ANNUAL REPORT

1997

July 1, 1996 to June 30, 1997

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
Electronic Mail: PENSIONS@PEN.CI.LA.CA.US
Web Site: http://www.ci.la.ca.us

1997 Annual Report

July 1, 1996 to June 30, 1997

Gary Mattingly
General Manager

Allan Moore
Assistant Manager, Fiscal

Royce Menkus
Assistant Manager, Benefits

Fred Merkin
Acting 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*
Joel Wachs, *President Pro Tempore*

Mike Hernandez First District	**Joel Wachs** Second District	**Laura Chick** Third District
John Ferraro Fourth District	**Michael Feuer** 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
Nicholas H. Stonnington, President

Gay L. Harwin Vice President	**Louis F. Moret** Commissioner
Sam Diannitto Commissioner	**Steven J. Silberman** Commissioner
David H. Kim Commissioner	**Fredrick A. Tredy** Commissioner

DEPARTMENT OF PENSIONS
360 East Second Street
Suite 600
Los Angeles, CA 90012-4203
(213) 485-2833

GARY MATTINGLY
GENERAL MANAGER

CITY OF LOS ANGELES

CALIFORNIA

RICHARD J. RIORDAN
MAYOR

ALLAN E. MOORE
ASSISTANT GENERAL MANAGER-FISCAL

ROYCE A. MENKUS
ASSISTANT GENERAL MANAGER—BENEFITS

TOM LOPEZ
CHIEF INVESTMENT OFFICER

June 30, 1997

The Honorable Richard J. Riordan, Mayor
Honorable Members of the City Council

In accordance with Section 64 of the Los Angeles City Charter, I am submitting the Annual Report of the Department of Pensions for the fiscal year ended June 30, 1997. This annual report includes the System's financial statements audited by an independent audit firm and the actuarial valuation summary prepared by the System's actuary.

During the 1996-97 fiscal year, the Investment Program gained $1.365 billion, reflecting an annual rate of return of 18.52%. Total System assets have grown to $8.663 billion. Favorable investment and actuarial experience increased the funding of pension benefits to 81%, a 9.0% improvement. During this same period, the funding of health subsidy benefits increased to 53%, a 26.5% improvement. The unfunded liability was reduced by $590.7 million.

A 4.3% growth in active membership brought the total to 12,468. Pensioners currently number 11,086, a 0.3% increase. The average monthly benefit paid pensioners rose to $2,777, a 1.6% increase from the previous year.

Improving service and operations is a constant objective of the department. This year saw the award of a contract for the performance of a fiduciary audit to review the policies and practices of the Board and the department to ensure that plan members receive quality service. Upon completion of the audit in the fall of 1997, the Board and staff will review the findings and evaluate implementation of recommendations that will result in positive changes for the system.

Other changes this year include a Charter amendment directing that all plan administrative costs be funded from system assets, the revision of the Board's Emerging Manager Policy, and the introduction of a department page on the City's Internet web site to electronically provide information and services to plan members. The web site address is http://www.ci.la.ca.us. Questions and comments may be directed to the department via electronic mail at PENSIONS@PEN.CI.LA.CA.US.

Respectfully submitted,

GARY MATTINGLY
General Manager

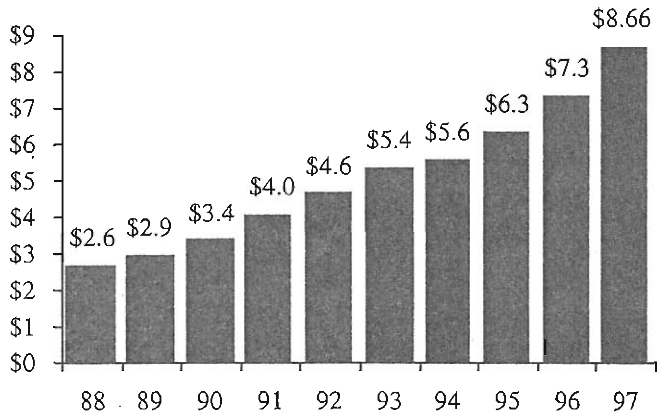
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from \$4.635 billion to \$8.663 billion. The investment program produced a gain of \$1.365 billion for the year ending June 30, 1997.

MARKET VALUE GROWTH OF SYSTEM ASSETS (In Billions)



Investment Environment

The bond market (*Salomon Bros. Broad Investment Grade Index*) produced a positive return of 8.15 percent for the year ending June 30, 1997. Large capitalization stocks (*S&P 500*) achieved an outstanding 34.57 percent return. Small stocks (*NASDAQ Composite)* returned an even larger 22.10 percent. International stocks (*Morgan Stanley EAFE*) returned less than the domestic indexes, at 12.84 percent. Real Estate, as measured by the Russell-National Council of Real Estate Investment Fiduciaries Index (*NCREIF)* continued to recover from the real estate recession with a 11.4 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 13.30 percent was more than triple the inflation measure increase of 2.71 percent. For the one year period, the System's overall investment performance was up 18.52 percent and outpaced the Consumer Price Index increase of 2.30 percent.

The System's performance was below median compared with other public funds (Trust Universe Comparison Service [TUCS]) over the past three to five years, ranging between the 53th and 88th percentiles. For this past year, the System returned 18.52 percent (65th percentile) versus the public fund median of 20.55 percent. Most public funds have a higher commitment to bonds and a lower commitment to stocks. Our relatively below median performance this year is mainly attributable to the under-performance of the System's small cap stocks and international stocks as compared to the large cap domestic stock returns.

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 Board adopted the following asset class targets in June 1995:

Domestic Equity	47%
U.S. Small Caps	(20% of Domestic Equity)
International Equity	9%
Domestic Bonds	27%
High Yield Bonds	5%
Real Estate	8%
Alternative Investments	3%
Emerging Markets	1%
Cash Equivalents	0%

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, 1997, the asset values were as follows:

ASSET CLASS	MARKET VALUE (In millions)
Domestic Equity	$3,261.1
U.S. Small Capitalization Stocks	705.9
International Equity	1,128.4
Domestic Bonds	2,127.8
High Yield Bonds	305.4
Real Estate	416.5
Alternative Investments	65.6
Cash Equivalents	652.3
Total	$8,663.0

Investment Activities

For the past nine years, the Board has implemented its Asset Allocation Plan. Under the current Plan, the Board has continued to make portfolio manager changes and other actions which are intended to increase the performance of the Fund. The manager changes for the year included the termination of one bond manager, with the assets being placed under the temporary control of an existing manager; and the termination of an equity manager. Administrative actions included the rehiring of two high yield managers and the rehiring of two equity managers.

Most of the System's assets are managed by investment managers who try to outperform a market index. The System has one large equity account that is a Standard and Poor's 500 Index fund whose performance matches that Index. A list of our managers is at the end of this section.

The real estate acquisition program proceeded with the purchase of an office building in Austin, Texas. An office portfolio consisting of four buildings was under due diligence review before the end of the fiscal year in Phoenix, Arizona. Several properties were sold, including the office building in Salt Lake City and the warehouse portfolio in Dallas and Houston.

The Board withdrew all of its investment in Prudential's PRISA commingled real estate fund. The Board also issued withdrawal requests from Heitman's Apartment and Group Trust IV commingled funds, and from ERE Yarmouth's Asset Enhancement and Prime Property commingled funds. These investments will be liquidated by the managers as cash is generated within each fund.

Proxy Voting

The System votes all domestic and available international proxy solicitations. Staff voted 643 corporations' proxies and corporate consents in Fiscal Year 1996-97. The international advisors voted 318 proxies. The System votes affirmatively on preemptive rights, cumulative voting, and confidential voting; 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 System votes affirmatively on executive compensation bonus plans if the corporation's stock performance in the past year has exceeded the returns of both the Standard & Poor's 500 Index and an appropriate peer group index; supports the nomination of and affirmative vote for the appointment of independent directors to the Board of Directors; and directs an affirmative vote on measures proposed to place independent directors on compensation committees.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Real Estate	Short Term Investments
1987-88	53.0%	35.0%	2.0%	10.0%
1988-89	59.8%	32.7%	1.8%	5.7%
1989-90	52.4%	31.8%	5.9%	9.9%
1990-91	52.0%	32.7%	6.1%	9.2%
1991-92	51.7%	32.2%	5.6%	10.4%
1992-93	59.0%	26.4%	3.2%	11.4%
1993-94	58.6%	24.6%	5.8%	11.0%
1994-95	59.5%	27.9%	6.3%	6.3%
1995-96	59.2%	29.3%	6.9%	4.6%
1996-97	58.8%	30.3%	5.2%	4.9%

ANNUAL RATES OF RETURN

Fiscal Year	Domestic Equities	International Equities	Fixed Income	Real Estate	Total Fund*	CPI**
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%	-9.90%	10.5%	-3.0%	4.8%	4.3%
1991-92	15.2%	6.16%	17.6%	-3.1%	14.0%	3.1%
1992-93	18.7%	11.81%	17.7%	-15.3%	16.0%	2.8%
1993-94	2.7%	22.11%	0.7%	9.4%	3.5%	2.5%
1994-95	25.6%	-0.37%	14.3%	14.5%	14.5%	3.0%
1995-96	25.3%	14.83%	7.8%	9.5%	14.6%	2.7%
1996-97	27.09%	12.70%	10.43%	13.9%	18.52%	2.30%

**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
Brown Capital Management
CIC Asset Management
Delta Asset Management
Frontier Capital Management
Loomis Sayles & Company, L.P.
Target Investors, Inc.

BOND MANAGERS

GEM Capital Management
HCM Capital Management
Lincoln Capital Management
Loomis Sayles & Company, L.P.
Magten Asset Management Corporation
Smith, Graham & Company

INTERNATIONAL STOCK MANAGERS

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

REAL ESTATE MANAGERS

AEW Capital Management
ERE Yarmouth
G.E. Capital Investment Advisors
Heitman Capital Management
Lowe Enterprises Investment Management
Public Storage Institutional
RREEF
Sentinel Real Estate Corporation

ALTERNATIVE INVESTMENT MANAGERS

Abbott Capital Management
Hamilton Lane Advisors
Oaktree Capital Management
Trust Company of the West

Actuarial Valuation

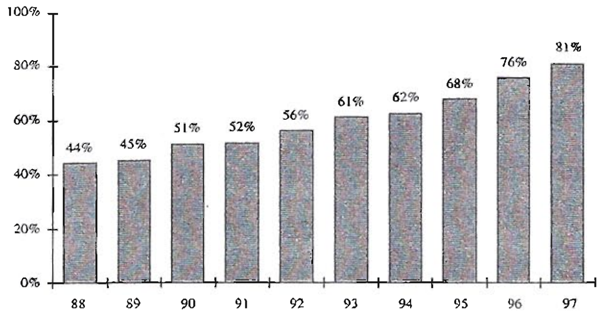
Actuarial Valuation Summary

Actuarial Valuations

Two actuarial valuations of the assets and liabilities of 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 span of several years to determine if funding progress is made. Satisfactory funding progress has occurred over the past ten years.

FUNDED STATUS (Pension Benefits)



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Articles XVII (Sec. 186.2), XVIII (Sec. 190.09), and XXXV (Sec. 528). 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 in November 1995. The next experience study will be conducted in late 1998. An example of projected mortality is as follows:

Average Life Expectancy for Pensioners

Service Pensioner (Average Age = 65) .... 17.3 years
Disabled Pensioner (Average Age = 58) .... 19.7 years
Survivor (Average Age = 72) .... 15.9 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

Annual Increase in the Consumer Price Index 5.5%**
Annual Individual Salary Increase .... varies by age

Age	Annual Salary Increase
Under 25	10.00%
25-29	9.00%
30-34	8.00%
35-39	7.00%
40-44	6.00%
45-49	5.75%
50 and over	5.50%

Annual Increases in Total System Payroll 5.5%
Annual 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 assumptions are 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 Department of Pensions. For purposes of determining the contributions to the System, the current assets are now valued using a method that phases in, over five years, the unrealized and realized appreciation above that which is expected based upon the assumed rate of return.

As can be seen on the Actuarial Pension Benefit Balance Sheet (see p. 12), the balance of $1.704 billion is considered the unfunded actuarial liability.

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' benefits began, contributions to fund these increased benefits 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.

Contribution Requirements Calculation

The contribution is comprised of two parts: (1) the Entry Age Normal Cost contribution and (2) the contribution to amortize the unfunded liability. The unfunded liability is amortized over a time period using a methodology prescribed in the Charter for each plan. The amortization period for Articles XVII and XVIII is scheduled to end on 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 1998-1999

(As a percentage of plan members' salaries)

Article XVII	22.872%
Article XVIII	24.471%
Article XXXV	14.773%

Unfunded Liability Contribution Requirements Recommended 1998-1999

Article XVII	$33,740,413
Article XVIII	8.650% of all system members' salaries
Article XXXV	(1.974%) of all Art 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. Assumptions in the June 1997 actuarial valuation included level medical cost rate for the pre-and post-65 premiums in 1997, and graded medical cost increase rates of 8.25% for pre-65 premiums and 8.0% for post-65 premiums in 1998. These will decrease gradually to 6.5% in 2004 and beyond. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 12.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements Recommended 1998-1999

(As a percentage of plan members' salaries)

Article XVII	0.327%
Article XVIII	1.334%
Article XXXV	2.991%

Unfunded Liability Contribution Requirements Recommended 1998-1999

Article XVII	$610,009
Article XVIII	1.724% of all system members' salaries
Article XXXV	(0.825%) of Art XXXV members' salaries

Valuation of Pension Benefits
Actuarial Balance Sheet As of June 30, 1997

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 5,718,838	$6,371,091,157	$1,029,633,754	$7,406,443,749
2. Present Value of Future Member Contributions	0	77,379,493	464,589,754	541,969,247
3. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	266,306	422,214,686	907,419,506	1,329,900,499
b. Unfunded Actuarial Accrued Liability	366,193,366	1,474,512,952	(136,092,475)	1,704,613,842
4. Total Assets	**$372,178,510**	**$8,345,198,288**	**$2,265,550,539**	**$10,982,927,337**

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	$ 97,897,370	$3,610,092,625	$ 6,018,196	$3,714,008,191
b. Disability Retirements	97,821,114	1,184,886,678	33,490,757	1,316,198,549
c. Survivors and Dependents	173,002,108	508,391,036	12,267,046	693,660,190
d. Total	$ 368,720,592	$5,303,370,339	$ 51,775,999	$5,723,866,930
6. Present Value of Benefits to be Granted				
a. Service Retirements	$ 2,955,982	$2,476,009,558	$1,621,275,119	$4,100,240,659
b. Disability Retirements	486,450	542,813,627	491,250,410	1,034,550,487
c. Survivors and Dependents	15,108	21,887,917	52,847,474	74,750,499
d. Total	$ 3,457,540	$3,040,711,102	$2,165,373,003	$5,209,541,645
7. Refund of Employee Contributions	$ 378	$ 1,116,847	$ 48,401,537	$ 49,518,762
8. Total Liabilities	**$372,178,510**	**$8,345,198,288**	**$2,265,550,539**	**$10,982,927,337**

Valuation of Health Subsidy Benefits
Actuarial Balance Sheet As of June 30, 1997

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 5,782,219	$175,570,270	$ 129,499,893	$310,852,382
2. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	2,390	16,042,378	152,125,865	168,170,633
b. Unfunded Actuarial Accrued Liability	6,620,581	293,869,615	(24,913,505)	275,576,691
3. Total Assets	**$ 12,405,190**	**$485,482,263**	**$256,712,253**	**$754,599,706**

LIABILITIES

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
4. Present Value of Benefits Already Granted	$12,158,864	$288,161,911	$ 1,767,145	$302,087,920
5. Present Value of Benefits to be Granted				
a. Actives Eligible to Retire	246,326	160,498,812	2,495,685	163,240,823
b. Other Actives	0	36,821,540	252,449,423	289,270,963
c. Total	$ 246,326	$ 197,320,352	$254,945,108	$452,511,786
6. Total Liabilities	**$12,405,190**	**$485,482,263**	**$256,712,253**	**$754,599,706**

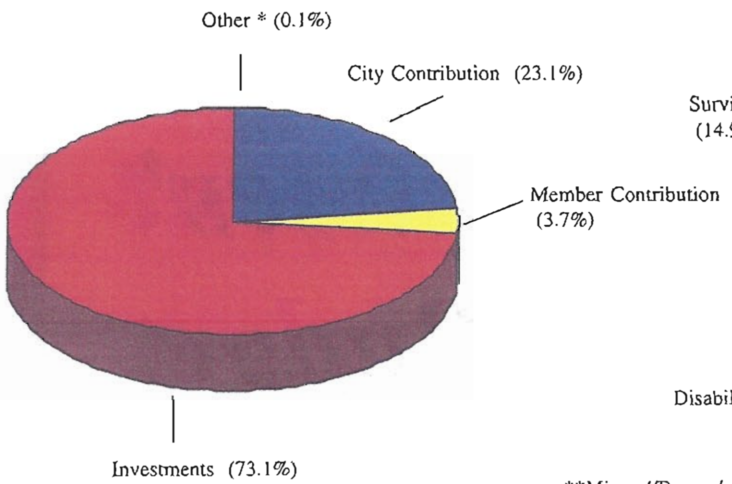
Department Budget

Department Budget

Receipts	Budgeted 1996-97	Actual 1996-97
Balance Available	$ 976,600	$ 0
City Contribution	305,179,402	305,179,402
Member Contributions	50,479,705	48,774,169
Earnings on Investments	260,000,000	368,382,882
Gain on Sale of Investments	--	597,839,071
UFLAC Settlement	500,000	500,000
Miscellaneous	650,000	250,571
Total Receipts	**$617,785,707**	**$1,320,926,095**

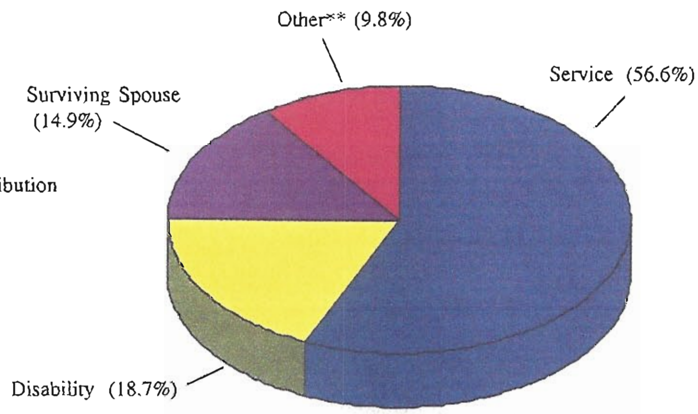
Expenditures	Budgeted 1996-97	Actual 1996-97
Service Pensions	$244,650,000	$232,385,683
Disability Pensions	80,325,000	76,676,150
Surviving Spouses' Pensions	62,289,000	61,149,084
Minors'/Dependents' Pensions	1,208,000	1,019,895
Refund of Member Contributions	4,000,000	1,991,947
Health Insurance Subsidy	18,000,000	15,218,587
Medicare	2,700,000	1,762,954
Investment Management Expense	20,704,500	15,614,845
Administrative Expense	5,779,650	4,860,867
Total Expenditures	**$439,656,150**	**$410,680,012**
Increase in Fund Balance	**$178,129,557**	**$910,246,012**

RECEIPTS



*UFLAC Settlement and Miscellaneous

EXPENDITURES



***Minors'/Dependents' Pensions, Refund of Member Contributions, Medicare, Health Insurance Subsidy, Investment Management Expense and Administrative Expense*

Auditors' Report

MANNON KAPLAN, 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.
JAMES E. VEALE, C.P.A.
CHARLES SCHNAID, C.P.A.
DONALD G. GARRETT, C.P.A.
CATHERINE C. GARDNER, C.P.A.
RICHARD DEFRONZO, C.P.A.
JEFFREY L. GOSS, C.P.A.
JEFFREY S. SLOMIAK, C.P.A.

STANLEY L. MILLER, C.P.A. (1921-1995)
PAUL ARASE, C.P.A.*
JOSEPH C. CAHN, C.P.A.*
*RETIRED

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THE CALIFORNIA SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS
#95-2036255

Independent Auditors' 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 statement of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 1997, and the related statement of changes in plan net assets for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the System's plan net assets as of June 30, 1997, and changes therein for the year then ended in conformity with generally accepted accounting principles.

As discussed in notes 2B and 2D to the financial statements, the System adopted provisions of Statement Nos. 25, 26 and 28 of the Governmental Accounting Standards Board, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans* and *Accounting and Financial Reporting for Securities Lending Transactions*, respectively, in the fiscal year ending June 30, 1997, and has restated the June 30, 1997 beginning plan net assets held in trust for pension benefits to reflect retroactively the provisions of these standards.

The Schedules of Funding Progress and Employer Contributions on pages 12 through 15 are not a required part of the basic financial statements of the System, but are supplementary information required by the Governmental Accounting Standards Board. These schedules are the responsibility of the System's management. Such schedules for each of the six years ended June 30, 1997 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

Miller, Kaplan, Arase & Co
MILLER, KAPLAN, ARASE & CO.

December 1, 1997

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

EXHIBIT "A"

STATEMENT OF PLAN NET ASSETS

AS OF JUNE 30, 1997

	Old Pension and New Pension System	Old Pension and New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
ASSETS					
CASH	$ 922,100	$ --	$ 1,340,406	$ --	$ 2,262,506
RECEIVABLES					
Accrued Interest and Dividend Income	$ 40,237,180	$ --	$ 4,714,856	$ --	$ 44,952,036
Accrued Real Estate Income	1,044,291	--	57,426	--	1,101,717
Contributions	398,667	--	1,049,716	--	1,448,383
Due from Old Pension and New Pension System	--	179,506,967	--	--	179,506,967
Due from Safety Members Pension Plan	--	--	--	136,996,016	136,996,016
Due from Brokers	$ 30,373,480	$ --	$ 27,444	$ --	$ 30,400,924
TOTAL RECEIVABLES	$ 72,053,618	$ 179,506,967	$ 5,849,442	$ 136,996,016	$ 394,406,043
INVESTMENTS AT FAIR VALUE					
Temporary	$ 497,493,663	$ --	$ 126,555,843	$ --	$ 624,049,506
U.S. Government Obligations	1,140,827,378	--	174,373,838	--	1,315,201,216
Municipal Bonds	5,187,160	--	--	--	5,187,160
Domestic Corporate Bonds	993,941,774	--	85,812,056	--	1,079,753,830
International Bonds	28,930,621	--	4,167,010	--	33,097,631
Domestic Stocks	3,420,984,688	--	545,974,148	--	3,966,958,836
International Stocks	1,111,841,828	--	16,518,931	--	1,128,360,759
Real Estate	141,404,352	--	275,071,696	--	416,476,048
Alternative Investments	$ 55,871,093	$ --	$ 9,715,319	$ --	$ 65,586,412
TOTAL INVESTMENTS	$ 7,396,482,557	$ --	$ 1,238,188,841	$ --	$ 8,634,671,398
SECURITIES LENDING COLLATERAL	650,925,427	--	104,628,060	--	755,553,487
TOTAL ASSETS	$ 8,120,383,702	$ 179,506,967	$ 1,350,006,749	$ 136,996,016	$ 9,786,893,434
LIABILITIES					
Accounts payable and accrued expenses	$ 7,895,577	$ --	$ --	$ --	$ 7,895,577
Benefits in Process of Payment	217,112	--	311,140	--	528,252
Due to Brokers	38,095,131	--	5,369,207	--	43,464,338
Due to Health Plan Subsidy	179,506,967		136,996,016	--	316,502,983
Securities Lending Collateral	$ 650,925,427	$ --	$ 104,628,060	$ --	$ 755,553,487
TOTAL LIABILITIES	$ 876,640,214	$ --	$ 247,304,423	$ --	$ 1,123,944,637
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS (A schedule of funding progress is presented on pages 25 and 26)					
TOTAL PLAN ASSETS	$ 7,243,743,488	$ 179,506,967	$ 1,102,702,326	$ 136,996,016	$ 8,662,948,797

EXHIBIT "B"

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 1997

	Old Pension and New Pension System	Old Pension and New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
ADDITIONS					
Contributions:					
City contributions	$ 222,862,405	$ 25,787,383	$ 43,900,196	$ 13,129,418	$ 305,679,402
Member contributions	17,354,453	--	31,419,716	--	48,774,169
TOTAL CONTRIBUTIONS	$ 240,216,858	$ 25,787,383	$ 75,319,912	$ 13,129,418	$ 354,453,571
Miscellaneous	210,947	--	$ 39,624	--	$ 250,571
	$ 240,427,805	$ 25,787,383	$ 75,359,536	$ 13,129,418	$ 354,704,142
INVESTMENT INCOME					
Net Appreciation in Fair Value of Plan Investments, Including Gain on Sales	$ 882,097,359	$ 22,086,758	$ 85,219,800	$ 16,888,411	$ 1,006,292,328
Interest	180,963,713	4,530,617	22,389,828	4,444,319	212,328,477
Dividends	66,867,237	1,698,982	4,326,838	888,863	73,781,920
Net Real Estate Income	29,356,309	--	49,321,832	--	78,678,141
Securities Lending Income	2,238,467	--	101,600	--	2,340,067
Other Income	1,246,899	--	7,378	--	1,254,277
SUBTOTAL	$ 1,162,769,984	$ 28,316,357	$ 161,367,276	$ 22,221,593	$ 1,374,675,210
Less: Investment Manager Expense	(13,272,618)	--	(2,342,227)	--	(15,614,845)
Net Investment Income	$ 1,149,497,366	$ 28,316,357	$ 159,025,049	$ 22,221,593	$ 1,359,060,365
TOTAL ADDITIONS	$ 1,389,925,171	$ 54,103,740	$ 234,384,585	$ 35,351,011	$ 1,713,764,507
DEDUCTIONS					
Pension Benefits	$ 367,525,871	$ --	$ 3,704,941	$ --	$ 371,230,812
Payment of Medicare Reimbursement	--	1,761,743	--	1,211	1,762,954
Payment of Health Subsidy	--	15,218,587	--	--	15,218,587
Refund of Contributions	241,909	--	1,750,038	--	1,991,947
Administrative Expenses	$ 4,058,111	--	802,756	--	$ 4,860,867
	$ 371,825,891	$ 16,980,330	$ 6,257,735	$ 1,211	$ 395,065,167
NET INCREASE	$ 1,018,099,280	$ 37,123,410	$ 228,126,850	$ 35,349,800	$ 1,318,699,340
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS					
Beginning of Year, as Restated	6,225,644,208	142,383,557	874,575,476	101,646,216	7,344,249,457
End of Year	$ 7,243,743,488	$ 179,506,967	$1,102,702,326	$ 136,996,016	$ 8,662,948,797

City of Los Angeles Fire and Police Pension System
Notes to Financial Statements
June 30, 1997

Note 1 -- Description of Plans

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.

Pension System

In general, the System is a defined benefit single-employer pension plan covering all firefighters and police officers 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 26, 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 66-2/3 % 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 a 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.

Health Subsidy Plan

Members of the System are entitled to post-retirement health subsidy benefits under sections 189, 190.50 and 536 of the City Charter, and by related ordinance. Members who retire from the System with ten years of service are eligible for health subsidy benefits. Regular benefits begin at age sixty. Temporary subsidies are available to certain groups at earlier stages.

The benefit paid is a percentage of a maximum subsidy for health care based on the lesser of the amount used by the City Employees' Retirement System (CERS) and active Safety Members. The City also pays Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

Health Subsidy benefits are available to Members on disability and service retirement. No subsidy is paid to survivors or beneficiaries. Limited spousal and dependent benefits are available during the member's lifetime.

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

Note 1 -- Description of Plans (Continued)

Membership

Membership of the Pension System consisted of the following at June 30, 1997, the date of the latest actuarial valuation:

	Old Pension System and New Pension System	Safety Members Pension Plan	Total
Pensioners and beneficiaries Currently receiving benefits	$10,947	$ 139	$11,086
Active Members:			
Vested	$ 3,168	$2,349	$ 5,517
Nonvested	843	6,108	6,951
Subtotal	$ 4,011	$8,457	$12,468
Total	$14,958	$8,596	$23,554

The number of terminated members entitled to but not yet receiving benefits is not significant.

Note 2 -- Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

B. Financial Reporting

The financial statements have been prepared in accordance with generally accepted accounting principles, as outlined in the Governmental Accounting Standards Board (GASB). In fiscal year 1997, the System adopted the GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans;* GASB No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*; and GASB No. 28, *Accounting and Financial Reporting for Securities Lending Transactions.* GASB No. 25 establishes financial reporting standards for defined benefit pension plans and requires that System investments be reported at fair value at the reporting date. GASB No. 26 establishes financial reporting standards for defined benefit pension plans in reporting healthcare assets and benefits. GASB No. 28 establishes accounting and financial reporting standards for securities lending transactions.

GASB No. 25, *Financial Reporting for Defined Benefit Plans and Notes Disclosures for Defined Contribution Plans,* was adopted by the System on July 1, 1996. GASB 25 supercedes all previous financial reporting standards required for governmental defined benefit pension plans including GASB No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, Accounting and Reporting by Defined Benefit Pension Plans*, previously relied upon by the System. GASB No. 25 requires a statement of plan net assets, a statement of changes in plan net assets, investments be carried at fair value with unrealized gains and losses included in the statement of changes in plan net assets, and certain footnote disclosures regarding actuarial methods, contribution requirements and funding progress of the System.

GASB No. 26 was adopted by the System on July 1, 1996. GASB No. 26 establishes financial reporting standards for postemployment healthcare plans administered by state and local governmental defined benefit pension plans. It is an interim statement pending completion of the GASB's project on accounting and financial reporting of other postemployment benefits by plans and employers.

In addition to the reporting standards, the statement also establishes certain requirements for plans that elect to provide historical trend information about the funded status of the postemployment health plan subsidy and the employer's required contribution to the Plan, either as supplementary information or an additional financial statement or note.

GASB No. 28 was adopted on July 1, 1996. GASB No. 28 establishes accounting and financial reporting standards for securities lending transactions and requires the System to record cash and certain securities received as collateral under

Note 2 -- Summary of Significant Accounting Policies (Continued)

securities lending transactions as assets, and liabilities resulting from these transactions in the statement of plan net assets. Revenues from and costs of securities lending transactions, such as borrowing rebates and agent fees, are reported as investment income and expenditures, respectively, in the statement of changes in plan net assets. Securities lending activity had previously been disclosed in the footnotes to the financial statements.

C. Cash

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

D. Investments

The System adopted the provisions of Statement No. 25 of the Governmental Accounting Standards Board, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* during the fiscal year ending June 30, 1997, and has restated the June 30, 1997 beginning net assets held in trust for pension benefits to reflect retroactively the provisions of this standard. This statement establishes financial reporting standards for defined benefit pension plans and requires that System investments be reported at fair value at the reporting date. The restatement can be summarized as follows:

Net assets at beginning of fiscal year ending June 30, 1997, as previously reported	$6,003,405,683
Adjustment of investments to fair value	1,340,843,774
Net assets at beginning of fiscal year ending June 30, 1997, as restated	$ 7,344,249,457

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 determined by the Custodian, Bankers Trust Company.

Short-term investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements along with bonds and stocks are reported at fair value in accordance with GASB No. 25.

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 or P-1, 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 combined pension plan and postemployment health subsidy statement of changes in plan net assets, 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.

Real estate investments are recorded in the financial statements under the equity method when there is an interest of 20% or greater. The cost method has been used for investments of less than 20% and carried at market value. The fair values of real estate investment funds are provided by the individual real estate fund managers and are evaluated by the System's real estate consultant.

The values of alternative investments are based on cost until an event takes place that would justify a change in valuation.

E. 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.

Note 2 -- Summary of Significant Accounting Policies (Continued)

F. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 -- 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, 1997, 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 actuary for the System has determined the contributions for items A., B. and C. above, for the years ended June 30, 1997 to be as follows:

	Percentage of Member's Salaries		
	Old System (Article XVII)	New System (Article XVIII)	Safety Members Pension Plan (Article XXXV)
Entry-Age Normal Cost Contribution	16.41%	26.31%	14.1%
Amortization of Unfunded Liability	$36.3M	16.8%	(1.7%)
Health Plan Subsidy	$ 1.2M*	$25.8M*	$13.7M*

*Stated as required dollar amount.

The actuarially determined unfunded liability of the System is $1,980,190,533 at June 30, 1997 (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, 1997 is to be amortized over the next 40 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Note 3 -- Funding Policy (Continued)

Contributions totaling $354,453,571 (305,679,402 City and $48,774,169 member) were made during the period ending June 30, 1997 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, 1997. These contributions consisted, for the aggregate pension plans, of approximately $171,914,000 normal cost and $142,605,000 amortization of the unfunded actuarial accrued liability. For the health plan subsidy, they consisted of approximately $17,600,000 normal cost and $22,335,000 amortization of the unfunded actuarial accrued liability.

Note 4 -- 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.

The City Charter permits the System to use investments of the System to enter into securities lending transactions - loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. 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 market value plus any accrued interest for U.S. securities lending and 105 percent of the market value plus any accrued interest for non U.S. securities lending. At year end, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeded the amounts the borrowers owed the System.

The borrower has all incidents of ownership with respect to 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 reasoned 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 market value on the Systems' plan net assets.

The System adopted the provisions of Statement No. 28 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Securities Lending Transactions,* in fiscal 1997. This Statement requires that cash received as collateral on securities lending transactions be reported as assets, and that liabilities from these transactions be reported in the statement of plan net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees are netted against securities lending income.

The market value of securities lent was $1,111,130,674 as of June 30, 1997 and the collateralized value of cash and securities was $1,150,055,916.

Note 5 - 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 amount of contributions and interest subject to this right at June 30, 1997 is $438,479,214.

B. Investment Commitment

The System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $121,400,000 at June 30, 1997.

Note 6 - Governmental Accounting Standards Board (GASB) Investment Categories

The System's investments in securities, which are held by Bankers Trust Company, the Custodian, 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 non-categorized 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, 1997, the market value of categorized investments were as follows (in thousands):

	Category				
	1	2	3	Not Categorized	Total
Investments (excluding Real Estate and Pooled Temporary Investments)	$7,197,496	$ -	$265,145	$1,172,030	$8,634,671

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-D).

Note 7 - Pension System Amendments

Charter Amendment D

On December 5, 1996, the voters passed an amendment to the City Charter which redefined a "Qualifying Spouse," allowing them to remarry without forfeiting their pension. Prior to this change, qualifying spouses who remarried lost their pension benefits. In addition, Articles XVII, XVIII and XXXV provide for the reinstatement of the pension when a former qualified surviving spouse divorces his or her spouse within five years of remarriage.

Charter Amendment 3

On April 18, 1997, the voters passed this amendment which affects the pension benefits of Article XXXV members. The amendment established "Plan II" in Article XXXV of the city charter. Under the provisions of Plan II, members hired between December 8, 1980 and June 30, 1997 will have one year to make an irrevocable choice to move into Plan II. Members hired on or after July 1, 1997 will automatically become members of Plan II, which offers retirement benefits after 20 years of service with no minimum age requirement.

At the discretion of the City Council, administrative expenses which shall include investment management expenses shall be paid from System assets.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULES
FOR THE SIX YEARS ENDING JUNE 30, 1997

SCHEDULE 1A

CITY OF LOS ANGELES FIRE AND POLICE PENSION
SUPPLEMENTAL PENSION PLAN SCHEDULE OF FUNDING PROGRESS

ALL PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	4,285,642,005	7,840,118,795	3,554,476,790	54.7%	573,922,239	619.3%
June 30, 1993	4,846,189,341	8,144,652,745	3,298,463,404	59.5%	562,672,803	586.2%
June 30, 1994	5,111,331,371	8,311,393,751	3,200,062,380	61.5%	554,626,745	577.0%
June 30, 1995	5,602,149,360	8,412,407,080	2,810,257,720	66.6%	608,978,306	461.5%
June 30, 1996	6,558,796,766	8,786,175,771	2,227,379,005	74.6%	688,572,262	323.5%
June 30, 1997	7,406,443,749	9,111,057,591	1,704,613,842	81.3%	749,505,571	227.4%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	3,865,501,524	7,453,966,939	3,588,465,415	51.9%	316,454,726	1134.0%
June 30, 1993	4,328,028,411	7,686,704,861	3,358,676,450	56.3%	297,796,256	1127.8%
June 30, 1994	4,527,618,395	7,781,907,008	3,254,288,613	58.2%	269,887,595	1205.8%
June 30, 1995	4,913,393,210	7,813,942,098	2,900,548,888	62.9%	278,097,839	1043.0%
June 30, 1996	5,701,026,050	8,041,068,131	2,340,042,081	70.9%	286,626,330	816.4%
June 30, 1997	6,376,809,995	8,217,516,312	1,840,706,317	77.6%	286,787,233	641.8%

SAFETY MEMBERS PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	420,140,481	386,151,856	(33,988,625)	108.8%	257,467,513	(13.2%)
June 30, 1993	518,160,930	457,947,884	(60,213,046)	113.1%	264,876,547	(22.7%)
June 30, 1994	583,712,976	529,486,743	(54,226,233)	110.2%	284,739,150	(19.0%)
June 30, 1995	688,756,150	598,464,982	(90,291,168)	115.1%	330,880,467	(27.3%)
June 30, 1996	857,770,716	745,107,640	(112,663,076)	115.1%	401,945,932	(28.0%)
June 30, 1997	1,029,633,754	893,541,279	(136,092,475)	115.2%	462,718,338	(29.4%)

SCHEDULE 1B

CITY OF LOS ANGELES FIRE AND POLICE PENSION
FUNDED STATUS OF HEALTH SUBSIDY BENEFITS
SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS

ALL PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	54,998,828	714,129,035	659,130,207	7.7%	573,922,239	114.8%
June 30, 1993	92,738,324	686,751,150	594,012,826	13.5%	562,672,803	105.6%
June 30, 1994	131,848,404	697,230,188	565,381,784	18.9%	554,626,745	101.9%
June 30, 1995	175,792,687	659,805,919	484,013,232	26.6%	608,978,306	79.5%
June 30, 1996	248,228,909	591,777,845	343,548,936	41.9%	688,572,262	49.9%
June 30, 1997	310,852,382	586,429,073	275,576,691	53.0%	749,505,571	36.8%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	37,240,912	632,171,377	594,930,465	5.9%	316,454,726	188.0%
June 30, 1993	56,534,866	610,111,978	553,577,112	9.3%	297,796,256	185.9%
June 30, 1994	77,378,107	609,717,517	532,339,410	12.7%	269,887,595	197.2%
June 30, 1995	102,366,307	566,443,155	464,076,848	18.1%	278,097,839	166.9%
June 30, 1996	145,929,451	504,733,828	358,804,377	28.9%	286,626,330	125.2%
June 30, 1997	181,352,489	481,842,685	300,490,196	37.6%	286,787,233	104.8%

SAFETY MEMBERS PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1992	17,757,916	81,957,658	64,199,742	21.7%	257,467,513	24.9%
June 30, 1993	36,203,458	76,639,172	40,435,714	47.2%	264,876,547	15.3%
June 30, 1994	54,470,297	87,512,671	33,042,374	62.2%	284,739,150	11.6%
June 30, 1995	73,426,380	93,362,764	19,936,384	78.6%	330,880,467	6.0%
June 30, 1996	102,299,458	87,044,017	(15,255,441)	117.5%	401,945,932	(3.8%)
June 30, 1997	129,499,893	104,586,388	(24,913,505)	123.8%	462,718,338	(5.4%)

SCHEDULE 2A

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS

ALL PLANS Fiscal Years Ending	Annual Required Contribution	Percent Contributed
1992	$ 304,303,859	100%
1993	277,367,625	100%
1994	281,880,495	100%
1995	287,697,971	100%
1996	296,636,023	100%
1997	265,744,307	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Fiscal Years Ending		
1992	$ 272,509,557	100%
1993	237,870,462	100%
1994	246,773,576	100%
1995	250,731,527	100%
1996	253,792,681	100%
1997	222,678,703	100%

SAFETY MEMBERS PENSION PLAN

Fiscal Years Ending		
1992	$ 31,794,302	100%
1993	39,497,163	100%
1994	35,106,919	100%
1995	36,966,444	100%
1996	42,843,342	100%
1997	43,065,604	100%

SCHEDULE 2B

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS
HEALTHCARE PLANS

ALL PLANS Fiscal Years Ending	Annual Required Contribution	Percent Contributed
1992	$ 33,407,029	100%
1993	45,138,597	100%
1994	49,889,992	100%
1995	45,782,214	100%
1996	46,565,595	100%
1997	39,935,095	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Fiscal Years Ending		
1992	$ 23,161,142	100%
1993	29,008,014	100%
1994	32,957,468	100%
1995	31,897,396	100%
1996	32,128,225	100%
1997	26,805,677	100%

SAFETY MEMBERS PENSION PLAN

Fiscal Years Ending		
1992	$ 10,245,887	100%
1993	16,130,583	100%
1994	16,932,524	100%
1995	13,884,818	100%
1996	14,437,370	100%
1997	13,129,418	100%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary schedules for the Pension and Healthcare Plans was determined as part of the actuarial valuations as of June 30, 1997. Additional information as of June 30, 1997 follows:

PENSION PLANS

Funding Method - Entry Age Normal Funding Method

Asset Valuation Method - The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

Investment Return:	8.5%
Annual Salary Scale Increase:	
Individually	(Varies by age)
Age:	
Under 25	10.0%
25-29	9.0%
30-34	8.0%
35-39	7.0%
40-44	6.0%
45-49	5.7%
50 and Over	5.5%
Aggregate	5.5%
Annual Cost-of-Living Increase:	
Old System and New System Members:	
Accrued for All Subsequent Service (Subject to Any Applicable Caps)	5.5%
Safety Members Pension Plan Members	3.0%

Mortality among retirees - The valuation for those on service retirement is based upon the 1994 Group Annuity Mortality Table. The valuation for those on disability retirement is based upon the 1984 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

Mortality among spouses - The valuation is based upon the 1994 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.

NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Contiued)

HEALTHCARE PLANS

Funding Method - Entry Age Normal Funding Method

Asset Valuation Method - The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

Investment Return	8.5%
Annual Salary Scale Increase:	
Individually	(Varies by age)
Age:	
Under 25	10.0%
25-29	9.0%
30-34	8.0%
35-39	7.0%
40-44	6.0%
45-49	5.7%
50 and Over	5.5%
Aggregate	5.5%

Graded Medical Cost Rate Increases:	
Pre-65 Premiums	8.25%*
Post-65 Premiums	8.00%*

*Decreasing gradually to 6.5% in 2004 and beyond

Mortality among retirees - The valuation for those on service retirement is based upon the 1994 Group Annuity Mortality Table. The valuation for those on disability retirement is based upon the 1984 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

Mortality among spouses - The valuation is based upon the 1994 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.

Active and Retired Membership

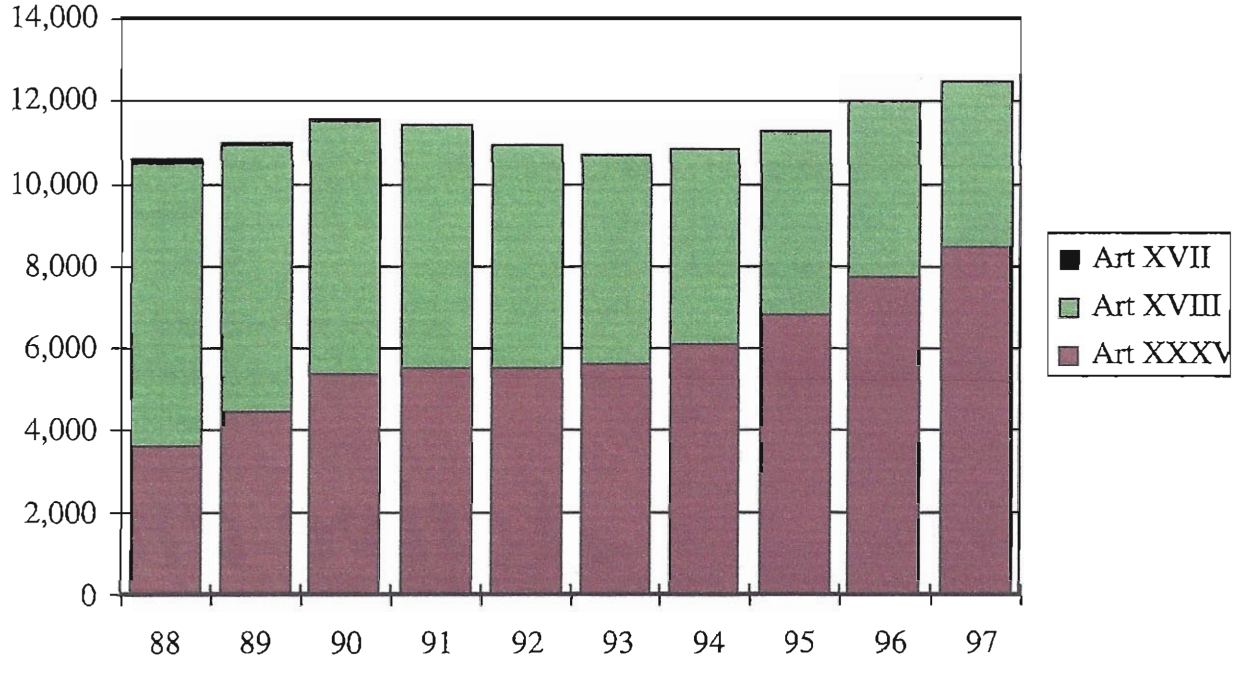
POLICE AND FIRE PENSION SYSTEMS

Three Pension Systems

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

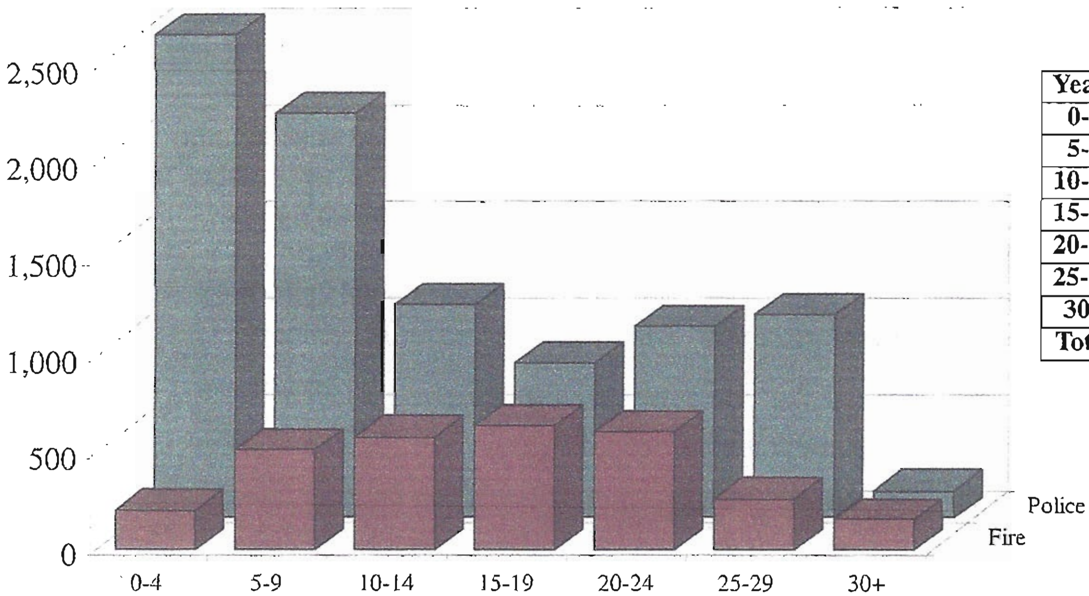
In 1980, the benefits of the system were again extensively revised. This resulted in the creation of **The Safety Members Pension Plan (Article XXXV)**. All members hired on December 8, 1980 and later become members of this plan.

ACTIVE MEMBERSHIP
Last Ten Years



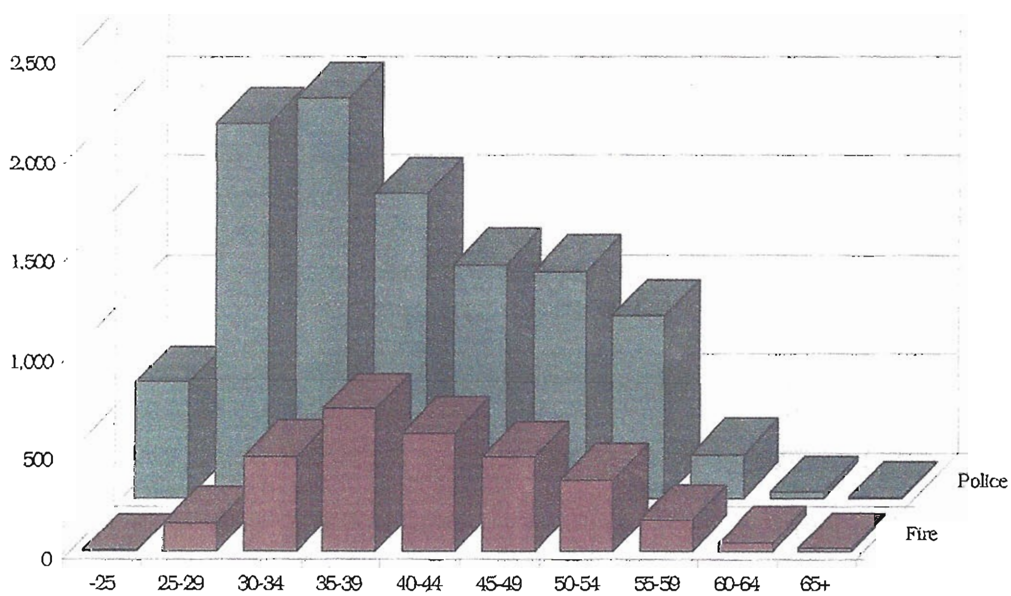
MEMBERSHIP AS OF JUNE 30, 1997			
Article	**Fire**	**Police**	**Total**
XVII	1	4	5
XVIII	1,373	2,633	4,006
XXXV	1,601	6,856	8,457
TOTAL	2,975	9,493	12,468

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	201	3,299
5-9	517	2,093
10-14	586	1,105
15-19	641	805
20-24	615	991
25-29	264	1,057
30+	151	143
Total	2,975	9,493

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	2	585
25-29	142	1,883
30-34	477	2,008
35-39	716	1,531
40-44	595	1,175
45-49	474	1,140
50-54	361	921
55-59	153	218
60-64	43	30
65+	12	2
Total	2,975	9,493

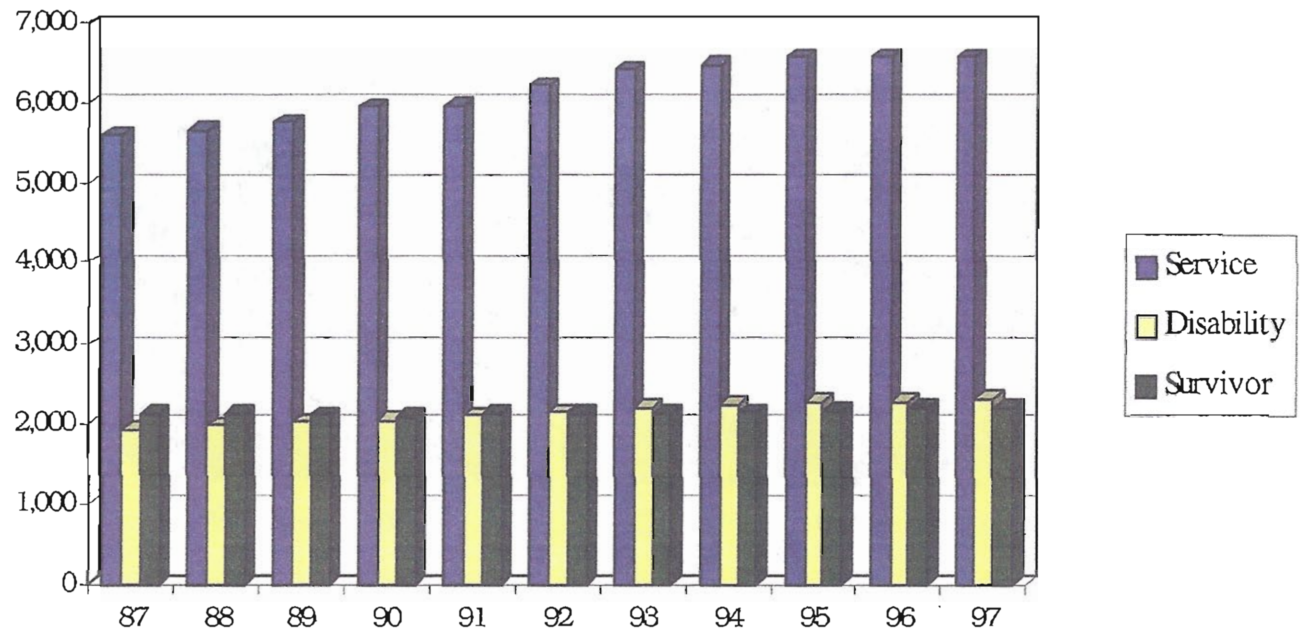
REFUNDS OF MEMBER CONTRIBUTIONS

	94-95	95-96	96-97
FIRE			
Article XVIII	1	0	1
Article XXXV	16	23	6
POLICE			
Article XVIII	7	4	3
Article XXXV	154	144	125
TOTAL	178	171	135

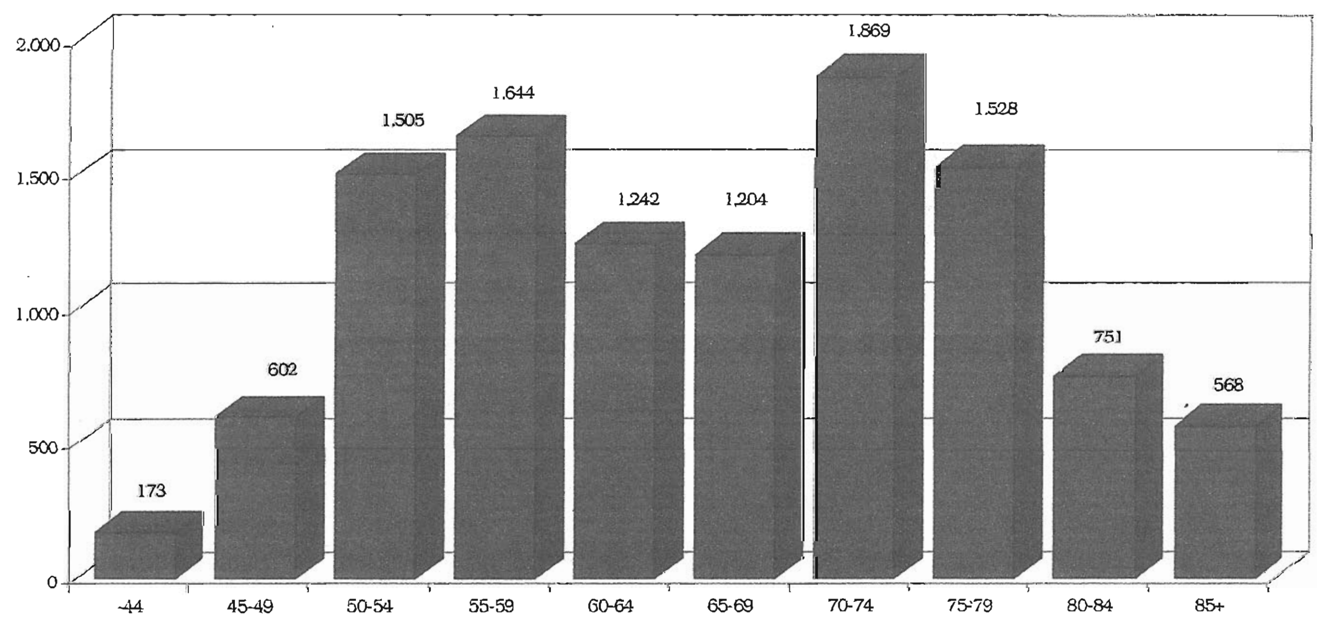
This chart shows the number of members who have applied for a refund of their Pension contributions.

RETIRED MEMBERSHIP
Last Ten Years

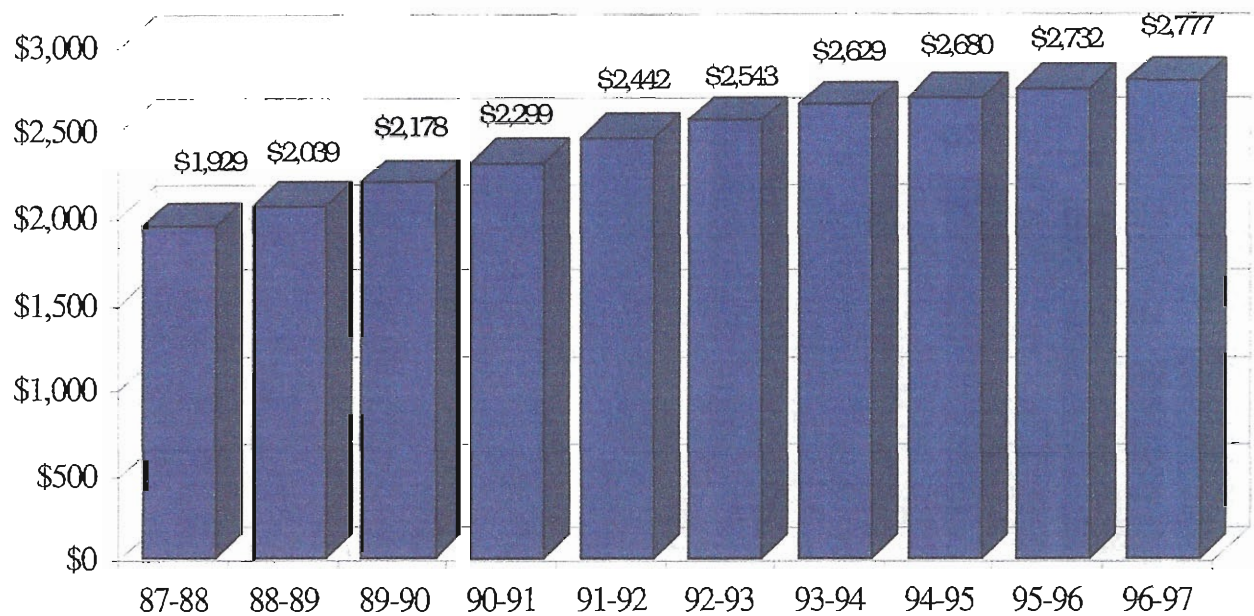
AS OF JUNE 30, 1997	
Service Pensions	6,572
Disability Pensions	2,304
Survivor Pensions	2,210
Total	11,086



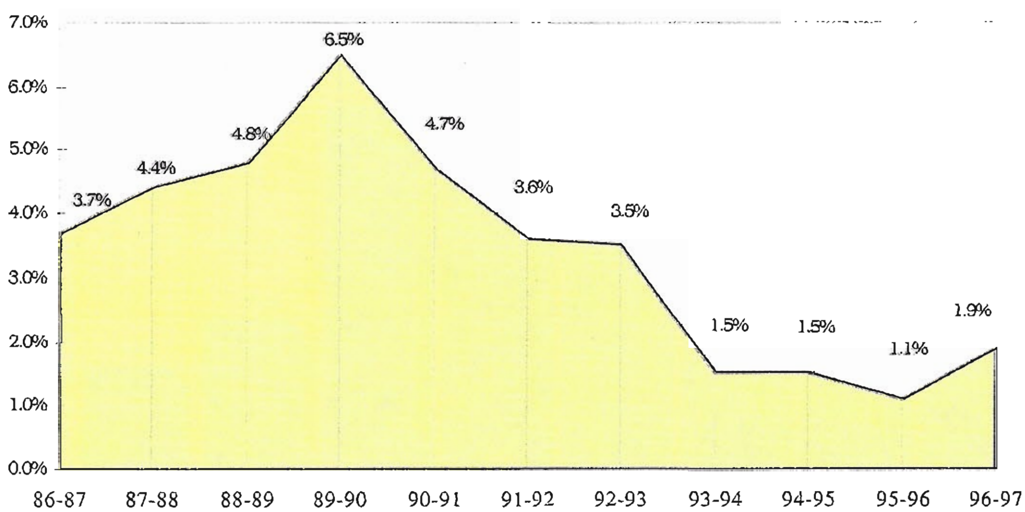
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



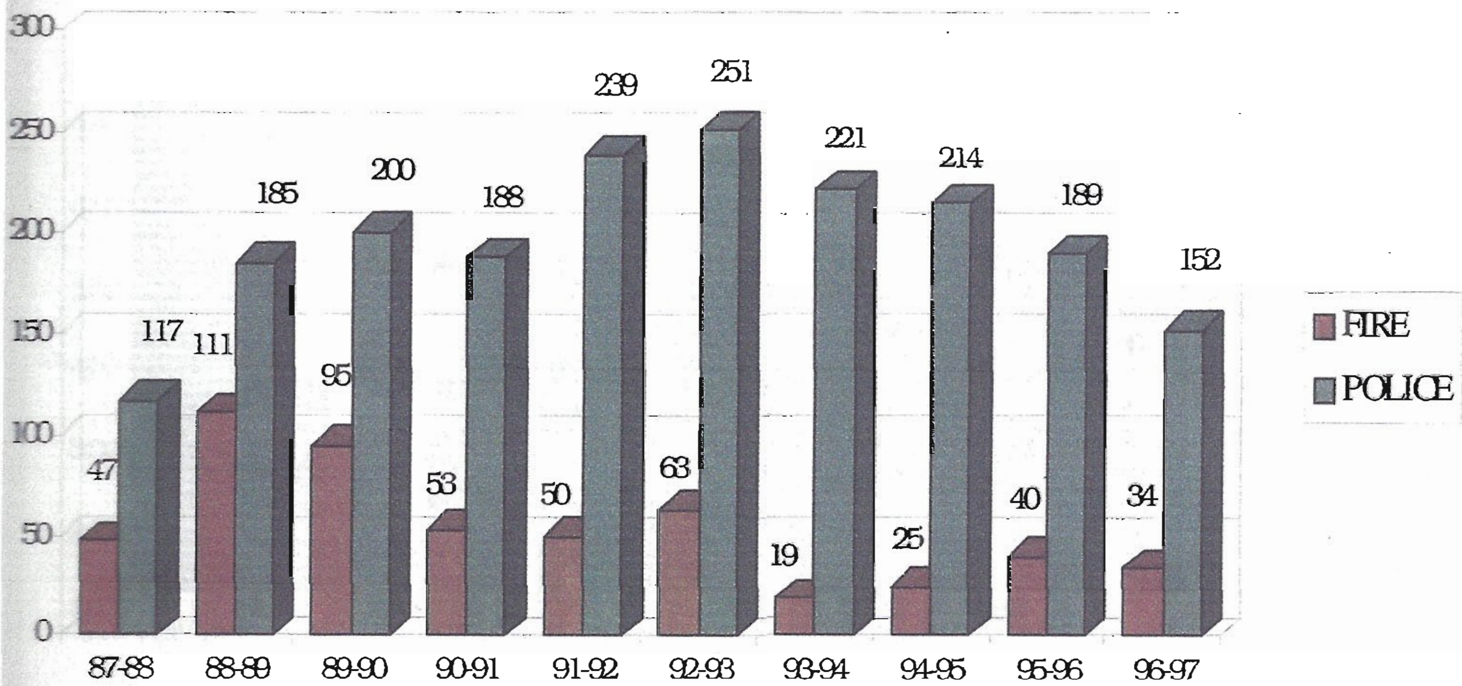
COST OF LIVING ADJUSTMENTS
Effective July 1



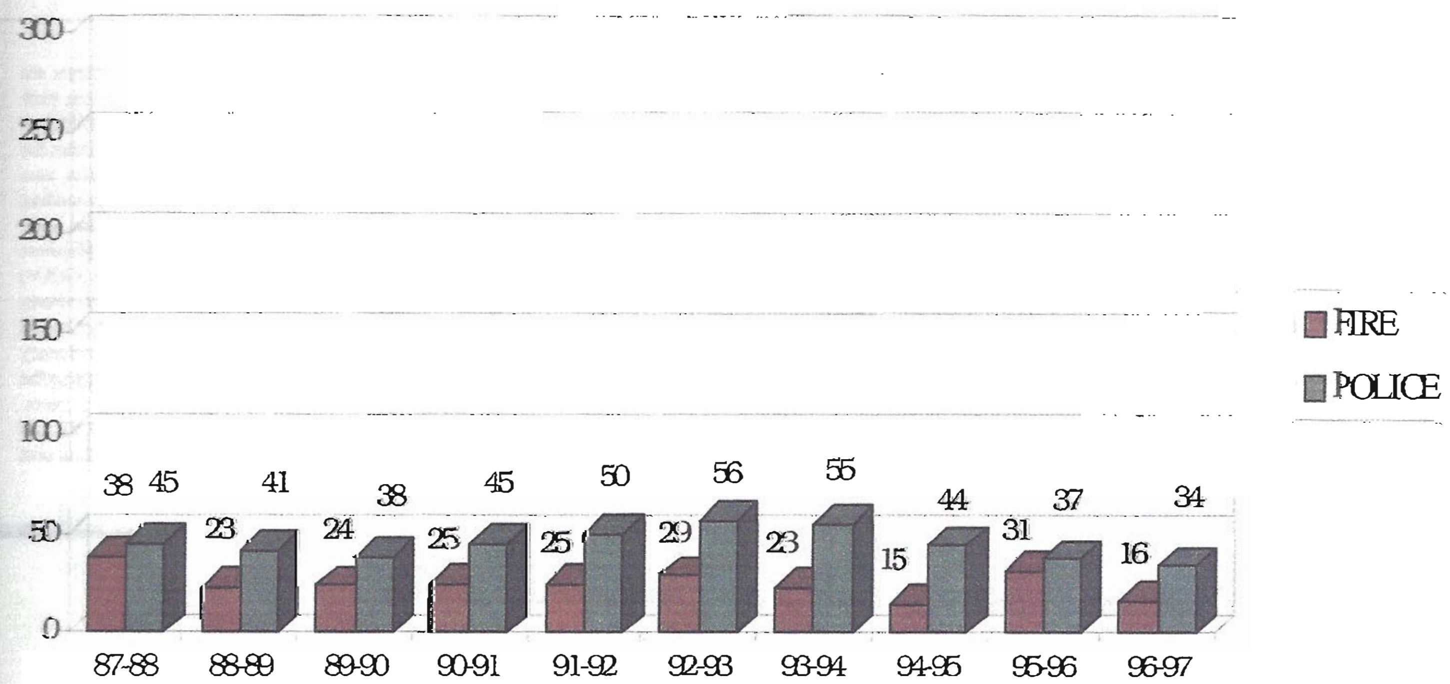
Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of the Safety Members Pension Plan (Article XXXV) have cost of living increases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

PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

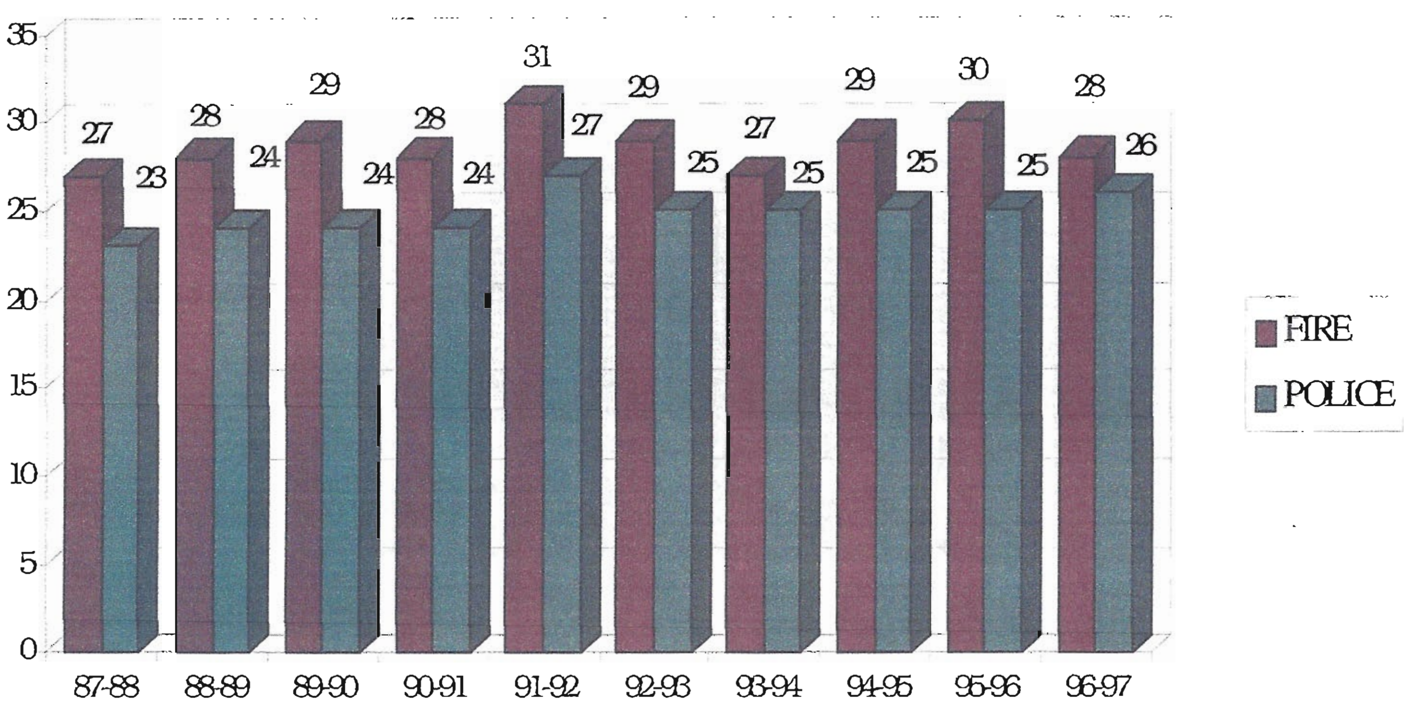


DISABILITY PENSIONS GRANTED

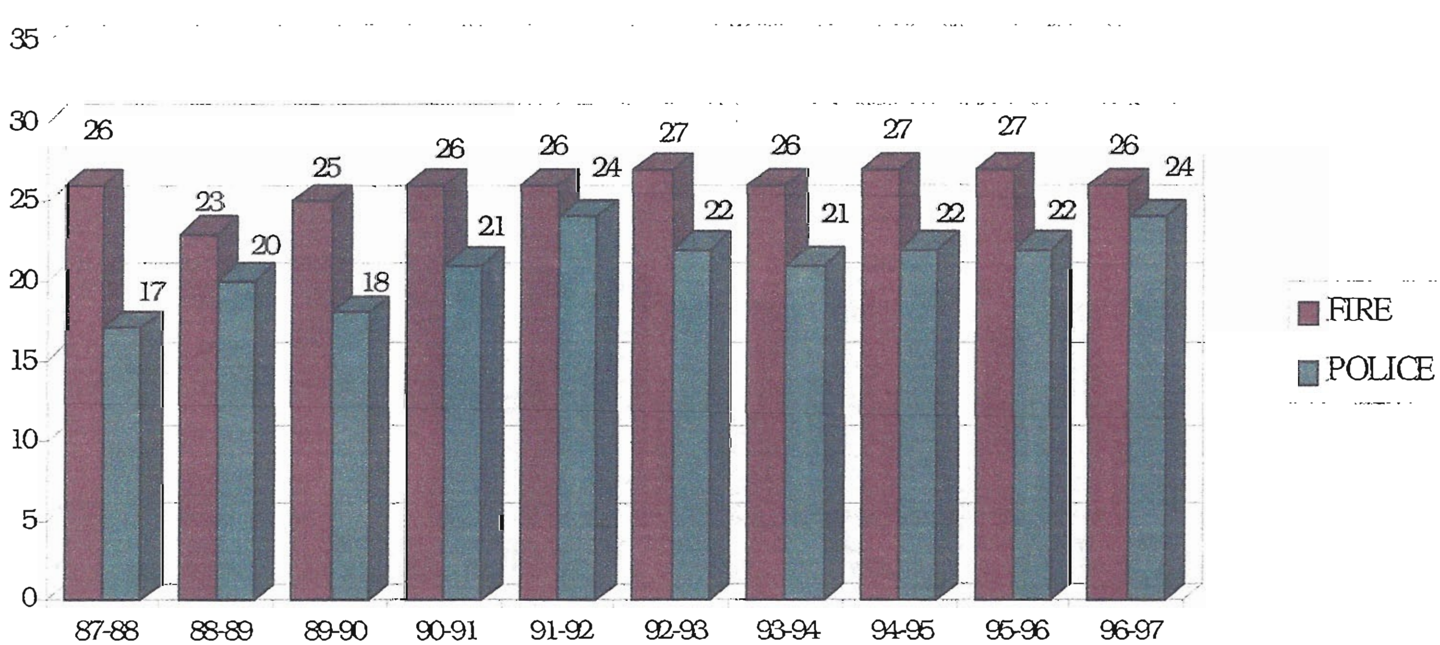


PENSION STATISTICS: LAST TEN YEARS

YEARS OF SERVICE
At Service Retirement

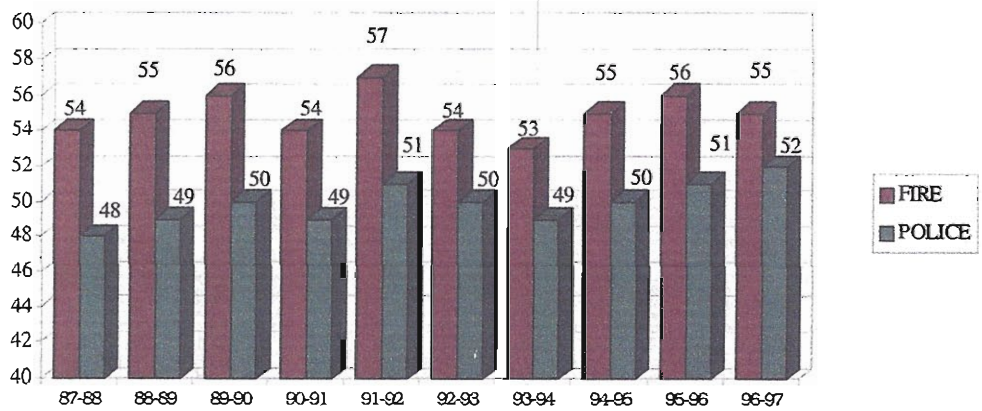


YEARS OF SERVICE
At Disability Retirement

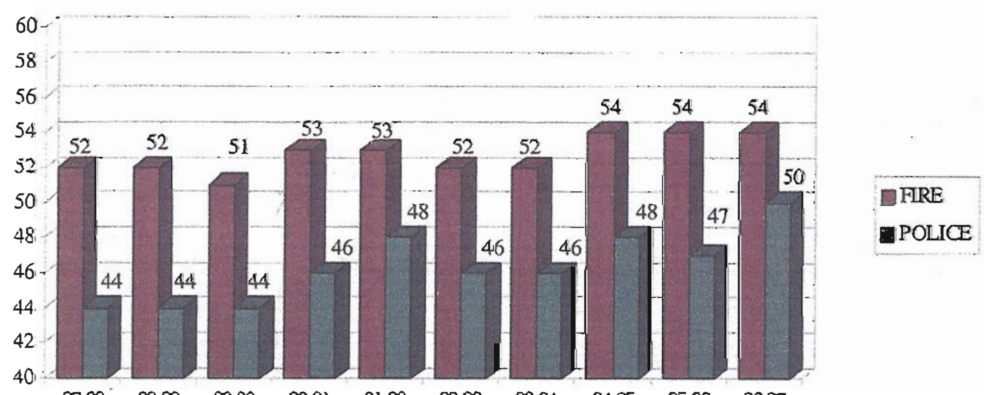


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95			FISCAL YEAR 1995-96			FISCAL YEAR 1996-97		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	27	43	70	23	48	71	12	33	45	29	23	52	15	22	37
Physical/Psychiatric	2	11	13	0	6	6	3	10	13	2	9	11	1	8	9
Psychiatric Only	0	2	2	0	1	1	0	1	1	0	2	2	0	0	0
TOTAL	29	56	85	23	55	78	15	44	59	31	34	65	16	30	46

TYPES OF CLAIMS*	FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95			FISCAL YEAR 1995-96			FISCAL YEAR 1996-97		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	17	20	37	17	29	46	5	11	16	15	9	24	10	5	15
Neck	4	5	9	3	14	17	1	5	6	5	9	14	6	6	12
Knees	8	5	14	9	9	18	3	5	8	9	5	14	7	4	11
Other Orthopedic	8	14	22	8	17	25	4	16	20	20	9	29	9	15	24
Heart Attack	8	15	23	6	9	15	5	17	22	5	3	8	0	12	12
Ulcer	0	3	3	0	2	2	0	1	1	0	0	0	0	1	1
Hypertension	1	10	11	1	14	15	1	10	11	3	3	6	1	9	10
Hearing Loss	3	1	4	3	3	6	1	4	5	2	0	2	2	1	3
Pulmonary	2	4	6	2	0	2	2	3	5	1	0	1	1	0	1
Cancer	1	1	2	0	0	0	0	0	0	0	0	0	0	1	1
Gun Shot Wound	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0
HIV/AIDS	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0

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

SERVICE AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS
By Department and Rank

FIRE	92-93	93-94	94-95	95-96	96-97
Paramedic	6	**	**	**	**
Firefighter	10	9	6	7	5
Apparatus Operator	0	1	0	1	0
Engineer	5	1	1	2	4
Inspector	1	0	0	1	1
Captain	7	9	6	15	6
Battalion Chief	0	0	0	5	0
Assistant Chief	0	0	1	0	0
Deputy Chief	0	0	1	0	0
TOTAL	30	23	15	31	16

***Rank merged with Firefighter.*

POLICE	92-93	93-94	94-95	95-96	96-97
Police Officer	24	25	18	22	21
Sergeant	4	8	12	5	3
Detective	22	17	10	9	8
Lieutenant	5	5	3	0	0
Captain	1	0	2	0	2
Commander	1	0	1	0	0
Deputy Chief	0	0	0	1	0
Assistant Chief	0	0	0	0	0
TOTAL	57	55	46	37	34

Legal Summary

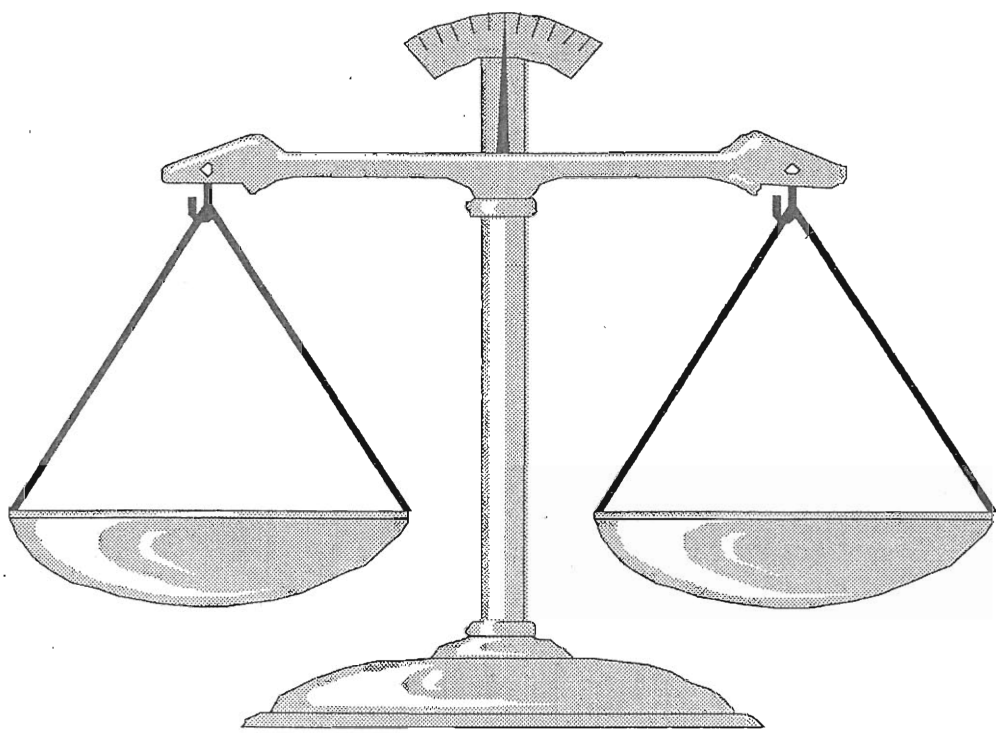
SUMMARY OF LEGAL ACTIVITIES

General Pension Litigation in Fiscal Year 1996-1997

The City Attorney's Office, legal counsel to the Board of Pension Commissioners and the Department of Pensions, has continued to provide legal advice regarding a variety of issues. During the year 1996-1997, the Office continued reviewing dissolution judgements to ensure that they were compatible with the provisions regarding the pension contained in the City Charter. In a limited number of cases, the Office appeared in various Superior Courts to ensure that the Court did not issue orders in conflict with the Plan provisions.

The Office also represented the Board in several Writs of Mandate brought by individual members who sought to challenge the Board's determination of disability pension applications.

Lastly, the Office drafted several proposed Charter changes, including Plan II to Article XXXV, which was passed by voters, and the inclusion of the MTA into the System, which is scheduled to be placed on the ballot in 1998. The Office also drafted an amendment to the Los Angeles Administrative Code regarding IRS Code Section 414(h), providing for pretax contributions to the Pension Fund by the employees.



Summary of Pension Plan 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)

SUMMARY OF PENSION PLAN BENEFITS
JUNE 30, 1997

	Article XVII	Article XVIII	Article XXXV
1. SERVICE RETIREMENT			
a. Eligibility	20 years of service.	20 years of service.	Age 50 with 10 yrs. 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 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.
2. SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions.	No age or service conditions.	No age or service conditions.
b. Salary Base	Final salary rate.	Final salary rate.	One-year average salary.
c. Pension as a percentage of salary base	50% to 90% depending on severity of disability, with a minimum of any service pension available.	50% to 90% depending on severity of disability, with a minimum of any service pension available.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NONSERVICE-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%	50% with less than 25 years of service. 55% with 25 or more years of service.	75% if service-connected death or disabled less than 3 years; otherwise 60% of Member's disability pension.
d. Eligible 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. Eligible 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.

SUMMARY OF PENSION PLAN 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	100% of Member's accrued service retirement, not to exceed 50% of final salary rate	100% of Member's accrued service retirement, not to exceed 55% of final salary rate.	60% of Member's accrued service retirement.
c. Eligible 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.
d. Eligible 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.
6. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-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.	40% of final salary rate for highest-paid police officer's or firefighter's rank.	For nonservice 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 nonservice disability: 60% of Member's pension.
c. Eligible 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.
d. Eligible 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.

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
7. COST-OF-LIVING			
a. Generally applicable provisions	Current Plan Provision: Full annual cost-of-living adjustment. Cost-of-living adjustments compound, and are based upon the Consumer Price Index for all Urban Consumers. Survivors' pensions include the percentage of cost-of-living adjustments applied to the Member's pension prior to death.	Current Plan Provision: Full annual cost-of-living adjustment. Cost-of-living adjustments compound, and are based upon the Consumer Price Index for all Urban Consumers. Survivors' pensions include the percentage of cost-of-living adjustments applied to the Member's pension prior to death.	Annual cost-of-living increase not to exceed 3%. Cost-of-living adjustments compound, and are based upon the Consumer Price Index for all Urban Consumers. City Council may grant discretionary cost-of-living adjustments once every three years. Survivors' pensions include the percentage of cost-of-living adjustments 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 adjustments			
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.	Same provisions for all types of pensions. 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.	Annual adjustments commence on the July 1 following the effective date.	
iii. 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 had 25 years of service or 5 years after the effective date of the Member's pension if earlier.	
iv. Nonservice-connected death, death while eligible for service retirement	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 had 26 years of service or 5 years after the effective date of the survivors' pension if earlier.	
v. Death after nonservice-connected disability, death after service-connected disability, death after service pension	Annual adjustments commence the on the July 1 following the date 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 had 26 years of service or 5 years after the effective date of the Member's pension if earlier.	

SUMMARY OF PENSION PLAN BENEFITS

	Article XVII	Article XVIII	Article XXXV
8. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY			
	6% No Member contributions required after thirty years of service.	6% plus 1/2 cost of cost-of-living benefit up to 1%. 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, qualified survivor receives one-year average salary times years of completed service (not to exceed 6).
d. Optional forms of benefit	None.	None.	At service or disability retirement, Member may elect higher death benefit with corresponding actuarial reduction of the retirement benefit.

Milestones

MILESTONES

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 charter amendment empowered the City Council to make changes in the pension systems. Effective September 16, 1913, the Council adopted an ordinance that reduced 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 pension system was placed on an actuarial basis effective January 29, 1923 and a provision was added increasing pensions for members with more than 20 years of service, based on a formula of 1-2/3% for each year of service over 20 up to two-thirds of the salary of the rank held at retirement. The new City Charter which 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% of the average salary during the three years preceding retirement, plus 1-2/3% 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% of salary. Pensions for widows were made fixed amounts.

1933. The actuarial 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% of the average salary of the last three years of service with an additional 2% for each of the next five years of service and 1-1/3% for each of the next ten 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 police captain or fire battalion chief. Member contributions were increased from 4% to 6% of salary. Effective June 16, 1947, a Charter amendment created a non-service disability pension of 40% 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 1928 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 system was again placed 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% of the fund assets in common stocks.

1961. A one time cost-of-living increase was provided for all member or surviving spouse pensions based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension system (Article XVIII) adopted effective January 29, 1967 provided:
(1) a pension equal to 55% of annual salary at retirement with 25 years of service plus an additional 3% for each year of service over 25 up to a maximum pension of 70% of salary at retirement with 30 years of service;
(2) a 2% cap to the annual cost-of-living adjustment to all member and surviving spouse pensions that were based on length 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 amortization period for the unfunded liability to seventy years, and
(5) changes in the investment authority to provide for mortgage investments and public improvement financing.

1968. Overtime compensation was excluded from computation of contributions and benefits under Articles XVII and XVIII.

1969. Amendments to Articles XVII and XVIII 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% of fund assets.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% 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. Articles XVII and XVIII amendments enabled the City Council to adopt ordinances providing subsidy payments for health insurance and other programs for eligible pensioners.

1975. Amendments to Articles XVII and XVIII allowed cost-of-living adjustments for service-connected disability pensions upon the July 1st following the date of retirement. Certain waiting periods for those eligible to receive this adjustment were eliminated.

1976. The health insurance subsidy ordinance was amended effective September 30, 1976 to include the spouse and dependents of eligible members.

1977. The mandatory retirement age provision of Article XVII was eliminated effective April 15, 1977.

1980. Article XXXV, The Safety Members' Pension Plan, was created effective December 8, 1980. It provided for a pension at age 50 with 10 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60% of member's pension.

1981. Extensive revisions to the investment provisions of the Charter provided for:
(1) the investment of up to 70% of fund assets 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% 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 Board approval, within established guidelines.

1982. Significant revisions to Articles XVII and XVIII provided a 3% 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 City Employees' Retirement System to the Safety Members Pension Plan (Article XXXV).

1983. Article XVII and XVIII active members were no longer required to contribute to the pension system upon completion of thirty years of service.

1984. The City Charter was amended to permit banks and insurance companies to act as investment advisors to the plan.

1985. Authority was extended to include investment in real estate by all City of Los Angeles pension systems.

1990. A series of measures were enacted which allow the City to protect the integrity of the pension 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.

The 3% cap on cost-of-living increases instituted in 1982 for Article XVII and XVIII members was overturned by court order.

1993. The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25% to 50%. Retired Article XVIII 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 Article XXXV under federal law.

1996. In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents earned while working or residing in that state.

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

1997. Article XXXV, Plan II was established effective July 1, 1997. All Article XXXV members hired between December 8, 1980 and June 30, 1997 are given until June 30, 1998 to make an irrevocable transfer to Plan II. Plan II offers a "20 and out" provision with retirement benefits at any age after 20 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of Final Average Salary; member contributions are non-refundable; deferred retirement is not an option.

Article XXXV members retiring on or after July 1, 2000 at a rank no higher than Fire Captain or Police Lieutenant shall receive some pension credit for prior hazard pay even if no hazard pay was received during the twelve month period used to determine Final Average Salary for pension purposes.

Effective July 1, 1997, at the discretion of the City Council, administrative expenses which shall include investment management expenses, shall be paid from fund assets.

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

City of Los Angeles

Department of Pensions
Fire and Police Pension Systems