ANNUAL REPORT

1994

(July 1, 1993 to June 30, 1994)

CITY OF LOS ANGELES DEPARTMENT OF PENSIONS

FIRE AND POLICE PENSION SYSTEMS

Department of Pensions

360 East Second Street • Suite 600 • Los Angeles, California 90012

1994 Annual Report

July 1, 1993 to June 30, 1994

Gary Mattingly
General Manager

Allan Moore
Assistant Manager

Eudon Ferrell
Assistant City Attorney

Tom Lopez
Chief Investment Officer

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MAYOR
Richard J. Riordan

City Attorney	**Controller**
James Kenneth Hahn	Rick Tuttle

CITY COUNCIL

John Ferraro, *President*
Richard Alatorre, *President Pro Tempore*

Mike Hernandez First District	**Joel Wachs** Second District	**Laura Chick** Third District
John Ferraro Fourth District	**Zev Yaroslavsky** Fifth District	**Ruth Galanter** Sixth District
Richard Alarcon Seventh District	**Mark Ridley-Thomas** Eighth District	**Rita Walters** Ninth District
Nate Holden Tenth District	**Marvin Braude** Eleventh District	**Hal Bernson** Twelfth District
Jackie Goldberg Thirteenth District	**Richard Alatorre** Fourteenth District	**Rudy Svorinich, Jr.** Fifteenth District

BOARD OF PENSION COMMISSIONERS

Rockwell Schnabel, *President*

Gay Harwin *Vice President*	**John Real** *Commissioner*
Thomas A. Dawson *Commissioner*	**Nicholas Stonnington** *Commissioner*
Sam Diannitto *Commissioner*	**Sherilyn Williams** *Commissioner*

City of Los Angeles

CALIFORNIA

DEPARTMENT OF PENSIONS
360 East Second Street
Suite 600
Los Angeles, CA 90012-4203
485-2833

GARY MATTINGLY
GENERAL MANAGER

RICHARD J. RIORDAN
MAYOR

ALLAN E. MOORE
ASSISTANT GENERAL MANAGER—FISCAL

JAMES J. McGUIGAN
ASSISTANT GENERAL MANAGER—BENEFITS

TOM LOPEZ
CHIEF INVESTMENT OFFICER

June 30, 1994

The Honorable Tom Bradley, Mayor
and
Honorable Members of the City Council:

In accordance with the Charter, I am submitting the Annual Report on the affairs and operations of the Department of Pensions for the fiscal year ended June 30, 1994.

We earned $191 million during the year, increasing our assets to $5.55 billion. In addition to hiring two emerging equity managers, we terminated one options overwriting manager and one small cap equity manager. We also rehired two options overwriting managers, three small cap equity managers, and the performance measurement consultant.

We continue to make significant progress in reducing the unfunded liability of our pension benefits. On an actuarial basis we are 62.4 percent funded. After beginning to prefund health benefits in the 1989-90 fiscal year, we are now 19.5 percent funded.

To improve members' services and operate more efficiently, we reviewed internal member services processes and found we could improve services and reduce redundant data entry by integrating the majority of this work into one flexible system. We completed a requirements definition and began a search for a system to meet those requirements.

I have included financial statements prepared by our auditors, Miller, Kaplan, Arase & Co., and a summary report of our actuary, The Wyatt Company.

Respectfully submitted,

Gary Mattingly

Gary Mattingly

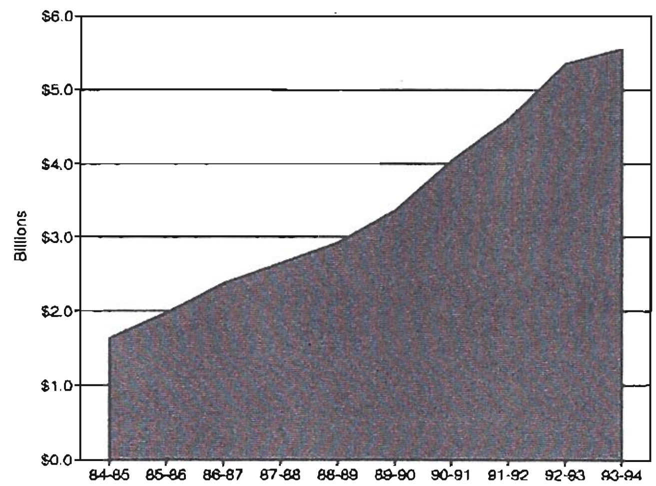
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from $3.31 billion to $5.55 billion. The investment program produced a gain of $190.85 million for the year ending June 30, 1994.

MARKET VALUE GROWTH OF SYSTEM ASSETS
Fiscal Year Ending June 30



Investment Environment

The bond market *(Salomon Bros. Broad Investment Grade Index)* produced a negative return of 1.18 percent for the year ending June 30, 1994. Large capitalization stocks *(S & P 500)* achieved a positive 1.36 percent return. Small stocks *(NASDAQ Composite)* returned a positive 1.07 percent. International stocks *(Morgan Stanley EAFE)* had an outstanding 17.0 percent return. Real Estate as measured by the Russell-National Council of Real Estate Investment Fiduciaries Index *(NCREIF)* reversed its prior year slide and beat the domestic bond and stock returns with a 4.1 percent return.

Investment Performance

The investment objectives of the System, over a full market cycle (usually 3 to 5 years), are a return of at least two percent above the consumer price index per year and above median investment performance for public funds.

For the past five years, the System's annualized return of 9.82 percent was more than double the inflation measure increase of 3.60 percent. For the one year period, the System's overall investment performance was up 3.50 percent and outpaced the Consumer Price Index increase of 2.49 percent.

The System's performance was outstanding compared with other public funds (Trust Universe Comparison Service [TUCS]) over the past three to five years, ranging between the 1st and 7th percentile, meaning the investment return was better than 93 to 99 percent of other public pension funds. For this past year, the System returned 3.50 percent (11th percentile) versus the public fund median of 1.70 percent. Most public funds have a higher commitment to bonds and a lower commitment to stocks. Our relative above median performance this year is mainly attributable to the above average performance of equities versus bonds.

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 superior investment performance in the long term.

The asset class targets for this period remained unchanged from the prior year and were as follows:

U.S. Large Capitalization Stocks	47%
U.S. Small Capitalization Stocks	5%
Non-U.S. Stocks	6%
U.S. Investment Grade Bonds	27%
High Yield Bonds	5%
Real Estate	10%

The actual asset class percentages of the System will vary from target allocations due to inflows (such as City and member contributions), outflows (such as pension payments) and the movements of the securities markets. Assets are periodically rebalanced to adjust for these movements. As of June 30, 1994, the asset values were as follows:

ASSET CLASS	MARKET VALUE (In millions) As of 6/30/94
U.S. Large Capitalization Stocks	$2,644.0
U.S. Small Capitalization Stocks	308.0
Non-U.S. Stocks	382.0
U.S. Investment Grade Bonds	1,470.2
High Yield Bonds	310.8
Real Estate	312.2
Cash Equivalents	121.3
Total	$5,548.5

Domestic and foreign securities lending contributed $1,241,593 toward investment performance for the year. The options overwriting program is designed over the long run to add incremental return and reduce portfolio volatility. For the year, the program reduced investment return by $16.9 million.

Investment Activity

For the past six years, we have implemented our Asset Allocation Plan. With the Plan now in place, we have contineud to make portfolio advisory changes and other actions which are intended to increase the performance of the Fund. The major portfolio advisory activities for the year included the addition of two emerging equity (value style) managers, the termination of one options overwriting manager, and the termination of one small cap equity manager. Administrative actions included the rehiring of two options overwriting managers, three small cap equity managers, and the performance measurement consultant. The real estate acquisition program continued with the purchase of an industrial warehouse portfolio in Houston, more office buildings in Denver, two shopping centers in Houston, one shopping center in Old Bridge, New Jersey, and an apartment complex in Santa Rosa, California.

Two years ago the Board approved an emerging manager hiring program designed to enable the Board to consider hiring small money management firms who may make a significant contribution to the overall financial goals of the Pension Fund. The two emerging equity managers hired this year were CIC Asset Management and Cardinal Advisors.

Other Activity

The System votes all domestic and available international proxy solicitations. We voted 771 corporations' proxies in Fiscal Year 1993-94. The System votes affirmatively on preemptive rights, cumulative voting, adoption of the Sullivan Principles, and confidential voting. The System opposes anti-takeover measures and generally abstains on issues of a social, political, or environmental nature that have no expected economic impact on the System's assets.

The Board terminated the South Africa Divestiture Program soon after political events in South Africa indicated that the apartheid policy was coming to an end.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Short Term Investments	Real Estate
84-85	47.0%	41.0%	12.0%	—
85-86	51.7%	39.9%	8.4%	—
86-87	55.0%	33.0%	12.0%	—
87-88	53.0%	35.0%	10.0%	2.0%
88-89	59.8%	32.7%	5.7%	1.8%
89-90	52.4%	31.8%	9.9%	5.9%
90-91	52.0%	32.7%	9.2%	6.1%
91-92	51.7%	32.2%	10.4%	5.6%
92-93	59.0%	26.4%	11.4%	3.2%
93-94	58.6%	24.6%	11.0%	5.8%

Annual Rates of Return

Fiscal Year	Equities	Fixed Income	Real Estate	Total Fund*	CPI**
1984-85	29.6%	28.9%		25.3%	3.7%
1985-86	35.3%	19.1%		26.6%	1.7%
1986-87	23.7%	5.7%		14.2%	3.7%
1987-88	– 5.3%	6.9%		0.3%	3.9%
1988-89	20.5%	12.5%	8.7%	16.0%	3.7%
1989-90	14.9%	5.5%	7.4%	10.5%	4.7%
1990-91	5.2%	10.5%	– 3.0%	4.8%	4.3%
1991-92	15.2%	17.6%	– 3.1%	14.0%	3.1%
1992-93	18.7%	17.7%	–15.3%	16.0%	2.8%
1993-94	2.7%	0.7%	9.4%	3.5%	2.5%

*Total fund includes short-term investments **CPI is for the U.S. ending June 30th

Investment Advisors

STOCK MANAGERS

Alliance Capital Management
Amerindo Investment Advisors
The Boston Company
Brown Capital Management
Cardinal Advisors
CIC Asset Management
Delta Asset Management
Frontier Capital Management
Loomis Sayles & Company
Target Investors, Inc.

INTERNATIONAL STOCK MANAGERS

Clay Finlay, Inc.
Nomura Capital Management, Inc.
Oechsle International Advisors, Ltd.

BOND MANAGERS

The Boston Company Institutional Advisors, Inc.
GEM Capital Management
HCM Capital Management

BOND MANAGERS (Cont'd)

Lincoln Capital Management
Loomis Sayles & Company
Magten Asset Management Corporation
Smith, Graham & Company

OPTION MANAGERS

MCQ, Inc.
Oppenheimer Capital Corporation

REAL ESTATE MANAGERS

MacFarlane Partners, L.P.
Copley Real Estate Advisors
Equitable Real Estate
JMB Institutional Realty Corporation
Lowe Enterprises Investment Management, Inc.
Prudential Asset Management Company
Public Storage Institutional
RREEF
Sentinel Real Estate Corporation

Actuarial Valuation

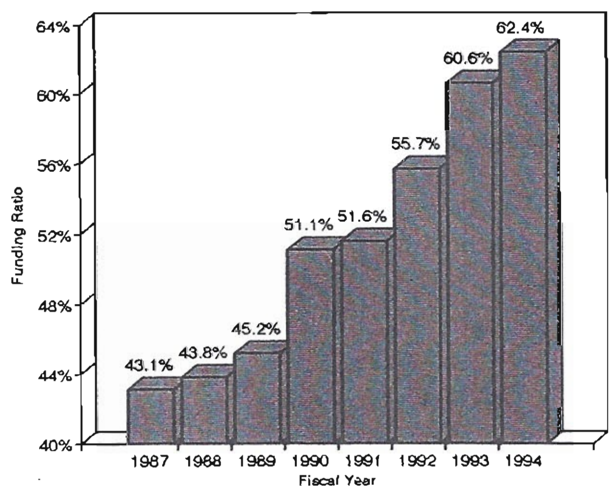
Actuarial Valuation Summary

Actuarial Valuations

Two actuarial valuations of the assets and liabilities of the pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries, the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress of the system and determine the annual contribution requirements.

The funded status of the pension system is examined over a time span of several years to determine if funding progress is made. As can be seen by the following graph, satisfactory funding progress has occurred over the past nine years.

FUNDED STATUS



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Sections 186.2, 190.09 and 528 of Articles XVII, XVIII, and XXXV respectively. An actuarial valuation examines the membership of the pension system as currently constituted, then projects future liabilities using various assumptions.

Non-economic actuarial assumptions on mortality of members and spouses, probability of service retirement and disability, probability of termination prior to retirement, and probability of having a surviving beneficiary, are created from studies made of the actual experience of the membership of the system. A new study is conducted not less than once every five years.

These assumptions are recommended by an actuary and adopted by the Board of Pension Commissioners. The last study was adopted by the Board on November 1992. An example of projected mortality is as follows:

Average Expected Years of Life Remaining for Pensioners

Service Pensioner (Average Age = 64)	17.4 years
Disabled Pensioner (Average Age = 55)	21.2 years
Survivor (Average Age = 72)	16.1 years

Economic assumptions are also studied, recommended by the actuary, and adopted by the Board. Economic assumptions in effect for this valuation period are:

Economic Assumptions

Cost-of-Living	*5.5%
Individual Salary	6.5%
Aggregate Salary	5.5%
Interest	8.5%

*(*Article XXXV is capped at 3%)*

Pension Benefit Balance Sheet

Cost of living 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 interest assumption.

Once the liabilities of the system are computed the valuation study projects the member contributions expected to be received, which are reduced to today's dollar terms using the interest assumption. The individual salary assumption is used to project the total member contributions. The Entry Age Normal Cost contribution, the amount the City would contribute for a hypothetical new entrant into the system, is calculated. This amount would theoretically be sufficient to fully fund a member's retirement on the date of retirement if all assumptions were realized and no benefit changes were made.

These potential future contributions are considered assets of the system, along with assets currently being invested by the Pension Department. For purposes of determining the system contributions, the current assets are determined as a blend of the market value and book value of the assets.

As can be seen on the Actuarial Balance Sheets *(see p. 11)*, the balance of $3.200 billion is considered the unfunded actuarial liability.

Why there is an Unfunded Actuarial Liability

An unfunded actuarial liability can result from many variables. Often, benefit increases are credited to members while in the middle of their career, or even after they have retired. Since these benefit enhancements did not exist when the funding of the members' benefit began, contributions were not made during all or part of the members' working career. An example of a benefit enhancement that occurred was the lifting of a 2% cap on cost-of-living increases. This applied to all members, active and retired, and created an immediate unfunded liability. (The **Milestones** section of this report contains more examples of benefit changes.)

The Entry Age Normal Cost actuarial method normally results in actuarial gains or losses, unless all actuarial assumptions are met each year. These actuarial gains or losses also result in decreases or increases in the unfunded actuarial liability.

Occasionally, the actuarial methodology itself is refined according to accepted actuarial practice. For example, salary increases were not utilized in the computations until the late 1970s. When this practice was included, it created an additional unfunded liability.

Finally, during a period in the history of the Pension System, the funding was on a pay-as-you-go basis, instead of an actuarial basis. When the system shifted to an actuarial basis, an immediate unfunded liability resulted.

How The Contribution Requirements Are Calculated

The contribution is comprised of two pieces: the Entry Age Normal Cost Contribution and the contribution to amortize the unfunded liability. The unfunded liability is amortized over a time period and methodology prescribed in the Charter for each plan. The amortization period for Articles XVII and XVIII is scheduled to end June 30, 2037.

Article XVII is amortized as a level dollar amount. Article XVIII is amortized as a level percent of all system members' (Articles XVII, XVIII, and XXXV combined) salaries. Article XXXV's amortization basis is a level percentage of plan members' salaries over a continuous fifteen year cycle. Each year's actuarial gain or loss is amortized for fifteen years. Any gains or losses resulting from benefit changes are amortized over a thirty year period. Changes in the unfunded actuarial liability resulting from benefit changes are amortized over a thirty-year period.

With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements Recommended 1995-1996

(As a percentage of plan members' salary.)

Article XVII	20.035%
Article XVIII	27.559%
Article XXXV	14.941%

Unfunded Liability Contribution Requirements Recommended 1995-1996

Article XVII	$38,362,912
Article XVIII	20.202% of all system members' salaries
Article XXXV	(1.323)% of Article XXXV members' salaries

Health Subsidy Valuation

The health valuation study utilizes the same actuarial assumptions as the study on pension benefits, with the addition of a medical inflation assumption. Currently, medical costs are increasing at a faster pace than inflation. In 1993 the actuary assumed increases of 12% for pre-65 premiums and 11% for post-65 premiums. The actuary recommended a reduction of 6.5% in the trend rate in 2006 and beyond.

Using the same actuarial methods as for pension benefits, the Actuarial Balance Sheet is as shown on page 11.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements Recommended 1995-1996

(As a percentage of plan members' salaries)

Article XVII	0.731%
Article XVIII	2.106%
Article XXXV	4.047%

Unfunded Liability Contribution Requirements Recommended 1995-1996

Article XVII	$1,578,709
Article XVIII	3.689% of all system members' salaries
Article XXXV	0.542% of Article XXXV members' salaries

Valuation of Pension Benefits
Actuarial Balance Sheet As of June 30, 1994

ASSETS	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 14,809,378	$4,512,809,017	$ 583,712,976	$5,111,331,371
2. Present Value of Future Member Contributions	84,651	121,043,386	300,031,792	421,159,829
3. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	441,391	477,174,940	580,140,308	1,057,756,639
b. Unfunded Actuarial Accrued Liability	437,807,222	2,816,481,391	(54,226,233)	3,200,062,380
4. Total Assets	$453,142,642	$7,927,508,734	$1,409,658,843	$9,790,310,219

LIABILITIES	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
5. Present Value of Benefits Already Granted				
a. Service Retirements	$ 127,014,618	$3,413,180,614	$ 2,537,854	$3,542,733,086
b. Disability Retirements	116,117,214	1,116,542,775	22,919,792	1,255,579,781
c. Survivors and Dependents	205,089,021	421,180,294	8,964,482	635,233,797
d. Total	$448,220,853	$4,950,903,683	$34,422,128	$5,433,546,664
6. Present Value of Benefits to be Granted				
a. Service Retirements	$ 4,239,302	$2,369,667,807	988,554,169	3,362,461,278
b. Disability Retirements	655,000	580,419,908	323,149,045	904,223,953
c. Survivors and Dependents	26,758	23,805,970	32,139,684	55,972,412
d. Total	$ 4,921,060	$2,973,893,685	$1,343,842,898	$4,322,657,643
7. Refund of Employee Contributions	729	2,711,366	31,393,817	34,105,912
8. Total Liabilities	$ 453,142,642	$7,927,508,734	$1,409,658,843	$9,790,310,219

Valuation of Post-Retirement Health Subsidy
Actuarial Balance Sheet as of June 30, 1994

ASSETS	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 4,698,337	$ 72,679,770	$ 54,470,297	$ 131,848,404
2. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	9,339	29,680,102	131,131,624	160,821,065
b. Unfunded Actuarial Accrued Liability	18,016,623	514,322,787	33,042,374	565,381,784
3. Total Assets	$ 22,724,299	$ 616,682,659	$218,644,295	$ 858,051,253

LIABILITIES	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
4. Present Value of Benefits Already Granted	$ 22,212,664	$ 346,722,720	$ 1,478,436	$ 370,413,820
5. Present Value of Benefits to be Granted				
a. Actives Eligible to Retire	511,635	177,401,540	442,982	178,356,157
b. Other Actives	0	92,558,399	216,722,877	309,281,276
c. Total	511,635	269,959,939	217,165,859	487,637,433
6. Total Liabilities	$ 22,724,299	$ 616,682,659	$218,644,295	$ 858,051,253

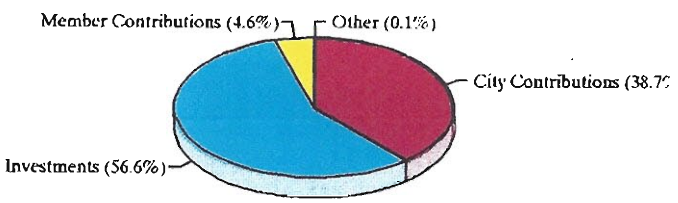
Budget

Department Budget

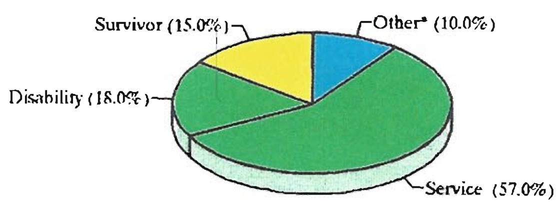
Receipts	Estimated 1993-94	Actual 1993-94
Balance Available	$ 715,875	$ 0
City Contribution	331,770,487	331,770,487
Member Contributions	40,169,762	39,569,299
Earnings on Investments	191,000,000	210,695,996
Gain on Sale of Investments	—	274,971,129
Miscellaneous	400,000	442,277
Total Receipts	**$564,056,124**	**$857,449,188**

Expenditures	Estimated 1993-94	Actual 1993-94
Service Pensions	$215,966,000	$215,711,105
Disability Pensions	69,427,000	69,350,644
Surviving Spouse Pensions	53,387,000	54,615,615
Minors'/Dependents' Pensions	960,000	904,747
Refund of Member Contributions	2,960,000	3,085,918
Medicare	1,527,000	1,525,905
Health Insurance Subsidy	14,703,000	14,634,578
Investment Advisor Expense	13,726,200	12,844,576
Administrative Expense	4,770,850	4,735,496
Total Expenditures	**$379,427,050**	**$377,408,584**
Increase in Fund Balance	**$184,629,074**	**$480,040,604**

RECEIPTS



EXPENDITURES



(*Minors'/Dependents' Pensions, Refund of Member Contributions, Medicare, Health Insurance Subsidy, Administrative Expense.)

Auditor's Report

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JEFFREY S. SLOMIAK, C.P.A.
GEORGE NADEL RIVIN, C.P.A.
EDWIN KANEMARU, C.P.A.
KENNETH R. HOLMER, C.P.A
DOUGLAS S. WAITE, C.P.A
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JOSEPH C. CAHN, C.P.A.
CHARLES SCHNAID, C.P.A
DONALD G. GARRETT, C.P.A.

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Independent Auditor's Report

To the Board of Pension Commissioners of the
City of Los Angeles
Los Angeles, California

Members of the Board:

We have audited the accompanying balance sheets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 1994 and 1993, and the related statements of revenues, expenditures and changes in fund balance for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the City of Los Angeles Fire and Police Pension System as of June 30, 1994 and 1993, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles.

The financial statements as of June 30, for each of the years from 1985 through 1990 (none of which are presented here) were audited by other auditors whose report dated November 15, 1990 expressed a qualified opinion, based on the litigation discussed in Note 11 on those financial statements for each of the years from 1985 through 1988. This litigation was resolved and the resulting unfunded liability recorded in the financial statements beginning for the year ended June 30, 1989. In our opinion, except for the omission in years 1985 through 1988 of recording the unfunded liability discussed above and the inconsistency resulting from the effect of recording the unfunded actuarial liability of the health plan subsidy beginning in the year ended June 30, 1990, discussed in Note 2-G, the information set forth in the supplemental schedules for each of the ten years in the period ended June 30, 1994, appearing on pages 23 through 25, is fairly stated, in all material respects, in relation to the financial statements from which it was derived.

Miller, Kaplan, Arase & Co

MILLER, KAPLAN, ARASE & CO.

November 30, 1994

City of Los Angeles Fire and Police Pension System
Balance Sheets

	JUNE 30, 1994		JUNE 30, 1993	
ASSETS				
CASH		$ 859,379		$ 510,311
RECEIVABLES				
Accrued Interest and Dividend Income	$ 32,511,159		$ 30,470,216	
Contributions	2,424,629		2,381,716	
Due from Brokers and Others	67,918,865		161,975,517	
Accrued Real Estate Income	746,131	103,600,784	1,333,768	196,161,217
INVESTMENTS				
Temporary, at Cost, Which Approximates Market	$ 602,003,290		$ 563,493,050	
Bonds, at Amortized Cost (Market Value of $1,393,332,162 in 1994 and $1,443,539,340 in 1993)	1,463,369,161		1,367,411,966	
Common Stock, at Cost (Market Value of $3,254,258,526 in 1994 and $3,137,891,343 in 1993)	2,598,893,728		2,309,118,507	
Preferred Stock, at Cost (Market Value of $70,395,545 in 1994 and $49,245,096 in 1993)	60,552,143		41,434,021	
Real Estate, including Real Estate Pools, and Real Estate Corporations, at Cost (Market Value of $326,927,744 in 1994 and $197,190,597 in 1993)	335,801,017	5,060,619,339	211,390,353	4,492,847,897
TOTAL ASSETS		**$5,165,079,502**		**$4,689,519,425**
LIABILITIES				
Benefits in Process of Payment	$ 584,045		$ 766,397	
Accounts Payable	6,699,074		5,152,673	
Deferred Option Premiums (Market Value of $94,335,901 in 1994 and $75,606,883 in 1993)	121,631,355		73,347,539	
Due to Brokers	86,524,045		149,461,047	
Mortgage Loan Payable — Note 8	14,694,455	230,132,974	5,936,345	234,664,001
NET ASSETS AVAILABLE FOR BENEFITS		**$4,934,946,528**		**$4,454,855,424**
FUND BALANCE				
Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$5,803,960,484		$5,693,300,421	
Actuarial Present Value of Credited Projected Benefits for Active Employees:				
Member Contributions	404,512,295		398,593,280	
Employer Financed Portion and Non-Refundable Member Contributions	2,491,917,913	$8,700,390,692	2,255,437,953	$8,347,331,654
Unfunded Actuarial Present Value of Credited Projected Benefits		(3,765,444,164)		(3,892,476,230)
TOTAL FUND BALANCE		$4,934,946,528		$4,454,855,424

City of Los Angeles Fire & Police Pension System

Statements of Revenues, Expenditures and Changes in Fund Balance

	JULY 1, 1993 to JUNE 30, 1994		JULY 1, 1992 to JUNE 30, 1993	
REVENUES				
City Contributions	$ 331,770,487		$ 322,506,222	
Member Contributions	36,483,381		39,003,158	
Miscellaneous	442,277	$ 368,696,145	424,867	$ 360,934,247
Investment Income:				
Interest	$ 124,098,492		$ 132,927,855	
Dividends	70,558,846		68,852,278	
Real Estate Income	14,704,263		10,315,512	
Securities Lending Income *(See Note 5)*	1,241,593		928,758	
Other	92,802	210,695,996	262,009	213,286,412
Investment Gains and Losses				
Net Loss on Foreclosure *(See Note 10)*	$—		($ 34,092,187)	
Provision for Permanent Impairment of Bonds	(6,673,194)		(6,967,657)	
Provision for Permanent Impairment of Real Estate	(2,938,978)		(37,823,958)	
Provision for Permanent Impairment of Stocks	$—		(570,199)	
Net Gain on Sale of Investments	301,449,891		2 75,358,468	
Net Loss on Option Premiums	(16,866,590)	274,971,129	(38,525,129)	157,379,338
TOTAL REVENUES		**$ 854,363,270**		**$ 731,599,997**
EXPENDITURES				
Benefits Paid to Participants:				
Service	$ 215,711,105		$ 202,188,142	
Disability	69,350,644		64,900,505	
Surviving Spouses	54,615,615		52,791,776	
Minors and Dependents	904,747		794,956	
Health Plan Subsidy *(See Notes 2-G and 4)*	16,160,483	356,742,594	15,025,470	335,700,849
Investment Manager Fees	$ 12,794,076		$ 11,040,227	
Administrative Expense	4,735,496	17,529,572	4,392,052	15,432,279
TOTAL EXPENDITURES		**$ 374,272,166**		**$ 351,133,128**
NET REVENUES		**$ 480,091,104**		**$ 380,466,869**
FUND BALANCE, BEGINNING		**4,454,855,424**		**4,074,388,555**
FUND BALANCE, ENDING		**$4,934,946,528**		**$4,454,855,424**

City of Los Angeles Fire and Police Pension System
Notes To Financial Statements
June 30, 1994 and 1993

Note 1 — Description of Plan

The City of Los Angeles Department of Pensions operates under provisions of the City Charter of the City of Los Angeles, which provides that the funding requirements of the City of Los Angeles Fire and Police Pension System (the System or the Plan), based on the results of actuarial valuation, will be satisfied by the City of Los Angeles. In addition, the City of Los Angeles is required to fund the administrative expenses of the system.

In general, the System is a defined benefit pension plan covering all firefighters, police officers, paramedics, and civilian ambulance employees of the City of Los Angeles. Benefits are based on members' final compensation and terms of service. In addition, the Plan provides for disability benefits under certain conditions and benefits to eligible survivors. The System is composed of three groups. Those members hired prior to January 29, 1967 participate in the first established Department of Pensions (Old System under Article XVII) unless they requested transfer to the New Pension System (New System under Article XVIII) established for members hired on or after January 26, 1967. Members hired after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV) which was established at that time.

Members with 20 or more years of service in the Old System and New System 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 66⅔% in the Old System and 70% in the New System. There is no minimum age requirement. The Plans provide for unlimited cost-of-living adjustments in benefits. Members who terminate their employment after July 1, 1982 are entitled to a refund of contributions if they do not qualify for a pension or if they waive their pension entitlements. Members of the Safety Members Pension Plan must be age 50, with ten years of service, to be entitled to an annual pension. Benefits are equal to 20% of their one-year average compensation, increasing for each year of service over ten years, to a maximum of 70% for 30 years. Benefits are adjusted by the cost-of-living rate, at a maximum of 3% per year. These benefits can be adjusted by the City Council once every three years.

Since the Plan includes detailed provisions for each situation, members should refer to the Plan documents for more complete information.

Note 2 — Summary of Significant Accounting Policies

A. **Basis of Presentation.** The System's financial statements are prepared on the accrual basis of accounting and presented in accordance with Statement No. 6, "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," of the National Council on Governmental Accounting. Contributions and other income are recorded when earned, expenses when incurred, and gain or loss on sales of investments in the year of disposition.

B. **Cash.** Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles and, at June 30, 1993, cash held by brokers in temporary bank accounts pending funding of real estate investments.

C. **Investments.** The System is authorized to make temporary investments in instruments rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Commercial Paper Record or the equivalent as deterrmined by the Custodian, Bankers Trust Company. Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements are carried at cost, which approximates market at June 30, 1994 and 1993.

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 A-1 and P-1, or equivalent quality as determined by the Custodian.

Bonds are recorded at face value less unaccreted discount or plus unamortized premium. Bond premiums and discounts are amortized or accreted to the maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired.

Common and preferred stocks are carried at their cost basis.

Real estate investments are accounted for on the equity method of accounting when there is an interest of 20% or greater. The cost method has been used for investments of less than 20%. Direct real estate investments are depreciated on a straight-line basis over the estimated useful lives of the properties.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the balance sheet date. Resulting gains or losses are included in the statement of revenues, expenditures and changes in fund balance, if material.

The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Real estate market values are taken from recent appraisals, when available, and from the reports of investment advisors. Market values reflected by reports of advisors are based on recent purchase prices, appraisals and on advisor estimates.

Investments are written down when management deems there is a permanent impairment of value, with resulting charges recognized in the statement of revenues, expenditures, and changes in fund balance.

D. Income from Investments. The Charter of the City of Los Angeles provides that the rate of return from investments, exclusive of gains and losses, shall be credited to member contribution accounts. Realized gains and losses on investments are recognized in the City's actuarial funding calculation.

E. Deferred Option Premiums. As allowed by the Charter of the City of Los Angeles, the System writes covered call options. The deferred option premiums are stated in the accompanying balance sheets at cost. Income or loss on option transactions is reflected in current-year operations upon exercise, expiration, or other disposition of the options.

F. Repurchase Agreements. The System may enter into repurchase agreements with authorized banks and with broker-dealers registered under the Securities and Exchange Act of 1934, subject to the requirement that as collateral, the System receives securities that are direct obligations of or that are fully guaranteed as to principal and interest by the United States Government or any agency thereof; certificates of deposit, or eligible bankers' acceptances and other money market instruments rated A-1 and P-1, having a market value equal to not less than 100 percent of the amount of the repurchase agreement. Such collateral shall have been approved for direct purchase by the System.

At June 30, 1994 and 1993, the System had investments (at cost) in repurchase agreements of $-0- and $19,825,000, respectively. The corresponding market value of these investments approximates cost.

G. Post-Retirement Benefits. Retired members currently receive a health plan subsidy. The amounts paid into this subsidy are charged to current year operations. Effective in the fiscal year ended June 30, 1990, the System recognized the unfunded actuarial liability of the health plan subsidy. The System's actuarial present value of projected benefits and unfunded actuarial liability includes the following amounts as of June 30, 1994 as a result of this change:

Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$370,413,820
Actuarial Present Value of Credited Projected Benefits for Active Employees	$487,637,433
Actuarial Present Value of Unfunded Actuarial Accrued Liability	$565,381,784

Note 3 — Estimated Liability for Pensions

The estimated liability for pensions reflects the liabilities as determined by the System's actuaries based upon actuarial valuations as of June 30, 1994 and 1993. Such liabilities represent computed amounts that, if such amounts were held by the System, with additions from future contributions to be received to cover normal costs and with interest on investments compounded annually at a certain assumed rate, would be sufficient to meet the projected pension obligations. The valuation results for fiscal years ending June 30, 1994 and 1993 were based on demographic assumptions adopted as a result of studies of System experience made as of June 30, 1992. The most significant economic and actuarial assumptions for fiscal years 1994 and 1993 consist of the following:

	June 30, 1994		June 30, 1993	
	Pension System	Health Subsidy	Pension System	Health Subsidy
Investment Return	8.5%	8.5%	8.5%	8.5%
Annual Salary Scale Increase:				
Individually	6.5%	6.5%	6.5%	6.5%
Aggregate	5.5%	5.5%	5.5%	5.5%
Annual Cost-of-Living Increase:				
Old System and New System Members:				
Accrued for Service Prior to June 30, 1982	5.5%	—	5.5%	—
Accrued for All Subsequent Service (Subject to Any Applicable Caps)	5.5%	—	5.5%	—
Safety Members Pension Plan Members	3.0%	—	3.0%	—
Graded Medical Cost Rate Increase:				
Pre-65 Premiums	—	12.0%*	—	14.0%*
Post-65 Premiums	—	11.0%*	—	12.0%*

*Decreasing gradually to 6.5% in 2006 and beyond.

Note 3 — Estimated Liability for Pensions (Continued)

Mortality Among Retirees — The valuation for those on service retirement is based upon the 1983 Group Annuity Mortality Table. The valuation for those on disability retirement is based upon the 1974 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

Mortality Among Spouses — The valuation is based upon the 1983 Group Annuity Mortality Table.

Remarriage Among Spouses — Expected rates of remarriage were developed during the last actuarial investigation based upon actual experience of the System.

Note 4 — Funding Policy

As a condition of participation, members are required to contribute a percentage of their salaries to the System. The System's actuaries, in their reports as of June 30, 1994 and 1993, recommended that New System members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Old System members are required by the City Charter to contribute 6% of salary. Safety Members Pension Plan members are required to contribute 8% of salary.

The Charter of the City of Los Angeles 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 New System members and Old System members, 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 the Safety Members Pension Plan, any "unfunded liability" of that System shall be amortized over a 30-year period, and actuarial experience gains and losses shall be amortized over a 15-year period.

C. An amount to provide for health plan subsidies for retired members.

D. An amount to provide for administrative expenses.

Accordingly, the actuaries for the System have determined the contributions for items A, B, and C above, for the years ended June 30, 1994 and 1993, to be as follows:

	Percentage of Members' Salaries					
	Old System (Article XVII)		New System (Article XVIII)		Safety Members Pension Plan (Article XXXV)	
	1994	1993	1994	1993	1994	1993
Entry-Age Normal Cost Contribution	19.14%	20.73%	25.9%	23.65%	14.6%	15.15%
Amortization of Unfunded Liability	$42.7M	$44.2M	21.4%	21.08%	(.77%)	(.57%)
Health Plan Subsidy	$1.9M	$2.0M*	$31.3M	$27.0M*	$17.4M	$16.7M*

(*Stated as required dollar amount)

The actuarially determined unfunded liability of the System is $3,765,444,164 at June 30, 1994 and $3,892,476,230 at June 30, 1993 (which takes into account the present values of future normal cost contributions by both the members and the City). In accordance with the City Charter, the amount at June 30, 1994 is to be amortized over the next 43 years** through contributions to be made by the City.

(**Amortization to be completed by year 2037.)

Contributions totaling $368,253,868 ($331,770,487 City and $36,483,381 member) were made during the period ending June 30, 1994 with respect to the pension plan and health plan subsidy, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 1993. These contributions consisted, for the aggregate pension plans, of approximately $153,300,000 normal cost and $164,800,000 amortization of the unfunded actuarial accrued liability. For the health plan subsidy, they consisted of approximately $21,500,000 normal cost and $28,400,000 amortization of the unfunded actuarial accrued liability.

Note 5 — Securities Lending

The System has entered into various short-term arrangements whereby investments are loaned to certain 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 pay-

Note 5 — Securities Lending (Continued)

ment 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. Securities on loan to brokers continue to be shown at their cost basis in the balance sheet. Amounts outstanding at June 30, 1994 and 1993 are as follows:

	1994	1993
Securities on Loan:		
Cost	$346,264,936	$430,841,240
Market	$337,985,120	$498,448,694
Collateral (Market)	$354,377,734	$511,813,067

Note 6 — Contingencies

A. **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. The dollar amounts of the contributions and interest subject to this right at June 30, 1994 and 1993 are $404,512,295 and $398,593,280, respectively.

B. **Legal Actions.** Several legal actions against the Board of Pension Commissioners were pending at June 30, 1994. The combined potential liability of these actions is not deemed to be material to the net assets of the System.

C. **Investment Commitment.** During the year ending June 30, 1994, the System had entered into a commitment to invest $15,000,000 in the Eqyitable Value Enhancement Fund (a real estate investment pool). As of year end, the System had funded $3,036,624 of this commitment, leaving an unfunded balance of $11,963,376.

Note 7 — Sub-Investment Grade Bonds

At June 30, 1994 and 1993, the System had investments (at cost) in bonds rated below investment grade of approximately $175,563,737 and $201,728,646, respectively. The corresponding market values of these investments at these dates were $170,635,399 and $201,017,359, respectively.

Note 8 — Mortgage Loans Payable

The mortgage loans payable consist of the following at June 30:	1994	1995
9.5% mortgage loan, secured by Park Plaza Community Center,San Pedro, California, payable in monthly installments of interest only through October 1, 1991 and monthly installments of $50,450 (including interest) from November 1, 1991 until October 1, 1996 when the remaining balance of approximately $5,825,000 is payable.	$ 5,893,044	$5,936,345
Mortgage loan payable to Nationwide Life Insurance Company secured by Randall's Center, Houston, Texas. The loan is due January 1, 1997 (Maturity date may be extended to January 1, 2002 if maker agrees to modification of loan rate on January 1, 1997) and bears interest at 8.0% per annum. The loan is being amortized over 30 years with monthly payments of principal and interest in the amount of $65,993. The remaining principal balance is due upon maturity.	$ 8,801,411	—
TOTALS	**$14,694,455**	**$5,936,345**

Maturities of the mortgage loans payable are as follows for years ending June 30.

1995	$ 138,694
1996	150,980
1997	14,404,781
TOTAL	**$14,694,455**

Note 9 — Governmental Accounting Standards Board (GASB) Investment Categories

The System's investments in securities are categorized below, in accordance with categories established by the GASB, to give an indication of relative custodial credit risk assumed at year-end. Investments in real estate represent noncategorized investments under GASB guidelines. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, their trust departments, or agents, but not in the System's name.

At June 30, 1994 and 1993, the carrying value and market value of categorized investments were as follows (in thousands):

(See next page.)

Note 9 — Governmental Accounting Standards Board (GASB) Investment Categories (Continued)

	CATEGORY 1			
	1994		1993	
	Cost	Market Value	Cost	Market Value
Investments (Excluding Real Estate and Short Term Investment Fund)	$4,492,988	$5,088,160	$4,008,160	$4,921,051

	CATEGORY 2			
	1994		1993	
	Cost	Market Value	Cost	Market Value
Investments in Short Term Pooled Investment Fund	$231,830	$231,830	$273,117	$273,117

Investments presented in Category 3 represent the System's investment in a pooled short term investment fund managed by the Custodian, which also performs safekeeping of the pool's securities (Note 2-C).

Note 10 — Loss on Foreclosure of Property

The System's investment in the property at 135 East 57th Street, New York City was originally structured as a first mortgage. The System received title to the property as a result of its mortgage interest in the property through Bankruptcy Court on December 30, 1992 which involved foreclosure of the property. Accordingly, the System's investment has been recorded as an investment in real estate. The difference between the mortgage receivable plus related costs, before foreclosure of $67,334,867 and the appraised value at June 30, 1993 of $33,242,680 was recognized as a loss on foreclosure at June 30, 1993 of $34,092,187, as required by generally accepted accounting principles.

Note 11 — 3% Cap on Cost-of-Living Adjustments

A lawsuit filed by the Los Angeles Police Protective League challenged the legality of a proposition that was approved by the electorate of the City of Los Angeles in regard to a 3% cap on cost-of-living adjustments for years of service subsequent to July 1, 1982. At the trial of this action, the lower court ruled on April 2, 1987 that the 3% cap is invalid and unenforceable. In addition, provisions in the Charter providing for a proration method of calculating the cost-of-living adjustment for the first year of retirement were ruled invalid and unenforceable. On April 26, 1989, the Court of Appeals affirmed the trial court's judgement, and the Supreme Court of California denied the City's petition for review of the decision. The resulting unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989.

SUPPLEMENTAL SCHEDULES
Ten Years Ended June 30, 1994

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Credited Projected Benefits Ten Years Ended June 30, 1994

Fiscal Year	Net Assets Available For Benefits	Actuarial Present Value of Credited Projected Benefits	Percentage
1985	$1,626,252,233	$5,910,789,221	27.5%
1986	1,975,162,834	5,303,655,510	37.2%
1987	2,368,521,855	5,528,317,604	42.8%
1988	2,640,268,285	6,041,104,311	43.7%
1989	2,931,185,321	6,545,712,937	44.8%
1990	3,352,121,428	7,612,299,952	44.0%
1991	3,655,613,306	7,936,245,505	46.1%
1992	4,074,388,555	8,287,995,552	49.2%
1993	4,454,855,424	8,347,331,654	53.4%
1994	4,934,946,528	8,700,390,692	56.7%

Comparative Summary of Unfunded Actuarial Present Value of Credited Projected Benefits and Annual Active Member Payroll Ten Years Ended June 30, 1994

Fiscal Year	Unfunded Actuarial Present Value of Credited Projected Benefits	Annual Active Member Payroll	Percentage
1985	$4,284,536,988	$410,821,839	1043%
1986	3,328,492,676	412,378,038	807%
1987	3,159,795,749	436,695,521	724%
1988	3,400,836,026	463,699,299	733%
1989	3,614,527,616	500,958,345	722%
1990	4,260,178,524	543,798,208	783%
1991	4,280,632,199	565,741,407	757%
1992	4,213,606,997	573,922,249	734%
1993	3,892,476,230	562,672,803	692%
1994	3,765,444,164	554,626,744	679%

NOTE: Each time an employer entity adopts a higher level of benefits, additional actuarial liabilities are created. When the City of Los Angeles Fire and Police Pension System (LAFPPS) receives actuarially determined contributions, these additional actuarial liabilities are financed systematically over a period of future years.

Considering the dollar amount of the actuarial present value of credited projected benefits, or the unfunded portion thereof, can be misleading. Analysis of *(i)* the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits and *(ii)* the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll provides indexed values that facilitate understanding.

Analysis of these indexed values over a period of years will give an indication of whether LAFPPS is becoming financially stronger or weaker. The greater the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits, the stronger the fund. Similarly, the smaller the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll, the stronger the fund.

An unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989 as a result of the judgement discussed in Note 11 of the financial statements.

Effective in the fiscal year ended June 30, 1990, the System has reflected the unfunded actuarial liabilility of the health plan subsidy. For years prior to 1990, the unfunded liability of the health plan subsidy was not calculated by the System and accordingly is not reflected in 1989 and prior balances. The portion of the unfunded actuarial present value of credited projected benefits relating to the health plan subsidy is $565,381,784 at June 30, 1994.

Comparative Summary of Actuarial Values and Percentage Covered by Net Assets Available for Benefits and Actuarial Present Value of Credited Projected Benefits
Ten Years Ended June 30, 1994

Fiscal Year	Refundable Member Contributions	Current Retirements and Benefit — Beneficiaries	Employer Financed Portion and Non-Refundable Member Contributions	Total Credited Projected Benefits	Net Assets Available for Benefits	Percentage of Actuarial Values Covered by Net Assets Available for Benefits		
	(1)	(2)	(3)			(1)	(2)	(3)
1985	$225,197,070	$3,694,070,003	$1,991,522,148	$5,910,789,221	$1,626,252,233	100%	37.9%	—
1986	250,280,714	3,400,748,169	1,652,626,627	5,303,655,510	1,975,162,834	100%	50.7%	—
1987	278,158,306	3,585,310,055	1,664,849,243	5,528,317,604	2,368,521,855	100%	58.3%	—
1988	309,141,052	3,732,366,082	1,999,597,177	6,041,104,311	2,640,268,285	100%	62.5%	—
1989	343,574,821	4,011,107,369	2,191,030,747	6,545,712,937	2,931,185,321	100%	64.5%	—
1990	381,844,824	4,696,731,246	2,533,723,882	7,612,299,952	3,252,121,428	100%	63.2%	—
1991	395,323,917	4,949,613,686	2,591,307,902	7,936,245,505	3,655,613,306	100%	65.9%	—
1992	392,854,640	5,374,385,161	2,520,755,751	8,287,995,552	4,074,388,555	100%	68.5%	—
1993	398,593,280	5,693,300,421	2,255,437,953	8,347,331,654	4,454,855,424	100%	71.2%	—
1994	404,512,295	5,803,960,484	2,491,917,913	8,700,390,692	4,934,946,528	100%	78.1%	—

NOTE: The ultimate test of financial soundness is the LAFPPS' ability to pay all promised benefits when due. The LAFPPS' progress in accumulating assets to pay all promised benefits can be measured by comparing the present net assets of the LAFPPS with (1) refundable member contributions, (2) the actuarial present value of projected benefits payable to current retirants and beneficiaries, and (3) employer financed and non-refundable member contributions. The total refundable member contributions (1) are fully covered by the present net assets and, as LAFPPS is funded on the basis of actuarial valuation, the portion of actuarially computed values should continue to increase over time, first covering (2) and then (3). An increase in benefits can, of course, adversely affect the trends in the years in which such increased benefits are first reflected in the actuarial values.

Comparative Summary of Revenues by Source,
Expenditures by Type and Investment Unrealized Gain (Loss)
REVENUES BY SOURCE

Fiscal Year	City Contributions	Member Contributions	Investment Income	Other Income	Net Investment Gains And (Losses)	Total
1985	$25,417,400	$220,099,118	$117,361,103	$320,253	$ 37,086,314	$400,284,188
1986	26,318,618	228,529,732	132,594,914	131,776	175,166,660	562,741,700
1987	28,777,189	272,025,075	137,228,988	253,457	184,943,717	623,228,426
1988	30,103,457	279,786,608	160,804,657	372,810	42,879,639	513,947,171
1989	31,815,226	288,289,760	181,731,474	415,304	49,021,052	551,272,816
1990	34,883,307	316,429,364	196,594,472	325,103	156,285,319	704,517,565
1991	37,820,348	340,843,137	203,075,656	392,329	28,635,421	610,766,891
1992	39,874,823	337,710,888	215,005,118	811,477	154,362,404	747,764,680
1993	38,003,158	322,506,222	213,286,412	424,867	157,379,338	731,599,997
1994	36,483,381	331,770,487	210,695,996	442,277	274,971,129	854,363,270

EXPENDITURES BY TYPE

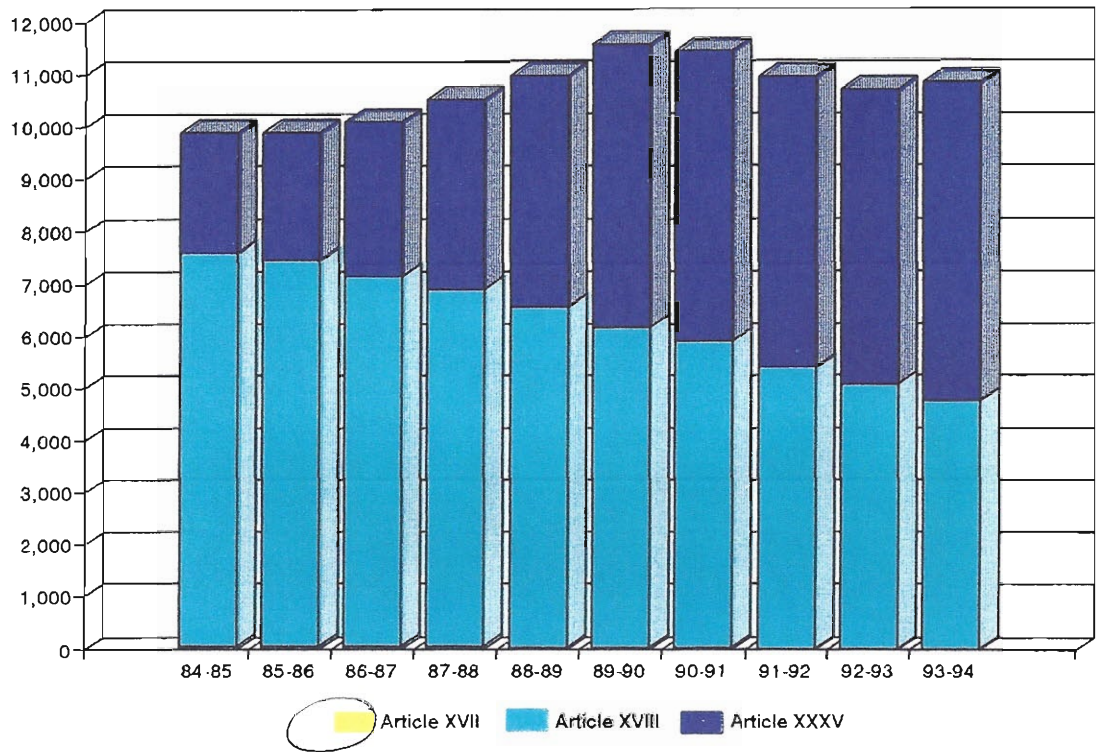
Fiscal Year	Benefits	Administrative Expense	Total
1985	$198,001,058	$ 5,355,755	$203,356,813
1986	208,881,573	4,949,526	213,831,099
1987	223,609,320	6,260,085	229,869,405
1988	234,459,564	7,741,177	242,200,741
1989	249,354,746	11,001,034	260,355,780
1990	270,034,003	13,547,455	283,581,458
1991	292,041,725	15,233,288	307,275,013
1992	313,437,294	15,552,137	328,989,431
1993	335,700,849	15,432,279	351,133,128
1994	356,742,594	17,529,572	374,272,166

INVESTMENT UNREALIZED GAIN (LOSS)

Fiscal Year	Bonds	Common Stock And Options	Preferred Stock	Real Estate	Total Net Appreciation in Carry Value Over Market Value	Annual Net Increase (Decrease) in Appreciation in Market Value
1985	$30,944,190	$145,807,847			$176,752,037	$210,880,076
1986	53,102,524	303,374,932	$ 703,906		357,181,362	180,429,325
1987	(7,499,497)	359,777,295	(128,673)		352,149,125	(5,032,237)
1988	(12,282,616)	168,100,277	928,206	$ 1,149,769	157,895,636	(194,253,489)
1989	6,907,514	360,927,931	1,972,033	2,650,199	372,457,677	214,562,041
1990	(2,405,304)	430,956,036	319,349	4,256,937	433,127,018	60,669,341
1991	8,005,000	381,934,488	(770,512)	(9,774,567)	379,394,409	(53,732,609)
1992	41,874,403	551,762,374	6,901,166	(40,153,676)	560,384,267	180,989,858
1993	76,127,374	826,513,492	7,811,075	(14,199,756)	896,252,185	335,867,918
1994	(70,036,999)	682,660,252	9,843,402	(8,873,273)	613,593,382	(282,658,803)

Active and Retired Membership

POLICE & FIRE PENSION SYSTEMS
Active Membership: Last Twenty-Five Years



MEMBERSHIP AS OF JUNE 30, 1994			
Article	**Fire**	**Police**	**Total**
XVII	1	7	**8**
XVIII	1,509	3,249	**4,758**
XXXV	1,564	4,501	**6,065**
TOTAL	**3,074**	**7,757**	**10,831**

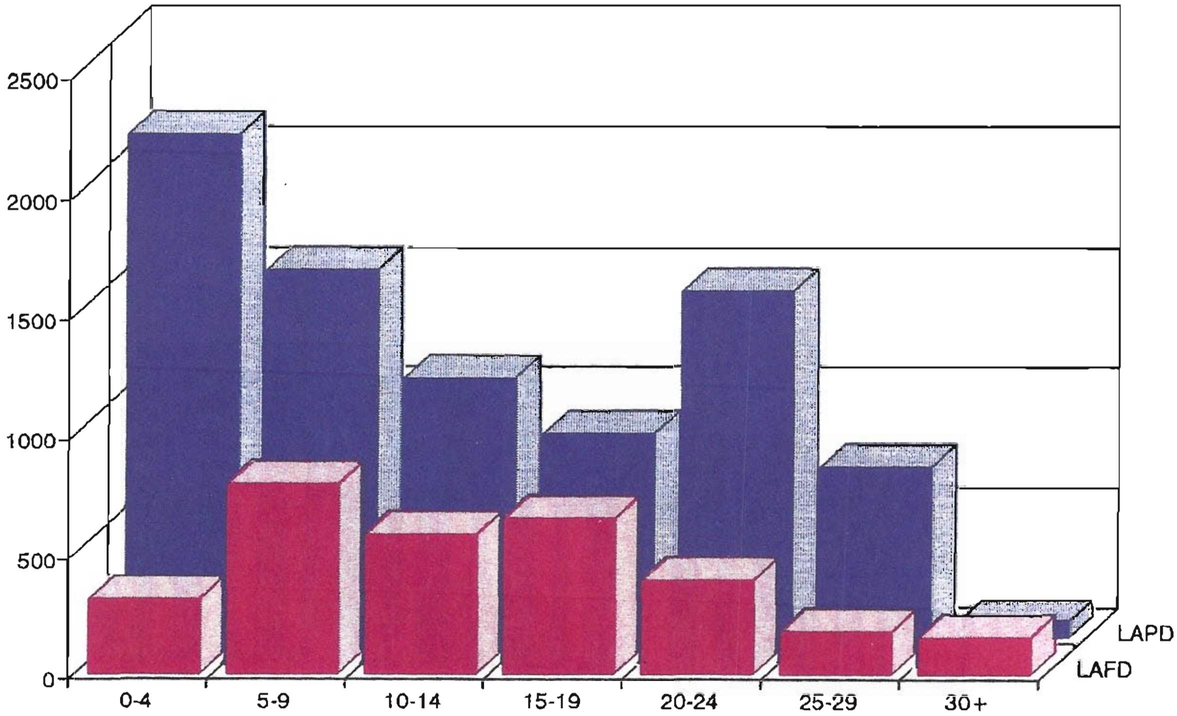
THREE PENSION SYSTEMS

There are currently three pension systems in operation serving active and retired membership. **The Fire and Police Pension System** (Charter Article XVII) was established under Charter Article XVII in 1925. In 1967, this plan was extensively amended, resulting in the creation of **The New Pension System** (Charter Article XVIII). Members of the Article XVII plan were given the option to transfer into this plan.

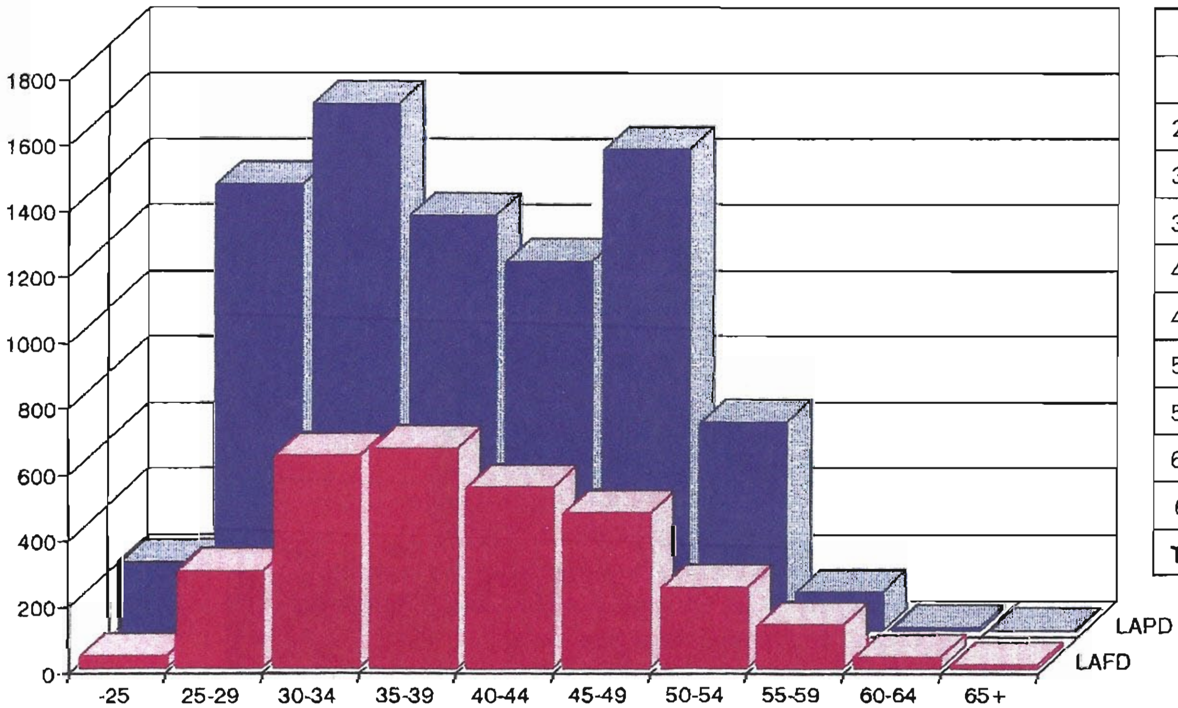
In 1980 the benefits of the system were again extensively revised. This resulted in the creation of **The Safety Members Pension Plan** (Charter Article XXXV). All members hired December 8, 1980 and later become members of this plan.

ACTIVE MEMBERSHIP
By Years of Service

Years	Fire	Police
0-4	313	2,090
5-9	800	1,531
10-14	584	1,078
15-19	654	845
20-24	394	1,441
25-29	176	705
30+	153	67
Total	**3,074**	**7,757**



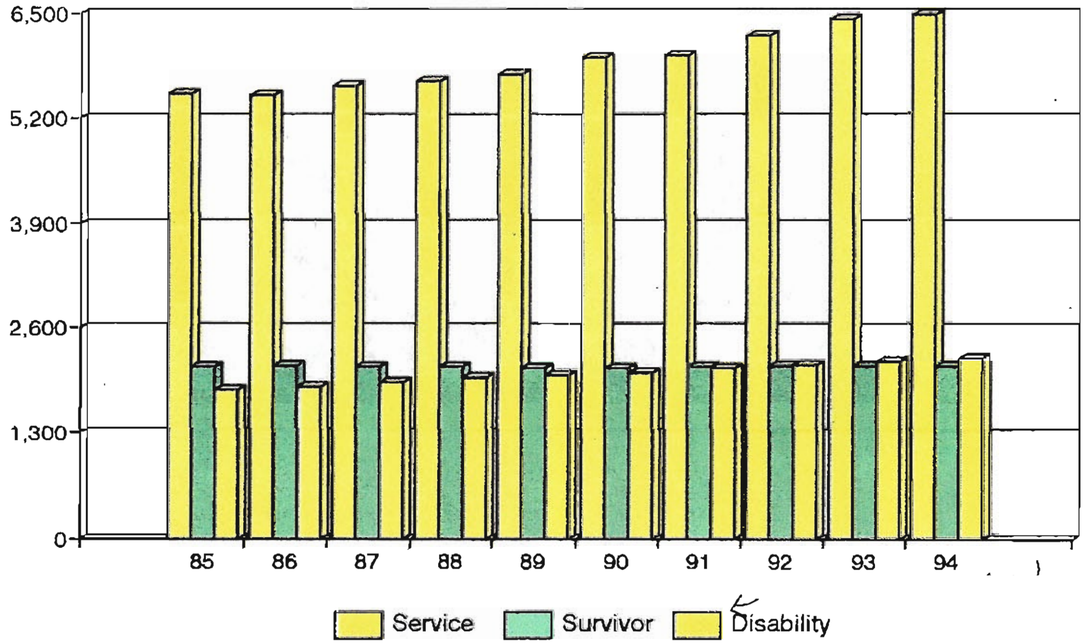
ACTIVE MEMBERSHIP
By Age Group



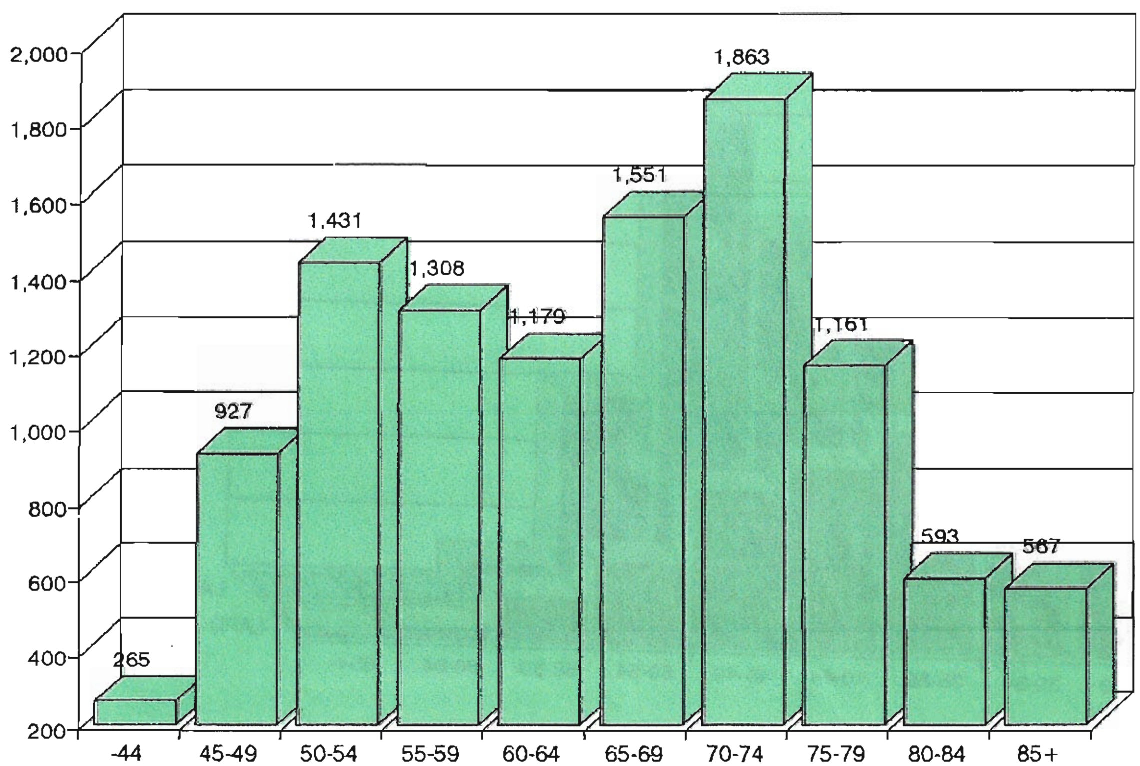
Age	Fire	Police
-25	38	210
25-29	293	1,353
30-34	644	1,599
35-39	666	1,260
40-44	546	1,120
45-49	472	1,457
50-54	245	630
55-59	129	117
60-64	33	9
65+	8	2
Total	**3,074**	**7,757**

AS OF JUNE 30, 1994	
Service Pensions	6,474
Disability Pensions	2,234
Survivor Pensions	2,137
Total	**10,845**

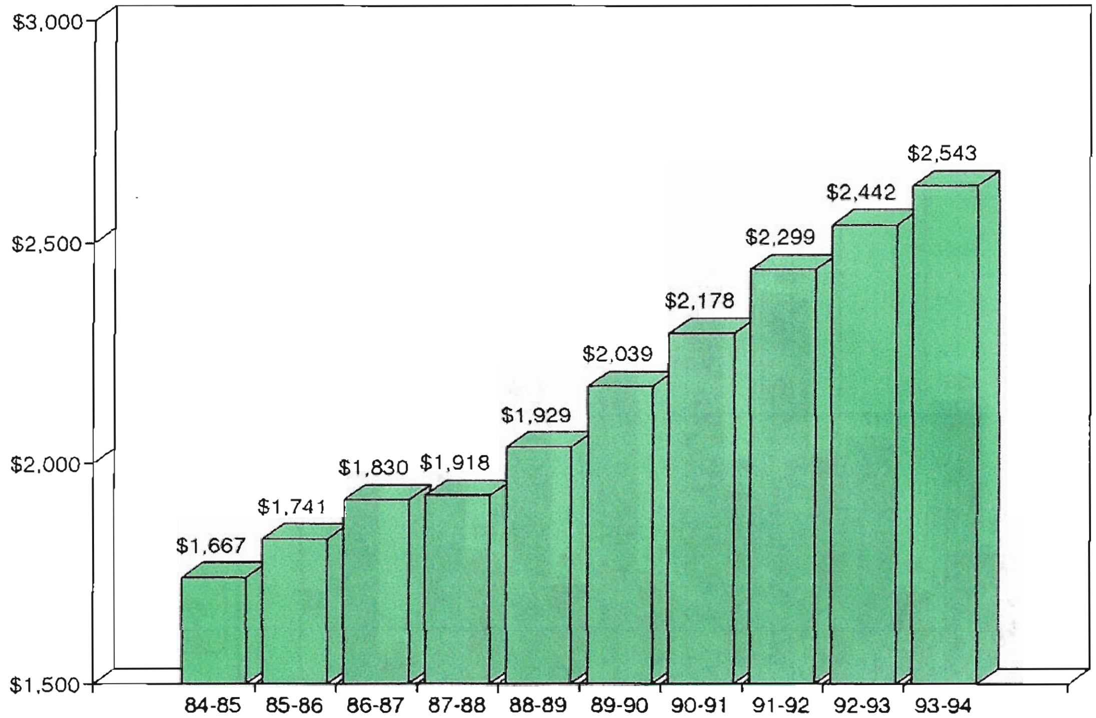
RETIRED MEMBERSHIP
Last Ten Years



RETIRED MEMBERSHIP
By Age Group



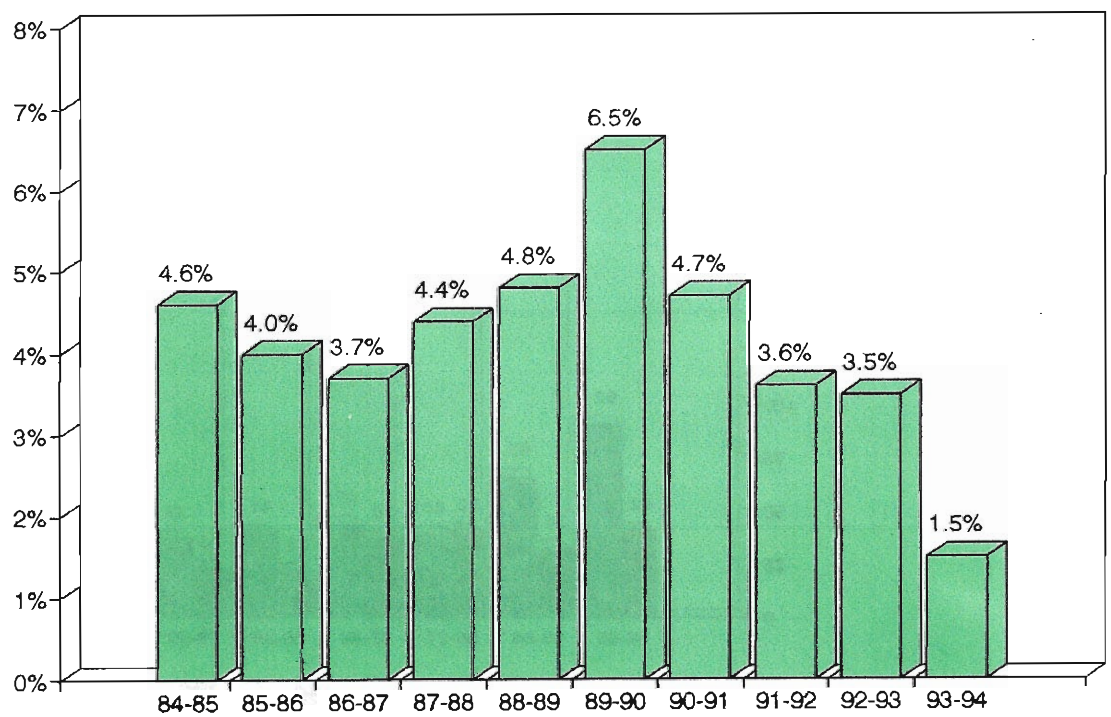
AVERAGE MONTHLY PENSION



COST OF LIVING ADJUSTMENTS

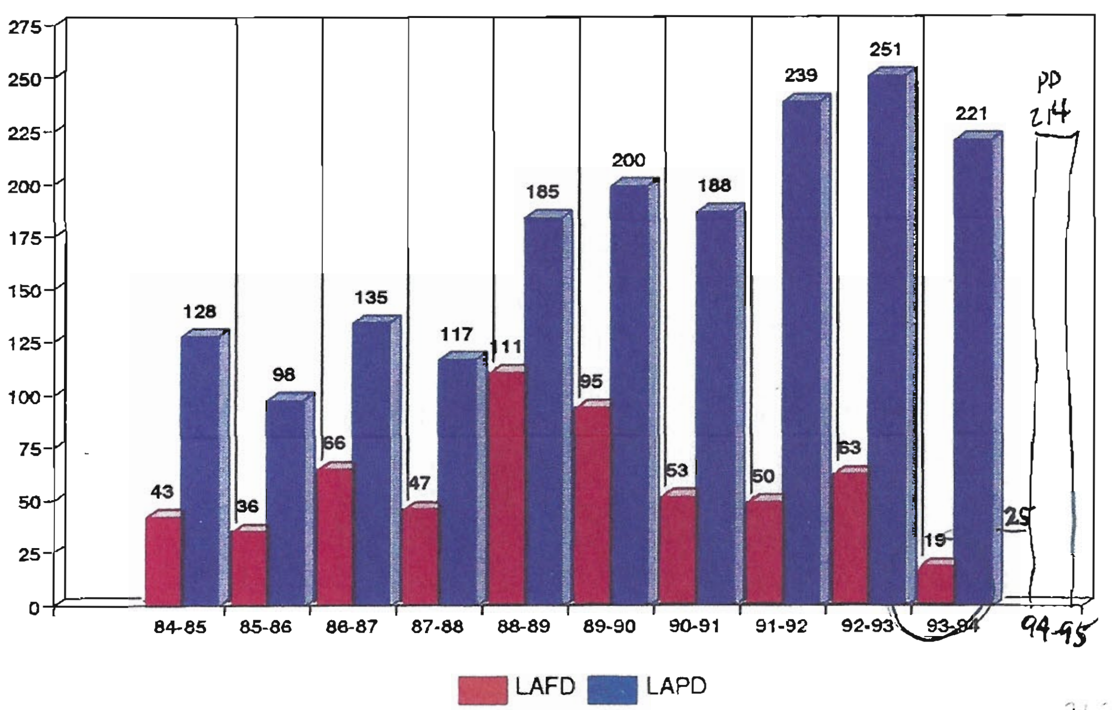
Effective July 1

Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of the *Safety Members Pension Plan* have cost of living increases capped at three percent. The City Council can provide for a discretionary cost of living increase above the 3% cap once every three years. Members of the other pension plans have no cap on their cost of living adjustments.

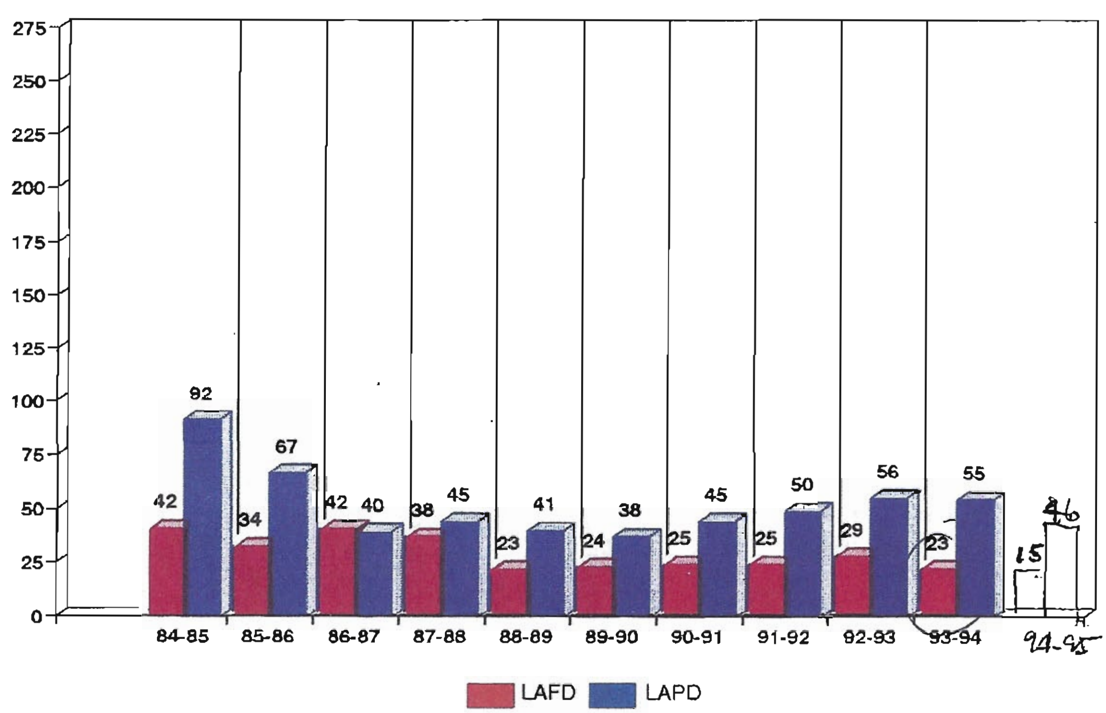


PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

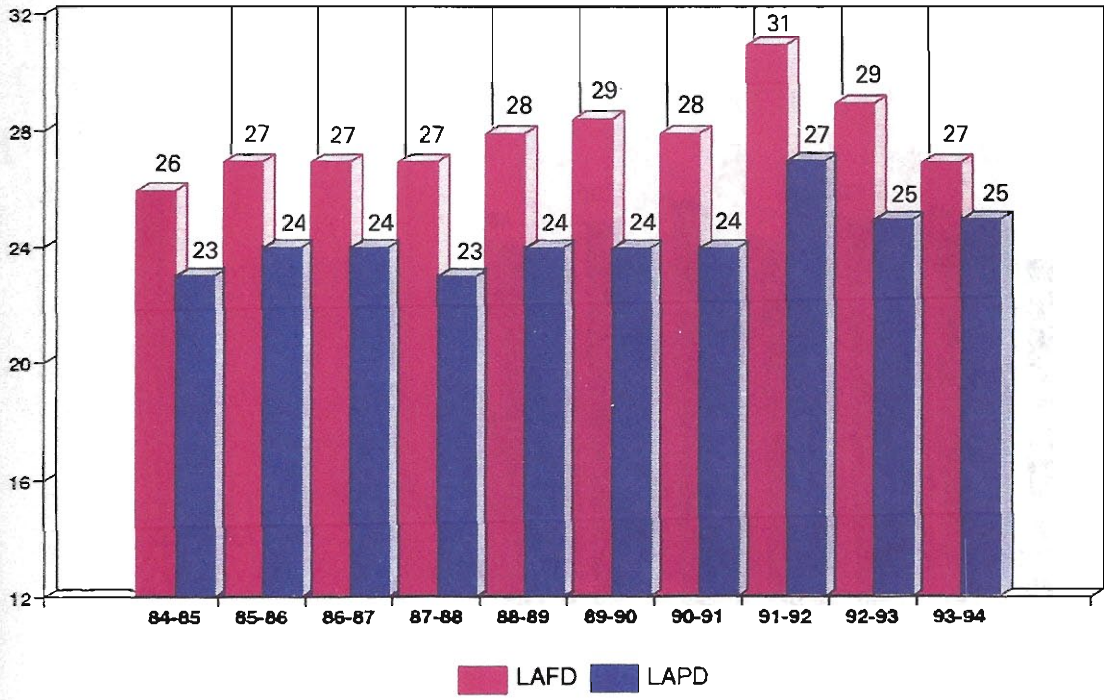


DISABILITY PENSIONS GRANTED

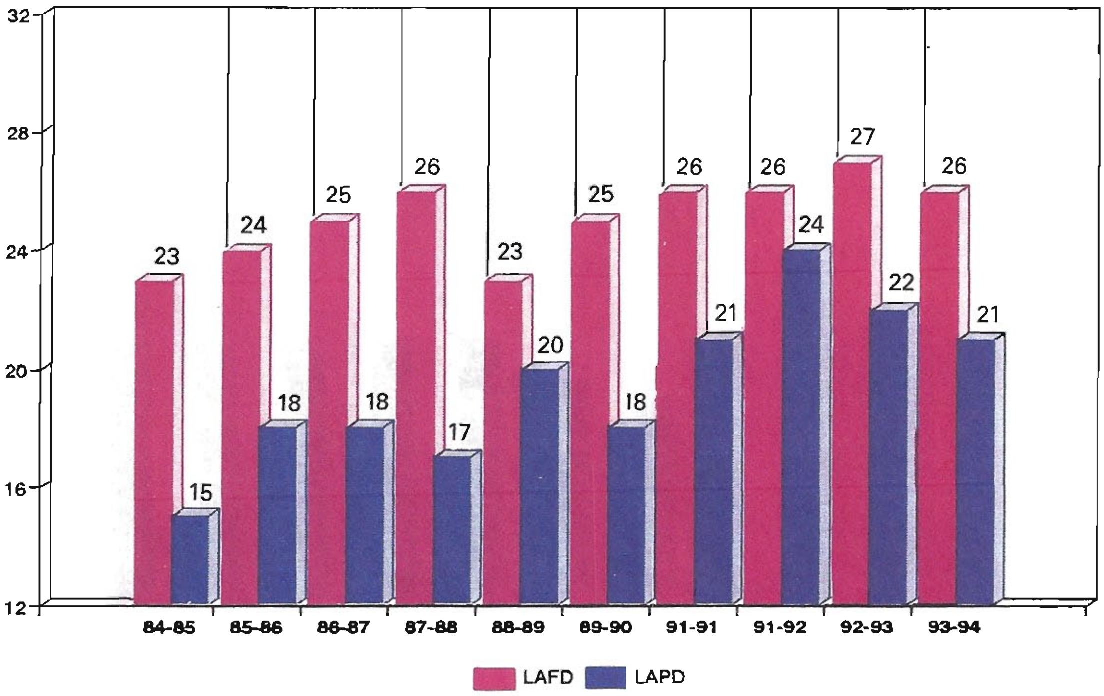


PENSION STATISTICS: LAST TEN YEARS

YEARS OF SERVICE
At Service Retirement

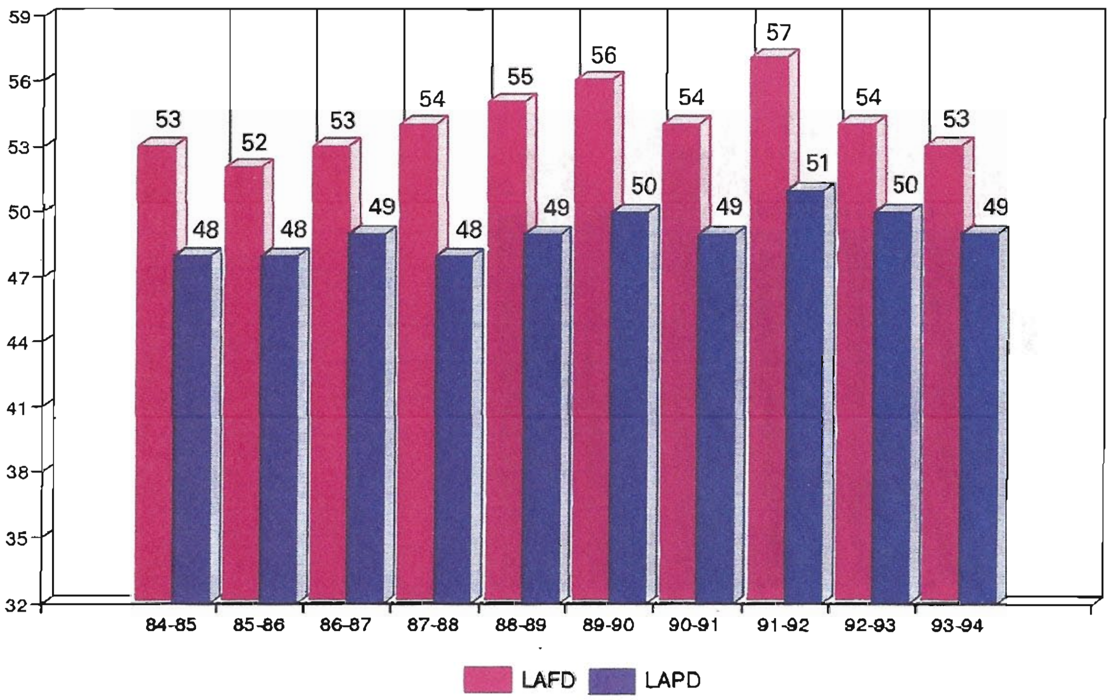


YEARS OF SERVICE
At Disability Retirement

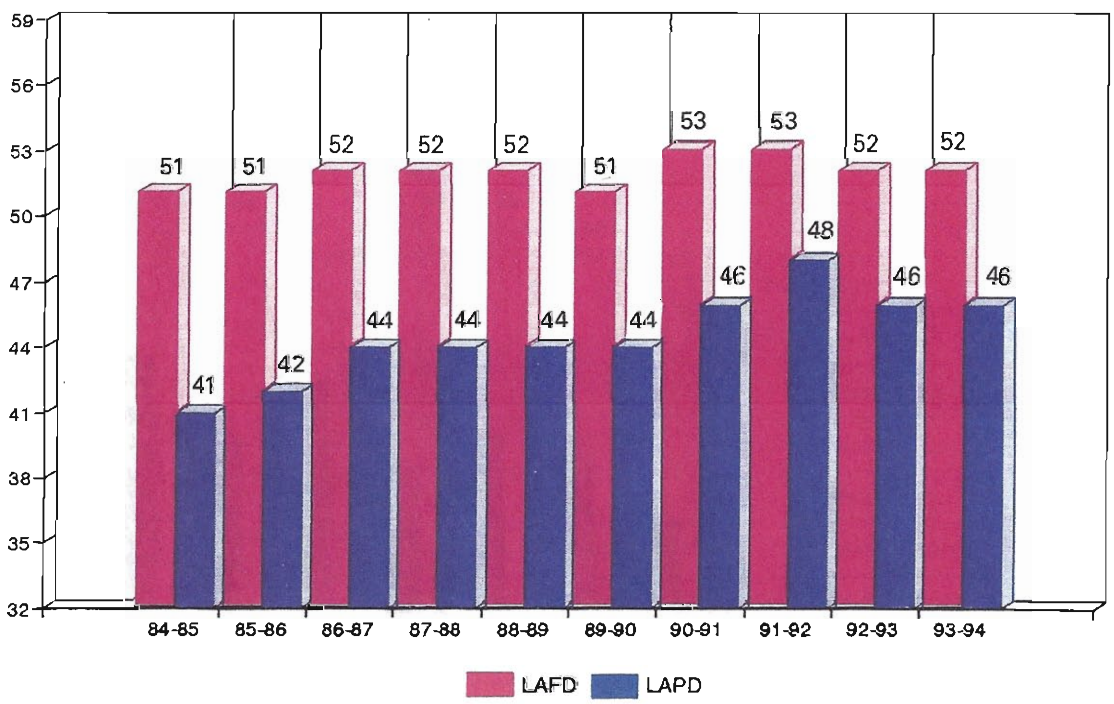


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS

By Type, Department and Rank: Last Five Years

	FISCAL YEAR 1989-90			FISCAL YEAR 1990-91			FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94		
GRANTED	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	23	24	47	25	35	60	24	43	67	27	43	70	23	48	71
Physical/Psychiatric	1	13	14	0	8	8	1	6	7	2	11	13	0	6	6
Psychiatric Only	0	1	1	0	2	2	0	1	1	0	2	2	0	1	1
*TOTAL	24	38	62	25	45	70	25	50	75	29	56	85	23	55	78

	FISCAL YEAR 1989-90			FISCAL YEAR 1990-91			FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94		
DISABILITY	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	16	19	35	13	22	35	19	31	50	17	20	37	17	29	46
Neck	10	13	23	1	10	11	1	7	8	4	5	9	3	14	17
Knees	8	4	12	8	11	19	11	8	19	8	6	14	9	9	18
Other Orthopedic	10	8	18	3	6	9	6	10	16	8	14	22	8	17	25
Heart Attack	0	2	2	2	1	3	7	16	23	8	15	23	6	9	15
Ulcer	1	2	3	0	2	2	0	2	2	0	3	3	0	2	2
Hypertension	1	10	11	1	9	10	0	12	12	1	10	11	1	14	15
Hearing Loss	3	3	6	7	3	10	1	2	3	3	1	4	3	3	6
Pulmonary	0	0	0	1	0	1	1	2	3	2	4	6	2	0	2
Cancer	0	0	0	1	1	2	0	0	0	1	1	2	0	0	0
PCP Exposure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gun Shot Wound	0	0	0	0	1	1	0	0	0	0	1	1	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0
*TOTAL	49	61	110	37	66	103	46	90	136	52	81	133	49	97	146

*Will not equal the total number of disability pensions granted due to multiple claimed disabilities.

Service and Non-Service Connected Disability Retirements by Rank

POLICE	89-90	90-91	91-92	92-93	93-94
Police Officer	25	23	16	24	25
Sergeant	4	7	15	4	8
Detective	13	15	19	22	17
Lieutenant	0	1	3	5	5
Captain	0	2	1	1	0
Commander	0	0	0	1	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	42	48	54	57	55

FIRE	89-90	90-91	91-92	92-93	93-94
Amb. Driver/Paramedic	2	0	1	6	*
Firefighter	10	11	6	10	9
Apparatus Operator	0	1	0	0	1
Engineer	5	5	4	5	1
Inspector	1	1	3	1	0
Captain	7	7	10	7	9
Battalion Chief	2	1	1	0	3
Assistant Chief	0	1	0	0	0
Deputy Chief	0	0	0	1	0
TOTAL	27	27	25	30	23

*Rank merged with Firefighter

Legal Summary

SUMMARY OF LEGAL ACTIVITIES
General Pension Litigation in Fiscal Year 1993-1994

The Legal Section of the City Attorney's Office represented the Board in numerous lawsuits and legal matters of importance during this reporting period. Some of these matters are now final and conclusive and further proceedings are pending in others. Some important cases have not yet reached the trial stage.

A brief summary of some of the cases handled by the City Attorney for the Board of Pension Commissioners presents the following:

United Firefighters of Los Angeles City, Et Al., v. City of Los Angeles, Et Al.

This lawsuit, involving a 1992 Board action dealing with the budget, remains with us. Briefly stated, this controversy arose out of the Board's 1992 action agreeing to pay investment manager fees from fund assets rather than include such fees in the Board's 1992-93 budget request. The estimated fees totaled 13.6 million dollars.

On September 9, 1993, the United Firefighters of Los Angeles City (UFLAC) filed with the City Clerk a claim of damages, and upon its denial, followed with both a Petition for Writ of Mandate and a complaint for injunction and damages in superior court. The private law firm of O'Melveny & Meyers is assisting in the defense of this lawsuit.

We anticipate that this matter will be settled absent an actual trial.

City of Los Angeles v. George Aitchison

The ongoing Aitchison lawsuit has been reported in previous annual reports. This lawsuit involves a reactivated LAPD Sergeant who continued to receive pension payments for almost three years while also receiving an active salary. The pension overpayment exceeded $60,000.00.

Aitchison's actions also resulted in the imposition of discipline by the LAPD which took the form of suspended days off without pay. In response to his suspension, Aitchison filed a Petition for Peremptory Writ of Mandate which lawsuit is defended by the Employee Relations Section of this office.

Following the filing of our initial complaint, Aitchison filed a cross-complaint against the City seeking declaratory and injunctive relief against the actions of the Board. Extensive pretrial discovery and other non-substantive proceedings are ongoing in this case. Preliminary settlement issues have been approved by both the Department of Pensions and Aitchison, so it is expected that this matter soon will be finally concluded.

Thomas G. Pompa, et.al, v. Board of Pension Commissioners

Thomas G. Pompa is a disability pensioner under Article XVIII of the City Charter. On being faced with the prospect of having to repay over forty thousand dollars he had received in prior workers compensation awards, Pompa filed a Chapter 7 bankruptcy action claiming that the pay back amount was dischargeable as a debt under applicable federal statutes.

On behalf of the Board, this office filed a Complaint to Determine Dischargeability of a Debt in the United States Bankruptcy Court, Central District, San Bernardino. After several trial appearances and settlement discussions, this office succeeded in obtaining an order from the bankruptcy court dismissing Pompa's claim against the Department. The federal judge agreed with our contention that the offset of the prior compensation was not the collection of a debt but, rather, was a recoupment of benefits which actually comprised a part of Pompa's disability pension. By Order and Judgment filed May 18, 1994, the City of Los Angeles was permitted to continue recouping the prior worker's compensation benefits from Pompa's disability pension.

City of Los Angeles v. Wells Fargo Bank, N.A., Estate of James Robert Burke, et.al.

This matter first came to the attention of the Legal Section in February 1994. It concerns a fraudulent scheme in which the fund unwittingly paid in excess of $330,000.00 in pension benefits over a period of thirteen years to the nephew (James R. Burke) of a deceased police widow (Evelyn Burke).

Because this lawsuit was required to be filed and litigated in Santa Rosa, California, outside counsel was retained to assist the City Attorney. On January 30, 1995, the multi-defendant lawsuit was filed. Service of summons recently has been completed on all defendants. We anticipate that several pre-trial court proceedings such as Demurrers and Summary Judgment Motions will be filed by the various defendants.

Domestic Relations Lawsuits

In past summaries, we have routinely reported that the system often is faced with recurring domestic relations lawsuits dealing with the division of community property interests in active and retired members' pension benefits wherein family law courts issue pension division orders which have, or may have, an adverse and unanticipated impact upon plan assets.

Because there have been several favorable Court of Appeal decisions recently passed dealing with the treatment of pension benefits in divorce proceedings, we no longer see a major threat posed by ill-advised trial court orders. Nonetheless, we continue to see many cases where former spouses are making claims to community property shares of pensions which have long been in pay status but which were never divided between the divorced spouses.

The Board of Pension Commissioners often is not joined as a party Claimant in these matters, however, because of the threat of the Board being faced with a number of adverse trial court rulings, the Legal Section is required to make routine court appearances in these cases. The Board is a named party Claimant in approximatley 800 divorce proceedings.

Writs of Mandate

The remaining cases for this reporting period are challenges by individual system members who feel aggrieved by Board decisions relative to their disability pension applications. Each of the following cases involves a Writ of Mandate proceeding begun during this reporting period:

Michael Brooks v.
Board of Pension Commissioners

George Coger v.
Board of Pension Commissioners

Betty J. Courtenay-Greene v.
Board of Pension Commissioners

Maritza Gentry v.
Board of Pension Commissioners

Description of Pension Benefits

Fire and Police Pension Plan (Article XVII

(Closed January 28, 1967)

The New Pension System (Article XVIII

(Closed December 7, 1980)

Safety Members Pension Plan (Article XXXV)

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
1. SERVICE RETIREMENT			
a. Eligibility	20 years of service	20 years of service	Age 50 with 10 years of service.
b. Salary Base	Final salary rate	Final Salary rate	One-year average 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 1⅔% for each additional year between 25 and 35 years of service. Maximum of 66⅔% 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
2. SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions	No age or service conditions	No age or service conditions
b. Salary Base c. Pension as a percentage of salary base	Final salary rate 50% to 90% depending on severity of disability.	Final salary rate 50% to 90% depending on severity of disability.	One-year average salary 30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NON-SERVICE-CONNECTED DISABILITY			
a. Eligibility	Five years of service	Five years of service	Five years of service
b. Salary Base	Final salary rate for highest-paid police officer's or firefighter's rank.	Final salary rate for highest-paid police officer's or firefighter's rank.	One-year average of member's own salary.
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions for member.	No age or service conditions for member.	No age or service conditions for member.
b. Salary Base	Final salary rate	Final salary rate	One-year average salary
c. Eligible spouse's benefit as a percentage of salary base.	50% Pension stops upon remarriage.	50% with less than 25 years of service 55% with 25 or more years of service. Pension stops upon remarriage.	75% if service-connected death or disabled less than 3 years; otherwise 60% of member's disability pension. Pension stops upon remarriage.
d. Children's benefit as a percentage of spouse's benefit.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 (age 22 if in school) unless child is disabled before age 21.
e. Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
5. DEATH WHILE ELIGIBLE FOR SERVICE RETIREMENT OR DEATH AFTER SERVICE RETIREMENT			
a. Eligibility	20 years of service	20 years of service	Age 50 with 10 years of service.
b. Eligible spouse's benefit	Member's accrued service retirement not to exceed 50% of final salary rate. Pension stops upon remarriage.	Member's accrued service retirement, not to exceed 55% of final salary rate. Pension stops upon remarriage.	60% of member's accrued service retirement. At retirement, member may elect higher death benefit with corresponding actuarial reduction of service retirement benefit. Pension stops upon remarriage.
c. Children's benefit as a percentage of spouse's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death
d. Dependent parent's benefit as a percentage of member's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
6. NON-SERVICE-CONNECTED DEATH OR DEATH AFTER NON-SERVICE-CONNECTED DISABILITY			
a. Eligibility	Five years of service.	Five years of service.	Five years of service.
b. Eligible spouse's benefit.	40% of final salary rate for highest-paid police officer's or firefighter's rank; if eligible for service retirement, the accrued service retirement not to exceed 50% of final salary rate. Pension stops upon remarriage.	40% of final salary rate for highest-paid police officer's or firefighter's rank; if eligible for service retirement, the accrued service retirement not to exceed 55% of final salary rate. Pension stops upon remarriage.	For non-service death: 30% of final one-year average salary or, if eligible for service retirement, 80% of accrued service retirement not to exceed 40% of final one-year average salary. For death after non-service disability; 60% of member's pension. Pension stops upon remarriage.
c. Children's benefit as a percentage of spouse's	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if child not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches 18 (age 22 if in school) unless child is disabled before age 21.
d. Dependent parent's benefit as a percentage of spouse's benefit.	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.
7. COST-OF-LIVING			
a. Generally applicable provisions.	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers	Current Plan Provision Annual cost-of-living increase not to exceed 3% Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
7. COST-OF-LIVING Continued			
a. Generally applicable provisions (cont'd)	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	City Council may grant discretionary cost-of-living increases once every three years. Survivor's pensions include the percentage of cost-of-living increases applied to the member's pension prior to death. (Pro rata adjustment in the first year of retirement.)
b. Effective date of cost of living increases			
i. Service retirement, death while eligible for service retirement, death after service retirement.	Annual increases commence on the July 1st following the later of the effective date or the date the member would have been age 55.	Annual increases commence on the July 1st following the later of the effective date or the date the member would have completed 25 years of service	Annual increases commence the July 1st following the effective date.
ii. Service-connected disability, death after service-connected disability. Service-connected death.	Annual increases commence on the July 1st following the effective date.	Annual increases commence on the July 1st following the effective date.	Annual increases commence on the July 1st following the effective date.
iii. Nonservice-connected disability, nonservice connected death, death after nonservice-connected disability	Annual increase on the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increases on the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increases commence on the July 1st following the effective date.
8. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY			
	6%. No member contributions required after thirty years of service.	7% No member contributions required after thirty years of service.	8%. No member contributions required after thirty years of service.
9. MISCELLANEOUS			
a. Vesting of service retirement.	After 20 years of service.	After 20 years of service.	After 10 years of service.
b. Return of contributions with interest.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable (except basic death benefit).
c. Basic death benefit.	None.	None.	In addition to return of contributions, one-year ave. monthly salary x yrs. of completed service (up to 6).

Milestones

MILESTONES

1899-1901. A pension system for policemen was authorized by the California State Legislature and became effective in the City of Los Angeles on June 7, 1899. A pension system for firemen, similarly authorized, became effective June 10, 1901. Basic retirement provisions were one-half of salary of rank held after 20 years of service and attainment of age 60, and a service-connected disability pension of one-half of salary of the rank held at the date of retirement. There were also dependent benefits.

1913-1919. The Los Angeles City Council, by ordinances effective September 16, 1913, adopted the substance of the systems authorized by state statute, but reduced the minimum retirement age to 55 and eliminated contributions. In 1919 such ordinances were amended to provide for a pension of one-half of the salary attached to the rank after 20 years of service, without limitations as to age.

1923-1925. Effective January 29, 1923, the substance of these two ordinances was adopted into the Charter. The system was placed upon an actuarial basis. Also 1⅔% for each year of service (in addition to the minimum of 20 required) was authorized up to a maximum pension of two-thirds of the salary of the rank held. This was continued in the new City Charter which became effective July 1, 1925. Added was a provision that service and disability pensions would remain fixed amounts.

1927. Effective January 17, 1927, the Charter was amended to provide that all members entering the service after that date would receive 50% of the average salary during the last three years for 25 years of service, plus 1⅔% for each of the next 10 years of service. This amendment imposed a limit upon service pensions at a pension of $1800 per year. Members' contributions to the cost of the system were set at 4% of salary. Pensions for widows were made fixed amounts.

1933. Effective may 15, 1933, the Charter was amended to eliminate the actuarial requirements and place the system on a "pay-as-you-to" basis of operation.

1947. Effective June 16, 1947, the Charter was amended to create an off duty disability pension 40% of the highest salary attached to the rank of fireman or policeman. A non-service dependent's pension provided a pension for 40% of the highest salary attached to the rank of fireman or policeman at the date of death. Additional percentages were allowed the surviving spouses for unmarried minor children under 18. Members entering subsequent to January 17, 1947 could retire after 20 years of service upon 40% of the average salary of the last three years of service. In addition, they would receive 2% for each of the next five years of service, and 1⅓% for each of the next ten years of service. The maximum pension of two-thirds of average salary was retained, but the 1927 limitation was raised to the salary level of a police captain or fire battalion chief. Contributions were increased from 4% to 6% of salary.

1957. Effective April 18, 1957, an amendment removed the maximum limit attached to rank on service pensions.

1958. The California Supreme Court ruled that the 1925 Charter provisions for fixed pension did not apply to members employed prior to July 1, 1925 or to surviving spouses of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the Charter was amended to reestablish the system on an actuarial basis, with a 50-year amortization period for the unfunded liabilities, and the investment provisions were changed to permit investing up to 35% of the fund in common stocks.

1961. Effective July 1, 1961, a Charter amendment provided a one-time cost of living increase on all members' or widows' pensions that were based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension system in Article XVIII was adopted effective January 29, 1967 to provide, among other things, 1. Annual cost-of-living adjustments with a 2% cap to all members' or surviving spouses' pensions that were based on length of service; 2. 55% at 25 years of service plus 3% per year for a maximum of 70% at 30 years of service; 3. A minimum pension of $250 per month to be adjusted each year by the cost-of-living formula; 4. An extension of the funding period to seventy years, and 5. Changes in the investment authority to provide for mortgage investments and public improvement financing.

1968. Articles XVII and XVIII were amended to exclude overtime compensation from computation either for contributions or for benefits.

1969. Articles XVII and XVIII were amended effective May 2, 1969, to apply cost-of-living adjustments to disability pensions and to their dependents' pensions. Service pensioners were authorized to apply for return to active duty under specified limitations. The authorized limit for common stock investments was raised to 50% of the funds.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost-of-living ceiling from all pensions eligible for cost of living increases; to increase the minimum pension to $350 per month; to grant pension credit for partial years of service; to bring into closer agreement certain provisions that were different in the two articles; and to add two employee members to the Board of Pension Commissioners.

1974. Articles XVII and XVIII were amended to enable the City Council to adopt ordinances allowing subsidy payments to be made toward health insurance and other programs for eligible pensioners.

1975. Articles XVII and XVIII were amended to allow cost-of-living adjustments for service-connected disability pensions of retired firefighters and police officers upon the July 1st following the date of retirement. This amendment eliminated certain waiting periods for those eligible to receive this adjustment.

1976. Article XVII was amended, effective April 15, 1977, to eliminate the mandatory retirement age provisions. also, the ordinance governing health insurance subsidy for pensioners was amended, effective September 30, 1976, to include subsidy payments on behalf of spouses and dependents of eligible members.

1980. Article XXXV, The Safety Members' Pension Plan, was adopted for new hires effective December 8, 1980. Among its provisions was a 3% cap on the cost-of-living adjustment, pension contributions can be refunded with interest upon termination, 2% per year of service up to 20 years, then 3% per year to a maximum of 70%, 60% of member's pension for a surviving spouse.

1981. The investment provisions of all Articles were extensively revised and provided, among other changes, 1. the investment of up to 70% in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange; 2. the investment of 35% 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. permission - within established guidelines - to conduct transactions and exchanges of securities without specific prior Board approval.

1982. Articles XVII and XVIII were significantly revised with the passage of a charter amendment in June. A 3% cap on the cost-of-living adjustment was added for all future service earned by active members. Also, all active members became entitled to refunds of contributions should they terminate prior to retirement. Cost-of-living adjustments were pro-rated for the first year of retirement.

1982. Proposition V passed by voters in November provided for the transfer of paramedics and civilian ambulance drivers from the City Employee's Retirement System to the Safety Members' Pension Plan (Article XXXV).

1983. Passed by the voters, Charter Amendment 5 allows or Article XVII and XVIII active members to discontinue contributions by member to the pension system upon completion of thirty years of service.

1985. Charter Amendment 2 is passed by the voters. It allows for investments in real estate by all City of Los Angeles pension systems.

1990. Two charter amendments are approved by the voters. Charter Amendment I removes the waiting period for the cost-of-living adjustment for surviving spouses of members hired before December 8, 1980 who die while active in the line of duty. Charter Amendment J allows the City through a series of measures - to protect the integrity of the entire pension system in light of new tax code regulations. Also, the 3% cap on cost-of-living increases instituted in 1982 for Article XVII and XVIII members was overturned by court order.

1993. Charter Amendment 3 is enacted, permitting the recall of retired Article XVIII members for up to one year. Charter Amendment 2 is enacted, allowing the Board to increase the "prudent person" provisions of the Charter from 25% to 50%.

City of Los Angeles

Department of Pensions
Fire and Police Pension Systems