declared/registered domestic partner at least one year prior to the date of the nonservice-connected death and as of the date of death			
ii. Service-Connected Death	Married to spouse as of the date of the service-connected death	Married to spouse or declared/registered domestic partner as of the date of the service-connected death			
iii. Death After Service Retirement	Married to spouse at least one year prior to the effective date of the Service Pension and as of the date of death	Married to spouse or declared/registered domestic partner at least one year prior to the effective date of the Service Pension/DROP entry and as of the date of death			
iv. Death After Nonservice-Connected Disability	Married to spouse at least one year prior to the effective date of the Nonservice-Connected Disability Pension and as of the date of death	Married to spouse or declared/registered domestic partner at least one year prior to the effective date of the Nonservice-Connected Disability Pension and as of the date of death			
v. Death After Service-Connected Disability	Dependent upon the member's retirement status and cause of death	Married to spouse or declared/registered domestic partner as of the effective date of the Service-Connected Disability Pension and as of the date of death			
b. Minor Child Eligibility Requirements	Legitimate or adopted child of the deceased member, until age 18 or marries, whichever occurs first		Child or adopted child of the deceased member, until age 18 (22 if in school full time) or marries, whichever occurs first		
c. Dependent Child Eligibility Requirements	Legitimate or adopted child of the deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood		Child of the deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood		
d. Dependent Parent Eligibility Requirements	Natural parent of the deceased member who had at least one-half of his/her necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay his/her necessary living expenses without the pension		Parent of the deceased member who had at least one-half of his/her necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay his/her necessary living expenses without the pension		

8.3 Miscellaneous Benefit Provisions

11. BASIC DEATH BENEFIT

Applicable to Tiers 3 - 6
Beneficiary receives a refund of contributions with interest. In addition, if the member had at least one year of service, the Qualified Survivor receives a limited pension payable in monthly installments as follows: for each year of service completed by the member, the Qualified Survivor receives two payments equal to one-half of the member's Final Average Salary, not to exceed 12 monthly payments for six or more years of service.

12. DEFERRED PENSION OPTION

Applicable to Tiers 3, 5, and 6
Tier 3: Upon termination, the member can elect the Deferred Pension option if he/she has at least 10 years of service and leaves his/her contributions in the Fund. At age 50, the member is entitled to receive a Service Pension.

Tiers 5 and 6: Upon termination, the member can elect the Deferred Pension option if he/she has at least 20 years of service and leaves his/her contributions in the Fund. At age 50, the member is entitled to receive a Service Pension using the Tier 3 Service Pension percentages.

13. DEFERRED RETIREMENT OPTION PLAN (DROP)

Not applicable to Tier 1
Tiers 2 and 4: At least 25 years of service
Tiers 3, 5 and 6: At least 25 years of service and at least age 50

The member must be on an active duty/working status at the time of DROP entry.
While in DROP, the member's monthly pension, including any applicable cost of living adjustments, is posted to a nominal account that is credited with a guaranteed annual interest rate of 5%.

Members who entered DROP prior to February 1, 2019 may participate for a maximum of five years, after which they are required to terminate sworn employment and exit DROP.

Applicable to members who enter DROP on or after February 1, 2019
Participation in DROP will be suspended for any calendar month in which a participant does not spend at least 112 hours on "active duty" status.

> Exception: If a participant sustains a serious injury on duty and is admitted to the hospital for a minimum of three consecutive days as a direct result of that injury, their participation will not be suspended during the first 12 calendar months following the date of injury.

If a member's DROP participation is suspended, he/she is eligible to participate in DROP for a maximum of 30 additional months beyond his/her original five year/60-month participation period. The participation period can only be extended for as many months as the member's participation was suspended and no interest is credited to the member's DROP account following the initial five year/60-month participation period.

Death of a DROP Member
For the purpose of survivor benefits, DROP members are considered retired. Qualified survivors receive the benefits outlined in ***Section 6 - Death After Service Retirement***, while the proceeds in the member's DROP account are paid to the named DROP beneficiary.

In the event of a service-connected death, the Qualified Surviving Spouse/Domestic Partner has the option to forfeit the member's DROP account and collect a monthly benefit as outlined in ***Section 4 - Service-Connected Death***.

14. OPTIONAL FORM OF BENEFIT FOR QUALIFIED SURVIVING SPOUSE (QSS) / QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)

Applicable to Tiers 3 - 6
At any time prior to the first payment of a Service or Disability Pension, or entering DROP, the member may elect a higher QSS/QSDP benefit with a corresponding actuarial reduction in his/her retirement benefit.

15. PUBLIC SERVICE PURCHASE (PSP) PROGRAM

Not applicable to Tier 1
Members may purchase service credit for time served in the military or with other public agencies, subject to requirements and limitations established by the City Council.
Purchased service must be for a minimum of six months, but no more than four years of full time, uninterrupted service.
Purchased service will only count toward increasing the member's monthly pension allowance and any survivorship benefits.
Purchases must be initiated and finalized prior to entering DROP or retiring, whichever occurs first.

16. RETURN OF CONTRIBUTIONS WITH INTEREST

Tiers 1 and 2: On termination or death if no other benefits are payable.
Tiers 3, 5, and 6: On termination or death if no other benefits are payable (except Basic Death Benefit).
Tier 4: Upon death if no other benefits payable (except Basic Death Benefit). No refund upon termination.

17. SURVIVOR BENEFIT PURCHASE PROGRAM

A retired member may make a one-time, irrevocable election to purchase a survivor benefit for a spouse married in retirement or a domestic partner declared/registered in retirement by taking an actuarial reduction in his/her retirement benefit.

18. OPT-IN CONTRIBUTION

Applicable to Tiers 2 - 5
Members in Tiers 2 - 5 who: (1) enter DROP or retire on or after July 15, 2011 and (2) elected to make the additional 2% opt-in contribution will receive a non-frozen health subsidy benefit in retirement. The additional pension contribution supports the funding of the retiree health benefits and will cease once the member has contributed for 25 years or retires.

8.4 Health & Dental Insurance Premium Subsidies

19. HEALTH SUBSIDY	MEMBER	QUALIFIED SURVIVING SPOUSE (QSS)/QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)
a. Age	If the retirement date is: 1. On or after 7/1/1998 – at least age 55 2. Prior to 7/1/1998 – at least age 60	Member (retired sworn officer) must be at least age 55, if he/she was still alive If the member died in the line of duty, medical benefits are provided by the Personnel Department
b. Years of Service	At least 10 years of service (YOS), except for a Tier 6 member who retires on a Service-Connected Disability Pension	Member (retired sworn officer) must have had at least 10 years of service (YOS)
c. Pension Type	Service or Disability Pension	QSS/QSDP Pension
d. Eligible Plans	Health subsidies may be applied to one of the following: 1. A Board-approved association plan: – United Firefighters of Los Angeles City – Los Angeles Firemen's Relief Association – Los Angeles Police Relief Association – LACERS plans offered to a closed group of pensioners 2. Any state-regulated medical insurance plan with proof of premium and payment approved through the Health Insurance Premium Reimbursement Program.	Health subsidies may be applied to one of the following: 1. A Board-approved association plan: – United Firefighters of Los Angeles City – Los Angeles Firemen's Relief Association – Los Angeles Police Relief Association – LACERS plans offered to a closed group of pensioners 2. Any state-regulated medical insurance plan with proof of premium and payment approved through the Health Insurance Premium Reimbursement Program
e. Medicare Enrollment Requirements	Most retirees and their covered dependents qualify for Medicare at age 65 May qualify for Medicare prior to age 65 due to disability Enrollment in: – Medicare Part A: Required only if the retiree or covered dependent is eligible for Part A free of charge – Medicare Part B: Required	Most QSS/QSDPs qualify for Medicare at age 65 May qualify for Medicare prior to age 65 due to disability Enrollment in: – Medicare Part A: Required only if the QSS/QSDP is eligible for Part A free of charge – Medicare Part B: Required
f. Non-Medicare, Medicare Part B Only Subsidy Formula	4% per YOS, up to a maximum of 25 YOS Subsidy payment may not exceed the health insurance plan premium **Note:** Members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) chose not to opt-in during the designated period, are subject to the maximum subsidy in effect on July 1, 2011	4% per YOS, up to a maximum of 25 YOS Subsidy may not exceed the single-party health insurance plan premium **Note:** QSS/QSDPs of members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) chose not to opt-in during the designated period, are subject to the maximum subsidy in effect on July 1, 2011

8.4 Health & Dental Insurance Premium Subsidies (continued)

19. HEALTH SUBSIDY	**MEMBER**	**QUALIFIED SURVIVING SPOUSE (QSS)/QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)**
g. Medicare Subsidy Formula	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy payment may not exceed the health insurance plan premium Dependent subsidy may apply Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse the standard Medicare Part B premium **Note:** Members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) chose not to opt-in during the designated period, are subject to the maximum subsidy in effect on July 1, 2011	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy payment may not exceed the single party health insurance plan premium Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse the standard Medicare Part B premium **Note:** QSS/QSDPs of members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) chose not to opt-in during the designated period, are subject to the maximum subsidy in effect on July 1, 2011
h. Dependent Coverage	The health subsidy may be used to cover spouses, domestic partners and children Children may be covered until age 26	The QSS/QSDP may cover eligible dependents on his/her health plan. However, the subsidy may not exceed the single party health insurance plan premium

20. DENTAL SUBSIDY	**MEMBER**	**QUALIFIED SURVIVING SPOUSE (QSS)/QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)**
a. Age	At least age 55	QSS/QSDPs are not eligible to receive a dental subsidy
b. Years of Service	At least 10 years of service (YOS)	N/A
c. Pension Type	Service or Disability	N/A
d. Eligible Plans	Dental subsidies may only be applied to one of the following Board-approved plans: – United Firefighters of Los Angeles City – Los Angeles Police Protective League – Los Angeles Police Relief Association – LACERS plans offered to a closed group of pensioners	Not eligible for a subsidy. However, QSS/QSDP may enroll in plans provided by one of the following Board-approved dental plan sponsors: – United Firefighters of Los Angeles City – Los Angeles Police Protective League – Los Angeles Police Relief Association – LACERS plans offered to a closed group of pensioners
e. Dental Subsidy Formula	4% per YOS up to a maximum of 25 YOS Subsidy may not exceed the single-party dental insurance plan premium	N/A

21. RECIPROCITY
There are no reciprocity agreements between outside agencies and the Fire and Police Pension Plan. RECIPROCITY is: -an agreement between public retirement systems to allow members to move from one public employer to another -within a specific time limit -without losing some valuable retirement and benefit rights

8.5 Excess Benefit Plan

	TIER 1	TIER 2	TIERS 3 & 4	TIER 5	TIER 6
22. EXCESS BENEFIT PLAN (PAID BY THE CITY'S GENERAL FUND)					
Plan to supplement the benefits of certain highly compensated pensioners to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code	Yes	Yes	Yes	Yes	No

The Internal Revenue Code (IRC) Section 415(b) contains the provisions of federal law which limit the amount of annual retirement benefits payable directly from a plan sponsor for qualified defined benefit pension plans, such as the Los Angeles Fire and Police Pension Plan (LAFPP). The excess benefit limit typically only impacts highly compensated employees who have accrued significant retirement benefits. Under certain circumstances, any benefits in excess of this limit may be paid through an Excess Benefit Plan.

The IRC Section 415(b) limits the distribution amount paid to an individual from all of the plan sponsor's qualified defined benefit plans. The City created an Excess Benefit Plan (EBP) to allow members of Tiers 1 through 5 to receive a full formula-based retirement allowance, despite the LAFPP benefit exceeding the maximum IRC limit. The pensioner's total monthly retirement benefit will not change. The affected pensioners will receive one payment from LAFPP and the EBP payment directly from the Controller's Office.

Members of Tier 6 are not included in the City's Excess Benefit Plan, which is authorized for Tiers 1-5 of the LAFPP by Division 4, Chapter 23 of the Los Angeles Administrative Code. Los Angeles City Charter Section 1720 restricts benefits payable to Tier 6 members to the IRC Section 415 limitations.

DISCLAIMER

The "Summary of Plan Provisions" describes in informal language, the provisions of Tiers 1 - 6. The intent is to summarize legal texts in a clear and concise manner. If there is a difference between this guide and the legal text outlined in the Los Angeles City Charter, the Los Angeles Administrative Code, the Internal Revenue Code, or other laws, the legal text prevails.

I HAVE NOTHING TO OFFER BUT BLOOD, TOIL, TEARS AND SWEAT.

—WINSTON CHURCHILL

SECTION NINE

Milestones

09

1899-1901

The California State Legislature enacted legislation in 1899 that enabled cities and counties to establish pension systems for police officers and firefighters. The City of Los Angeles authorized a system for police officers effective June 7, 1899 and for firefighters effective June 10, 1901. It provided for a pension at age 60 after 20 years of service, at an amount of one-half of the salary of the rank held for one year preceding retirement. Disability and survivor benefits were also provided. Member contributions were set at $2 per month.

1911-1919

In 1911, a Los Angeles City Charter (Charter) amendment empowered the Los Angeles City Council (City Council)

to make changes in the pension systems. Effective September 16, 1913, the City Council adopted an

ordinance that lowered the minimum retirement age to 55 and eliminated member contributions. In 1919, ordinances were adopted allowing retirement after 20 years of service regardless of age.

1922

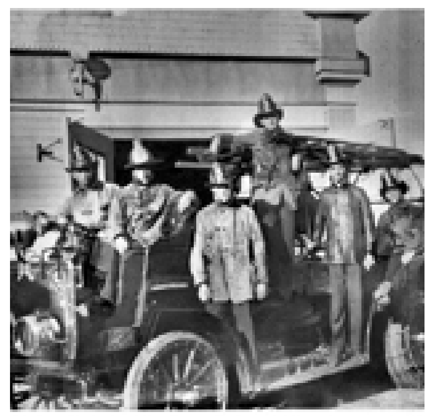
Fire and police pension plans were merged into one system.

1923-1925

The System began funding pension benefits on an actuarial basis effective January 29, 1923 and a provision was added to increase pensions for members with more than 20 years of service based on a formula of 1-2/3 percent for each year of service over 20, up to two-thirds of the salary of the rank held at retirement. The new City Charter that became effective July 1, 1925 added a provision that Service and Disability Pensions would remain fixed amounts.

1927

Members entering service after January 17, 1927 would receive a pension after 25 years of service equal to 50 percent of the average salary during the three years preceding retirement, plus 1-2/3 percent for each of the next 10 years of service. A monthly limit of $1,800 for Service Pensions was established. Member contributions to the System were set at 4 percent of salary. Pensions for widows were made fixed amounts.



1933

The actuarial funding requirements were eliminated and the System was placed on a “pay-as-you-go” basis effective May 15, 1933.

1947

Members hired after January 17, 1947 could retire after 20 years of service with a pension equal to 40 percent of the average salary of the last three years of service, plus an additional 2 percent for each of the next five years of service, and 1-1/3 percent for each of the next 10 years of service. A maximum pension of two-thirds of the average salary was retained, with a cap based on the salary level of a Fire Battalion Chief or Police Captain. Member contributions were increased from 4 percent to 6 percent of salary.

Effective June 16, 1947, a Charter amendment created a Nonservice-Connected Disability Pension of 40 percent of the highest salary attached to the rank of firefighter or police officer; an equal amount was to be paid to any surviving spouse, with additional percentages allowed for unmarried minor children under the age of 18.

1957

The maximum limit attached to rank for Service Pensions was removed effective April 18, 1957.

1958

The California Supreme Court ruled that the 1925 Charter provisions for fixed pensions did not apply to members employed prior to July 1, 1925, nor to surviving spouses of members employed prior to January 17, 1927.

1959

Effective May 6, 1959, the System was again funded on an actuarial basis with a 50-year amortization period for the unfunded liabilities.

Investment provisions were changed to permit investment of up to 35 percent of fund assets in common stocks.

1961

A one-time cost of living increase was provided for all member and surviving spouse pensions based on service-connected disability or death.

1967

Tier 1 (formerly Article XVII) was extensively amended, and a new Tier 2 pension plan (formerly Article XVIII) was adopted effective January 29, 1967, providing:

1. A pension equal to 55 percent of the final monthly salary rate at retirement with 25 years of service, plus an additional 3 percent for each year of service over 25, up to a maximum pension of 70 percent of salary at retirement with 30 years of service;
2. A two percent cap on the annual cost of living adjustment to all member and surviving spouse pensions that were based on length of service; and
3. A minimum pension of $250 per month to be adjusted each year by the cost of living formula.

Other changes included the extension of the amortization period for the unfunded liabilities to 70 years and changes to the investment authority to provide for mortgage investments and public improvement financing.

1968

Overtime compensation was excluded from the computation of contributions and benefits under Tiers 1 and 2.

1969

Amendments to Tiers 1 and 2 effective May 2, 1969 applied cost of living adjustments to Disability and Survivor Pensions. Service Pensioners were allowed to apply for return-to-active duty under certain conditions and restrictions.

The authorized limit for common stock investments was raised to 50 percent of fund assets.

1971

Tiers 1 and 2 were amended effective July 1, 1971 to remove the 2 percent per year cost of living ceiling from all eligible pensions and pegged increases to the Consumer Price Index; to increase the minimum pension to $350 per month; to grant pension credit for partial years of service; and to add two elected employee members to the Board of Pension Commissioners.

1974

Tier 1 and 2 amendments enabled the City Council to adopt ordinances providing health insurance premium subsidy benefits and other programs for eligible pensioners.

1975

Amendments to Tiers 1 and 2 allowed cost of living adjustments for Service-Connected

Disability Pensions on the July 1 following the date of retirement. Certain waiting periods for those eligible to receive this adjustment were eliminated.

The health insurance subsidy for retired members was paid for the first time this year beginning with the April 30, 1975 pension roll. Approximately $61,000 was expended for this purpose.

1976

LAFPP began providing health insurance premium subsidies to eligible retired members for their dependent's health insurance coverage.

1977

The mandatory retirement age provision of Tier 1 was eliminated effective April 15, 1977.

1980

A new Tier 3 Safety Members' pension plan, (formerly Article XXXV, Plan 1) was created effective December 8, 1980. It provides for a pension at age 50 with 10 years of service based on a formula of 2 percent per year of service up to 20 years and 3 percent for each additional year of service, up to a maximum pension of 70 percent of a 12-month Final Average Salary. Member contributions to the System are 8 percent of salary and are refunded with interest upon termination. Pensions for surviving spouses are equal to 60 percent of the member's pension.

1981

Extensive revisions to the investment provisions of the Charter provided for:

1. The investment of up to 70 percent of fund assets in common stock and up to 25 percent of the 70 percent without dividend record and registration on a national securities exchange;

2. The investment of 35 percent of fund assets in short-term securities;
3. The appointment of a securities custodian bank;
4. A requirement to retain investment advisors registered under the Investment Advisor Act;
5. The selling and repurchasing of covered call options; and
6. Authority to conduct transactions and exchanges of securities without specific prior approval from the Board of Pension Commissioners, within established guidelines.

1982

Significant revisions to Tiers 1 and 2 provided a 3 percent cap on the cost of living adjustment for all future service earned by active members and a refund of member contributions upon termination.

Cost of living adjustments were prorated for the first year of retirement.

Paramedics and civilian ambulance drivers were transferred from the Los Angeles City Employees' Retirement System to Tier 3.

1983

Tier 1 and 2 active members were no longer required to contribute to the Pension System upon completion of 30 years of service.

1984

The City Charter was amended to permit banks and insurance companies to act as investment advisors to the System.

1985

Authority was extended to include investment in real estate by all City of Los Angeles pension systems.

1989

The System began pre-funding the health insurance premium subsidy benefits.

On April 26, 1989, in the case of the United Firefighters of Los Angeles City vs. the City of Los Angeles, the California Court of Appeals upheld the Los Angeles County Superior Court's judgment for the plaintiffs.

As a result, the 3 percent cap on cost of living increases instituted in 1982 for Tier 1 and 2 members was lifted.

1990

A series of measures were enacted that allow the City to protect the integrity of the System in response to new tax code regulations.

The waiting period was removed for cost of living adjustments for surviving spouses of members hired before December 8, 1980 who die in the line of duty.

1992

California Proposition 162, or the California Pension Protection Act of 1992, was on the November 3, 1992 ballot as an initiated constitutional amendment, where it was approved.

Proposition 162 made several changes to California's constitution relating to public retirement systems:

1. It gave the board of each public pension system complete authority for administration of the system's assets and for the actuarial function.
2. Each board is required to continue to provide benefits to members of the system and their beneficiaries, minimize employer contributions, and pay reasonable administrative costs. Proposition 162, however, specified that each board is to give highest priority to providing benefits to members and their beneficiaries.
3. Prop 162 specified that the Legislature cannot change terms and conditions of board membership, for boards with elected employee members, unless a majority of the persons registered to vote in the jurisdiction of the retirement system approves the change. For example, a change in a county retirement system's board membership would require a countywide vote.

1993

The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25 percent to 50 percent of the stock portfolio.

Retired Tier 2 members may be recalled for up to one year after retirement.

1995

The amount of salary to be used to calculate pension benefits was capped at $150,000 (adjusted annually) for members hired on or after July 1, 1996.

The City Council was authorized to enact ordinances required to maintain the tax-qualified status of Tier 3 under federal law.

1996

In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents.

Effective December 5, 1996, pension benefits to the qualified surviving spouse of a deceased firefighter or police officer continue even if the spouse remarries.

The City implemented an Internal Revenue Code provision that required the System to collect member contributions on a pre-tax basis. Previously, member pension contributions were collected after-tax from July 1, 1982 to December 21, 1996; and pre-tax before July 1, 1982.

1997

A new Tier 4 pension plan (formerly Article XXXV, Plan 2) was established effective July 1, 1997. All Tier 3 members hired between December 8, 1980 and June 30, 1997 were given until June 30, 1998 to make an irrevocable transfer to Tier 4.

Tier 4 provides retirement benefits at any age after 20 years of service based on a formula of 2 percent per year of service up to 20 years, plus 3 percent for each additional year of service, up to a maximum pension of 70 percent of a 12-month Final Average Salary. Members contribute 8 percent of salary to the System and are not refunded upon termination. Deferred retirement is not an option.

Tier 3 and 4 members retiring on or after July 1, 2000 at a rank no higher than Fire Captain or Police Lieutenant shall receive credit for prior hazard pay if no hazard pay was received during the 12-month period used to determine Final Average Salary for pension purposes.

The Charter was also amended to allow, at the discretion of the City Council, administrative expenses, which shall include investment management expenses, to be paid from fund assets.

The City Council approved an ordinance lowering the eligibility age to 55 for the health insurance premium subsidy for members retiring on or after July 1, 1998 with at least 10 years of service.

1999

The City Council was given authority to establish, by ordinance, survivor benefits for domestic partners and pension benefits for sworn employees brought into City employment by merger or contract for fire or police services.
A provision was established so that members hired July 1, 1997 through December 31, 1997 could irrevocably elect to transfer from Tier 4 to Tier 3. The provision allowed the Metropolitan Transportation Authority officers who merged into the Police Department to join either Tier 3 or Tier 4. A delay in the merger made it necessary to add this provision so that negotiated benefits could be provided.

2000

Effective January 17, 2000, domestic partners became eligible to receive survivor benefits under the same eligibility requirements as surviving spouses after filing a Declaration of Domestic Partnership with the Board of Fire and Police Pension Commissioners. Surviving spouses and domestic partners became eligible to receive a health insurance premium subsidy upon the member's death, subject to eligibility requirements.

The new City Charter became effective July 1, 2000.

The primary changes affecting the System provided:

1. The official department name became the "Department of Fire and Police Pensions."
2. The plans were reorganized under a new Charter Article number. Articles XVII, XVIII, XXXV Plan 1, and XXXV Plan 2

are referred to as Tiers 1, 2, 3, and 4, respectively.

3. The Board of Fire and Police Pension Commissioners (Board) was expanded from seven to nine members to include an elected retired fire member and an elected retired police member.
4. The Board selects

the General Manager, subject to confirmation by the Mayor and City Council, and may remove the General Manager, subject to confirmation by the Mayor.
5. Assistant General Manager positions are appointed on an exempt basis.
6. The powers, duties, and responsibilities of the Board are more expressly recognized and include:

   A. Language consistent with the provisions of California Constitution Article XVI, Section 17;
   B. The prudent person investment standard;
   C. Sole and exclusive power to provide actuarial services;
   D. Control over litigation and settlement of litigation that involves policies and funds under Board control; and
   E. Deletion of the City Council's right to veto any Board decisions.

7. The definition of dependent parent was revised so that United States residency at the time of the member's death is no longer a requirement.

2001

Charter changes were approved to:

1. Enable the City Council to establish by ordinance a Deferred Retirement Option Plan (DROP).
2. Combine all tiers into a single plan for funding purposes.
3. Require the City Council to create, by ordinance, a new Tier 5 pension plan effective January 1, 2002.
4. Allow surviving spouses who remarried prior to December 5, 1996 to collect survivorship benefits.
5. Enable the City Council to provide by ordinance a dental subsidy for retirees.

2002

By City Council ordinance, a new Tier 5 pension plan became effective January 1. Active members of existing tiers could elect to irrevocably transfer to Tier 5 during the period from January 2, 2002 to December 31, 2002. Tier 5 members are eligible to retire at age 50 with 20 years of service and receive a pension benefit of 50 percent of a 12-month Final Average Salary, plus 3 percent for each additional year of service (except 4 percent for the 30th year), up to a maximum of 90 percent for 33 or more years of service. Members contribute 9 percent of salary to the System; 8 percent if Plan assets meet or exceed the 100 percent funding level.

The Deferred Retirement Option Plan (DROP) became effective May 1, 2002. DROP is a voluntary program whereby a member with a minimum of 25 years of service (members of Tiers 3 and 5 must also be at least age 50) may file for a Service Pension but continue to work and earn salary and benefits as an active member. The monthly Service Pension benefit is deposited into a DROP account that earns a 5 percent per annum return, payable upon exiting DROP. Participation in DROP is limited to a maximum of 5 years.

A dental subsidy for retirees became effective January 1, 2002. To qualify, a member must be age 55 with a minimum of 10 years of service. For each year of service, a member earns 4 percent of the maximum available subsidy.

Effective January 1, 2001, retirees and surviving spouses/domestic partners not able to enroll in a Board-approved health plan because they live out of state or outside the service area of a Board-approved HMO became eligible to receive a health insurance premium reimbursement. Administration of the program began in 2002, retroactive to the effective date.

The first payment under the Excess Benefit Plan was made. This plan was first authorized in 1990 to

supplement the benefits to certain employees to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986, as amended. This plan is nonqualified under the Internal Revenue Code.

2003

Annual active member statements of service credit and recorded contributions were issued to members for the first time since 1985.

Based on recent federal and state legislation, active members may use funds from deferred compensation to purchase service credit.

2005

On January 20, 2005, an ordinance was enacted allowing former Tier 2 members who had prior service as paramedics or civilian ambulance personnel under the Los Angeles City Employees' Retirement System to purchase this period of service.

In the March 2005 election, the voters approved two Charter amendments. The first amendment authorized the City Council to adopt an ordinance to transfer the sworn Port Police Officers to Tier 5 of Fire and Police Pensions.

The second amendment provided the following:

1. Instituted return-to-duty provisions similar to those in Tier 2 to members in Tiers 3, 4, and 5.
2. Authorized the City Council to allow a City Defrayal of Employee Contributions by Ordinance. This means the City may pay a portion of the employee

contributions to Tiers 3, 4, and 5, not to exceed 2 percent of the required contributions in lieu of a salary increase or a portion of an increase. This provision is to be used during Memorandum of Understanding negotiations as part of a total economic package and the cost will be evaluated at that time.

3. Authorized the City Council to set the maximum sworn retiree health insurance premium subsidy by ordinance. Prior to this change, the Charter limited the maximum sworn retiree health insurance premium subsidy to the lesser of the maximum active sworn member health subsidy or the maximum civilian retiree health subsidy. The City Council

can delegate authority for setting sworn retiree subsidies to the Board of Fire and Police Pension Commissioners.

2006

An ordinance was effective January 4, 2006, which gave current Port Police Officers the choice of transferring to Tier 5 or remaining in the Los Angeles City Employees' Retirement System. Persons appointed on or after January 8, 2006, as specified in the ordinance, become members of Tier 5 upon graduation from academy training required by the Harbor Department.

The actuarial valuation of 2005 found the Plan less than 100% funded for pension benefits. As required by Los Angeles Administrative Code Section 4.2014, Tier 5 member contributions were increased to 9 percent effective July 1, 2006.

2007

The election period for sworn Port Police Officers to transfer to Tier 5 closed on January 5, 2007, with 40 Port Police Officers electing membership in Tier 5.

On February 1, 2007, the Board of Fire and Police Pension Commissioners (Board) created an Audit Committee, followed by the

creation of an Internal Audit function within the System.

On March 6, 2007, voters passed a Charter amendment giving the City Council authority to establish, by ordinance, a voluntary Public Service Purchase Program. The program is to provide a means for Plan membership to purchase eligible full-time service with the military and/or with other public agencies for the purpose of increasing pension credits. The member must assume the full actuarial cost of the purchase.

The Deferred Retirement Option Plan (DROP) completed its fifth year on April 30, 2007. Participants who enrolled in DROP from its inception, May 1, 2002, were required to exit the program by April 30, 2007. There were approximately 200 mandatory exits processed in April and May 2007.

The City Council approved an extension of DROP, commencing May 1, 2007 and ending April 30, 2012, and excluded participation by the Chief Engineer of the Fire Department and the Chief of the Police Department.

In July 2007, the System began audits of the retiree medical and dental plans offered by the Los Angeles Firemen's Relief Association, the Los Angeles Police Protective League, the Los Angeles Police Relief Association, and the United Firefighters of Los Angeles City. The principal focus of the audits were eligibility, benefits, administrative, and financial analysis.

On September 6, 2007, the Board voted to revise its proxy voting guidelines to vote "FOR" shareholder proposals that request management to report on climate change. This change was in light of survey results released by an advocacy group known as the Carbon Disclosure Project (CDP). The study determined that 80 percent of U.S. companies believe that climate change poses commercial risks for their businesses. As a result, investors are encouraging more environmental disclosure from companies. The Supreme Court had ruled in April 2007 that greenhouse gases are a pollutant that may be regulated by the Environmental Protection Agency.

The first management audit of the System was conducted by Independent Fiduciary Services with the results released on December 3, 2007. Charter Section 1112 requires the City Controller, the Office of the Mayor, and the Los Angeles City Council to complete a management audit once every five years to be conducted by an independent, qualified management auditing firm. The purpose of the audit was to examine whether the System operates in the most efficient and economical manner.
The audit found that the System was generally operating efficiently and in accordance with industry best practices, providing good investment returns overall, utilizing reasonable actuarial assumptions and methods, and pre-funding health insurance premium subsidy benefits.

2008

The Public Service Purchase (PSP) ordinance was adopted by the City Council on April 8, 2008 and became effective April 22, 2008. On June 1, 2008, a PSP calculator was made available online to eligible members to perform cost estimates for the purchase of service. The first purchase was completed in June.

The City Council adopted the following amendments to the Deferred Retirement Option Plan (DROP):

1. July 3, 2008 - A DROP member who is subsequently appointed Fire or Police Chief prior to exiting DROP shall be allowed to rescind his/her DROP election
2. November 4, 2008 - A definitive ending date for DROP was removed, and a member must be on an active duty/working status at the time of entry into the program.

2009

On March 3, 2009, voters passed two Charter amendments:

1. The first measure established a Survivor Benefit Purchase Program that allows retired members of the Plan to purchase, at their own expense, a survivor benefit for a spouse or domestic partner. The retiree's monthly benefit is actuarially reduced to cover the cost of providing this survivor benefit.
2. The second measure modified the Dependent (Disabled) Children Survivor Benefits provided by the Plan. Dependent Children may now marry or be adopted without losing the right to Dependent Child benefits. Additional payment options, which do not increase the amount of benefits payable, were also authorized. The Board of Fire and Police Pension Commissioners (Board) was granted the authority to pay Dependent Child benefits to a Special Needs Trust for the benefit of the disabled child.

On May 7, 2009, the Board terminated its contract with private equity consultant, Aldus Equity Partners. The termination was based in part on "pay-to-play" complaints filed against Aldus by the State of New York and the Securities and Exchange Commission. One of the founders of Aldus later pleaded guilty to felony securities fraud in the New York attorney general's pension fund corruption probe. In addition, two appointed commissioners resigned from the Board on this day.

On July 23, 2009, the Board adopted a "Contractor Disclosure Policy" to regulate the System's contractors and fine or terminate those who violate the policy. The policy complies with the provisions of Assembly Bill 1584 (later enacted into law on October 11, 2009), requiring the disclosure of gifts, campaign contributions, and meetings with the System's investment managers, consultants, and other contractors, to provide transparency and help avoid conflicts and the appearance of conflicts.

2010

On April 1, 2010, the Board retained Northern Trust Benefit Payment Services as the issuer for monthly pension payments. The Northern Trust Benefit

Payment Participant Web Passport System replaced the outdated mainframe-based Retirement and Pension Payment System

operated and maintained by the City of Los Angeles Office of the Controller and Information Technology Agency. In October 2010, the Plan issued pension payments utilizing the new benefit payment system for the first time. As a result of this transition, pensioners received 13 pension payments for Tax Year 2010, instead of the usual 12.

2011

On March 8, 2011, voters approved Charter Amendment G which:

1. Established a Tier 6 for new members effective July 1, 2011. As a result of pension reform, Tier 6 participants will be required to contribute 11 percent, 2 percent more than the Tier 5 maximum 9 percent contribution. The additional 2 percent will be contributed in exchange for the retiree health benefits provided to members of other tiers who were retired as of April 8, 2011. Tier 6 members are eligible to retire at age 50 with 20 years of service and receive a pension based on a formula of 40 percent of a 24-month Final Average Salary, plus 3 percent per year of service for years 21 through 25; 4 percent per year for years 26 through 30; and 5 percent per year thereafter, up to a maximum of 90 percent for 33 or more years of service.
2. Removed the System's amortization policies from the Charter and the Los Angeles Administrative Code. Instead, these policies shall be adopted by the Board of Fire and Police Pension Commissioners upon the advice of its consulting actuary.

On July 15, 2011, the City Council adopted an ordinance to permanently freeze the retiree non-Medicare and Medicare health insurance premium subsidy benefits at the rates in effect on July 1, 2011 for members who enter DROP or retire on or after July 15, 2011. The ordinance also provided, per letters of agreement signed by each labor organization, an election period whereby the affected members could elect to unfreeze their retiree medical subsidy by making additional 2 percent "opt-in" contributions. The freeze does not apply to Tier 6 members, as they are required to contribute the additional 2 percent.

2012

On May 15, 2012, the City Council approved a City Administrative Officer report that recommended consolidating the Department of General Services, Office of Public Safety (OPS), into the Police Department (LAPD). The consolidation was adopted with an effective date of July 1, 2012. OPS employees who successfully transition to a regular LAPD sworn classification had two years to make an irrevocable election to opt out of the Los Angeles City Employees' Retirement System and become a member of the Fire and Police Pension System. The opt-out election must have been made no later than December 12, 2014.

2013-2014

On June 27, 2013 and January 8, 2014, the City issued Management Audit Interim and Final Reports, constituting the second Charter-mandated audit of the System. The two audit reports determined that, overall, the System is generally operating in an effective manner.

Specifically, the reports found that the processes to monitor investment performance are sound, investment manager fees are reasonable, and the System's procedures for long-term planning and monitoring of its financial condition are proper.

On August 8, 2014, the City Council adopted an ordinance to add Deferred Retirement Option Plan (DROP) provisions for Tier 6 members. Tier 6 members must have a minimum of 25 years of service and be at least age 50 in order to enter the DROP program.

By December 12, 2014, a total of 22 former Office of Public Safety (OPS) employees who transitioned to regular sworn classifications with the Police Department opted out of the Los Angeles City Employees' Retirement System (LACERS) and became members of Tier 6 of the Fire and Police Pension System.

2015

The Board of Fire and Police Pension Commissioners engaged Segal Consulting to perform an Internal Revenue Code operational compliance audit of the System. The purpose of the audit was to perform an independent review of the administrative operations and practices of the System to determine whether it meets the standards set forth in the Plan documents and is compliant with applicable federal tax laws. The audit concluded that the Plan is substantially in compliance with the requirements under the Internal Revenue Code, related Treasury Regulations and other applicable federal laws.

2016

In March 2016, after nearly 30 years of leasing office space in Little Tokyo, LAFPP relocated to a new headquarters facility located in the Los Angeles Downtown Arts District. The Board approved the purchase of the building in December 2012. For approximately two years, the building underwent major renovations and features an energy efficient and environmental design; enhanced security; larger counseling rooms; and ergonomic workstations for staff.

On February 18, 2016, the Board's Specialized Private Equity Investment Manager Program was modified to include for the first time, Lesbian, Gay, Bisexual and Transgender (LGBT) owned or disabled veteran owned funds. By adding these ownership groups to the specialized program, LAFPP provides the LGBT and disabled veteran communities access to institutional investment capital. Additionally, LAFPP was recognized as one of the first pension systems in the country to provide this access to the LGBT community.

On May 19, 2016, the Board approved disbanding standing committees (Audit, Benefits, and Governance) due to active engagement and attendance by all Board Members. The Board also decided to re-assess this governance structure after 24 months.

On November 8, 2016, voters approved a Charter amendment which would: 1) Enroll new Airport peace officers hired on or after January 7, 2018, into Tier 6 of the Fire and Police Pension System; 2) Allow Airport peace officers hired prior to January 7, 2018,

to transfer into Tier 6 from LACERS at their own expense; and 3) Permit new Airport Police Chiefs to transfer into LACERS rather than participate in Tier 6.

2017

After serving over 42 years on the Board, Sam Diannitto resigned from the Board with September 22, 2017 being his last meeting. Commissioner Diannitto served as the Fire Active Board member from 1972 until his retirement in 1997. He then served as the first Retired Fire Board member from 2000 to September 30, 2017.

2018

Effective January 7, 2018, 42 of approximately 550 eligible Airport Police Officers elected to transfer from LACERS to LAFPP. This action was pursuant to the Charter amendment dated November 8, 2016, which allowed Airport peace officers hired prior to January 7, 2018, to transfer into Tier 6 from LACERS at their own expense.

In May 2018, the Board re-assessed the governance structure of not having standing committees. Due to the Board continuing to be actively engaged, and due to staff research that found other retirement systems also do not have standing committees, the Board elected to continue without standing committees until a change is warranted.

In late 2018, the Board entered into formal contracts with Los Angeles Police Relief Association (LAPRA), Los Angeles Firemen's Relief Association (LAFRA), United Firefighters of Los Angeles City (UFLAC), and Los Angeles Police Protective League (LAPPL) for health and dental plan administration services. Under the new contracts, each of the plan administrators agreed to present annual reports to the Board, including critical information on pricing, covered benefits, and premium and administrative fee changes.

2019

In January 2019, following negotiations between the City and labor unions over concerns that members were taking extended periods of time off after entering DROP, the City Council adopted the following amendments to the DROP program:

1. Any member who enters DROP on or after February 1, 2019, shall have his/her participation in DROP suspended for any month in which he/she does not spend at least 112 hours on active duty.
2. Members who are injured on duty and hospitalized for 3 or more days are exempt from the above provision for the first year following the date of injury.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