ANNUAL REPORT

2000

July 1, 1999 to June 30, 2000

CITY OF LOS ANGELES DEPARTMENT OF PENSIONS

FIRE AND POLICE PENSION SYSTEMS

Department of Pensions

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2000 Annual Report

July 1, 1999 to June 30, 2000

Gary Mattingly
General Manager

Edward Griffiths
Assistant Manager, Benefits

Tom Lopez
Chief Investment Officer

Donna Weisz Jones
Assistant City Attorney

Table of Contents

MAYOR
Richard J. Riordan

City Attorney
James Kenneth Hahn

Controller
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
Alex Padilla Seventh District	**Mark Ridley-Thomas** Eighth District	**Rita Walters** Ninth District
Nate Holden Tenth District	**Cindy Miscikowski** Eleventh District	**Hal Bernson** Twelfth District
Jackie Goldberg Thirteenth District	**Nick Pacheco** Fourteenth District	**Rudy Svorinich, Jr.** Fifteenth District

BOARD OF PENSION COMMISSIONERS
Gay L. Harwin, President

Steven J. Silberman Vice President	**David H. Kim** Commissioner
Mike Carter Commissioner	**Louis F. Moret** Commissioner
Charles B. Isgar Commissioner	**Fredrick A. Tredy** Commissioner

June 30, 2000

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

In accordance with Section 216 of the Los Angeles Charter, I am submitting the Annual Report of the Department of Fire and Police Pensions for the fiscal year ended June 30, 2000. 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 1999-2000 Fiscal Year, the Investment Program gained $1.819 billion, reflecting an annual rate of return of 16.30%. Total system assets have grown to $13.023 billion. Favorable investment and actuarial experience increased the funding of pension benefits to 114.4%, a 9.2% improvement. During the same period, the funding of health subsidy benefits decreased to 65.6%, a decline of 1.4%.

A 1.7% decline in active membership brought the total to 12,378. Pensioners currently number 11,612, a 2.1% increase. The average monthly benefit paid to pensioners rose to $3,069, a 4.1% increase from the previous year.

The new City Charter became effective July 1, 2000. As a result, the four Pension Plans, formerly known as Articles XVII, XVIII, XXXV Plan 1 and XXXV Plan 2, are now referred to as Tiers 1, 2, 3 and 4, respectively.

Effective January 2000, additional benefits were authorized for surviving spouses and domestic partners. Domestic partners may now receive survivor benefits and both surviving spouses and surviving domestic partners may receive a health insurance subsidy, provided certain eligibility requirements are met.

A revised investment policy was approved in January 2000. The policy incorporates the recommendations from the fiduciary audit and changes required by the new Charter and the Asset Allocation Plan. It is anticipated that the revised investment policy will facilitate the growth of assets to meet the demands of the system.

Respectfully submitted,

GARY MATTINGLY
General Manager

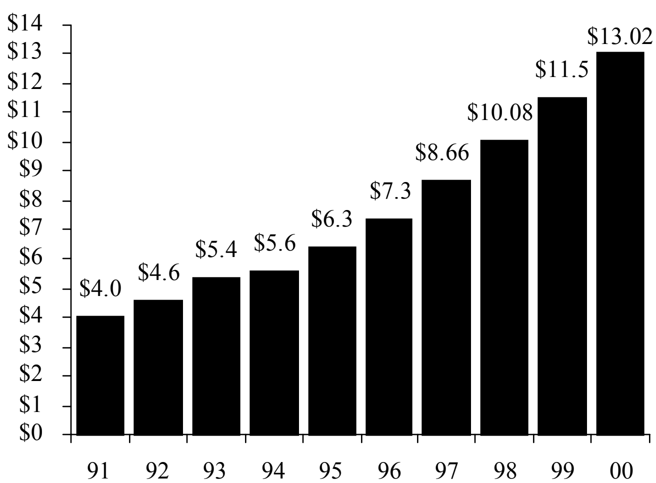
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from $6.346 billion to $13.023 billion. The investment program produced a gain of $1.819 billion for the year ending June 30, 2000.

MARKET VALUE GROWTH OF SYSTEM ASSETS (In Billions)



Investment Environment

The bond market (*Salomon Bros. Broad Investment Grade Index*) produced a positive return of 4.51 percent for the year ending June 30, 2000. Large capitalization stocks (*S&P 500*) achieved a 7.24 percent return. Smaller capitalization stocks (Russell 2000 Index) returned 14.33 percent. International stocks (Morgan Stanley EAFE Index) returned 17.46 percent. Real Estate, as measured by the Russell-National Council of Real Estate Investment Fiduciaries Index (NCREIF Classic Property Index) continued its recovery from the real estate recession with a 12.5 percent return.

Investment Performance

The investment objective of the total Fund, over a full market cycle (usually 5-7 years), is to earn a return on investments matching or exceeding the required actuarial rate of return and investment performance above the median of a sampling of public funds.

For the past five years, the System's annualized return of 16.53 percent was more than six times the inflation measurement increase of 2.48 percent. For the one-year period, the System's overall investment performance was up 16.30 percent and outpaced the Consumer Price Index increase of 3.73 percent.

The System's performance was above median compared with other public funds (Russell/ Mellon Analytical Services Universe) over the past three years. For this past year, the System returned 16.30 percent vs. 11.78 percent for the public funds median return, and returned 16.61 percent for the past 3 years vs. 13.36 percent for the public funds universe. Our above median performance this year is mainly attributable to the outstanding performance of our Domestic and International Equities.

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 investment returns necessary to fund benefits.

The Board adopted the following asset class targets on December 17, 1998, pursuant to a recommendation by R.V. Kuhns, the Board's asset allocation project consultant.

Domestic Equity	35.2%
U.S. Small Caps	8.8%
International Equity	11%
Domestic Bonds	20%
High Yield Bonds	6%
Real Estate	8%
Alternative Investments	5%
Emerging Markets	3%
Cash Equivalents	3%

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, 2000, the asset values were as follows:

ASSET CLASS	MARKET VALUE (In $ Millions)	PERCENT
Stocks	8,394.12	64.45
Bonds	2,934.83	22.53
Real Estate	722.76	5.55
Alternative Investments	344.65	2.65
Cash Equivalents	627.28	4.82
Total	13,023.64	100.00

Investment Activities

The manager changes for the year included the termination of one large cap core equity manager, and new hires included three emerging market managers and one enhanced index equity manager. Administrative actions included the re-hiring of two high-yield fixed income managers, two alternative asset consultants, one large cap value equity manager, and one real estate manager.

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 continued with the purchase of office buildings in Washington, D.C., Phoenix, AZ, and Indianapolis, IN.; apartments in Tempe, AZ, and Dallas, TX; warehouse flex/office in Round Rock, TX and Marietta, GA. One property, the Bank of America office building in Glendale, AZ, was sold to the municipality of Glendale.

In the commingled portion of the real estate portfolio, the Board made a new investment in Lend Lease's Value Enhancement IV.

Proxy Voting

The System votes all domestic and available international proxy ballots. Staff voted 813 corporations' proxies and corporate consents in Fiscal Year 1999-2000. The international equities managers vote the proxies for their portfolios in accordance with the Board's proxy guidelines, and cast a total of 330 proxy ballots.

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	Alternative Investments	Short Term Investments
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%
1997-98	60.62%	28.79%	3.91%	1.05%	5.63%
1998-99	62.48%	24.97%	4.42%	1.56%	6.57%
1999-00	64.45%	22.53%	5.55%	2.65%	4.82%

ANNUAL RATES OF RETURN

Fiscal Year	Domestic Equities	International Equities	Fixed Income	Real Estate	Alternative Investments	Total Fund*	CPI**
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%
1997-98	23.07%	12.42%	11.84%	18.2%	10.77%	17.48%	1.69%
1998-99	25.53%	17.65%	2.44%	13.0%	12.46%	16.04%	1.96%
1999-00	17.91%	26.93%	3.90%	15.0%	42.14%	16.30%	2.87%

**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
Boston Partners
Brown Capital Management
CIC Asset Management
Daruma Asset Management
Delta Asset Management
Frontier Capital Management
J.P. Morgan Investment Management Inc.
Loomis Sayles & Company, L.P.

BOND MANAGERS

Capital Guardian
GEM Capital Management
GW Capital
HCM Capital Management
LM Capital
Lend Lease
Loomis Sayles & Company, L.P.
Magten Asset Management Corporation
Reams Asset Management
Smith, Graham & Company

INTERNATIONAL STOCK MANAGERS

Brandes Investment Partners
Invista Capital Management
Marvin & Palmer Associates, Inc.
Montgomery Asset Management LLP
Oechsle International Advisors, Ltd.

REAL ESTATE MANAGERS

AEW Capital Management
Heitman Capital Management
Lend Lease
Lowe Enterprises Investment Management
PSI Institutional Realty
Sentinel Real Estate Corporation
Urdang & Associates

ALTERNATIVE INVESTMENT MANAGERS

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

Actuarial Valuation

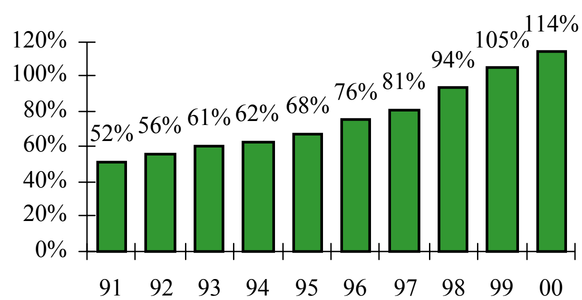
Actuarial Valuation Summary

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-Actuarial Ratio)



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Section 1210 (Fire and Police Pension Plans General Provision section) for Tier 1 (formerly Article XVII), Tier 2 (formerly Article XVIII), Tier 3 (formerly Article XXXV, Plan 1) and Tier 4 (formely Article XXXV, Plan 2). 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 every three 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 1998. This experience study covered the period beginning July 1, 1995 to June 30, 1998. An example of projected mortality is as follows:

Average Life Expectancy for Retirees

Service Retiree (Average Age = 66)	16.9 years
Disabled Retiree (Average Age = 60)	18.5 years
Surviving Spouse (Average Age = 74)	13.8 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	5.0%**
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	5.0%
Annual Interest	8.5%

*(**Tier 3 and Tier 4 are 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 page 13), the balance of -$1.38 billion is considered the unfunded actuarial liability. The unfunded liability for health subsidy benefits for all plans combined is $272 million (see page 14).

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 Tier 1 and Tier 2 is scheduled to end on June 30, 2037.

Tier 1 is amortized as a level dollar amount. Tier 2 is amortized as a level percent of all system members' (Tiers 1, 2, 3 and 4 combined) salaries. Tier 3 and Tier 4'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 2001-2002

(As a percentage of plan members' salaries)

Tier 1 (Article XVII)	18.275%
Tier 2 (Article XVIII)	22.729%
Tier 3 (Article XXXV, Plan 1)	14.498%
Tier 4 (Article XXXV, Plan 2)	13.493%

Unfunded Liability Contribution Requirements Recommended 2001-2002

Tier 1 (Article XVII)	$27,585,716
Tier 2 (Article XVIII)	-8.075% of total payroll of Tiers 1, 2, 3 & 4
Tier 3 (Article XXXV, Plan 1)	-4.491% of Tier 3 payroll
Tier 4 (Article XXXV, Plan 2)	-4.278% of Tier 4 payroll

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 30, 2000 actuarial valuation included medical trend rate increases of 7.75% for pre-65 premiums and 7.5% for post-65 premiums in 2000; both decreasing gradually to 6.5% in 2006 and thereafter. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 14.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements Recommended 2001-2002

(As a percentage of plan members' salaries)

Tier 1 (Article XVII)	0.129%
Tier 2 (Article XVIII)	1.257%
Tier 3 (Article XXXV, Plan 1)	3.084%
Tier 4 (Article XXXV, Plan 2)	3.122%

Unfunded Liability Contribution Requirements Recommended 2001-2002

Tier 1 (Article XVII)	$1,036,696
Tier 2 (Article XVIII)	1.766% of total payroll of Tiers 1, 2, 3 & 4
Tier 3 (Article XXXV, Plan 1)	-1.233% of Tier 3 payroll
Tier 4 (Article XXXV, Plan 2)	-1.101% of Tier 4 payroll

Valuation of Pension Benefits
Actuarial Balance Sheet As of June 30, 2000

ASSETS

	Tier 1	Tier 2	Tier 3	Tier 4	All Plans Combined
1. Applicable Assets	$ (3,962,536)	$9,200,273,905	$1,305,504,310	$ 484,120,527	$ 10,985,936,206
2. Present Value of Future Member Contributions	0	51,579,057	400,483,917	160,166,251	612,229,225
3. Present Value of Future Contributions by the City for:					
a. Entry Age Normal Costs	70,471	300,492,650	769,895,699	292,650,558	1,363,109,379
b. Unfunded Actuarial Accrued Liability	296,091,676	(1,381,032,743)	(216,525,256)	(80,296,206)	(1,381,762,529)
4. Total Assets	**$292,199,611**	**$8,171,312,869**	**$2,259,358,670**	**$856,641,130**	**$11,579,512,280**

LIABILITIES

	Tier 1	Tier 2	Tier 3	Tier 4	All Plans Combined
5. Present Value of Benefits Already Granted					
a. Service Retirements	$ 72,518,034	$ 3,929,368,748	$ 17,912,021	$ 0	$ 4,019,798,803
b. Disability Retirements	78,639,287	1,194,157,875	61,028,298	0	1,333,825,460
c. Survivors and Dependents	139,517,334	547,076,758	25,880,552	0	712,474,644
d. Total	$ 290,674,655	$ 5,670,603,381	$ 104,820,871	$ 0	$ 6,066,098,907
6. Present Value of Benefits to be Granted					
a. Service Retirements	$ 1,431,545	$ 2,036,759,684	$ 1,643,230,955	$ 655,213,924	$ 4,336,636,108
b. Disability Retirements	88,682	447,021,361	422,638,972	182,913,084	1,052,662,099
c. Survivors and Dependents	4,604	16,273,693	47,978,225	17,933,840	82,190,362
d. Total	$ 1,524,831	$ 2,500,054,738	$2,113,848,152	$ 856,060,848	$ 5,471,488,569
7. Refund of Employee Contributions	$ 125	$ 654,750	$ 40,689,647	$ 580,282	$ 41,924,804
8. Total Liabilities	**$ 292,199,611**	**$ 8,171,312,869**	**$2,259,358,670**	**$ 856,641,130**	**$ 11,579,512,280**

Valuation of Health Subsidy Benefits
Actuarial Balance Sheet As of June 30, 2000

ASSETS

	Tier 1	Tier 2	Tier 3	Tier 4	All Plans Combined
1. Applicable Assets	$ 3,973,622	$291,194,399	$166,316,467	$ 57,756,085	$ 519,240,573
2. Present Value of Future Contributions by the City for:					
a. Entry Age Normal Costs	375	11,577,971	134,037,467	56,965,007	202,580,820
b. Unfunded/(Surplus) Actuarial Accrued Liability	11,127,391	301,951,721	(30,397,362)	(10,584,361)	272,097,389
3. Total Assets	**$15,101,388**	**$604,724,091**	**$269,956,572**	**$104,136,731**	**$993,918,782**

LIABILITIES

	Tier 1	Tier 2	Tier 3	Tier 4	All Plans Combined
4. Present Value of Benefits Already Granted	$ 14,981,741	$ 421,538,004	$4,471,901	$ 0	$440,991,646
5. Present Value of Benefits to be Granted					
a. Actives Eligible to Retire	119,647	171,659,390	1,773,771	2,720,251	176,273,059
b. Other Actives	0	11,526,697	263,710,900	101,416,480	376,654,077
c. Total	119,647	183,186,087	265,484,671	104,136,731	552,927,136
6. Total Liabilities	**$15,101,388**	**$604,724,091**	**$269,956,572**	**$104,136,731**	**$993,918,782**

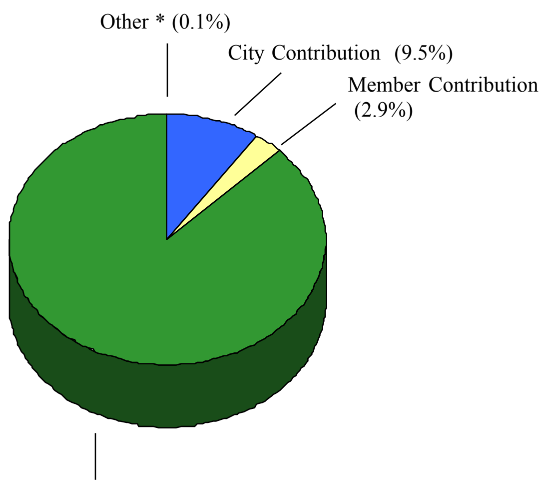
Department Budget

Department Budget

Receipts		Budgeted 1999-00		Actual 1999-00
City Contribution	$	190,337,163	$	190,337,163
Member Contributions		61,453,977		57,568,489
Earnings on Investments		280,000,000		623,214,403
Gain on Sale of Investments		--		1,125,000,695
UFLAC Settlement		500,000		500,000
Miscellaneous		650,000		599,055
Total Receipts	**$**	**532,941,140**	**$**	**1,997,219,805**

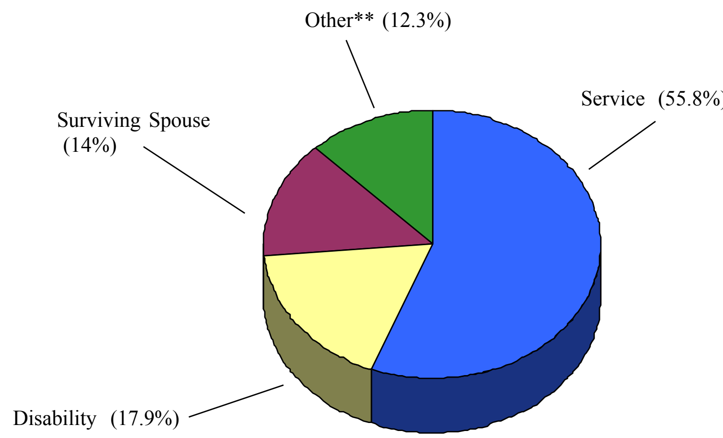
Expenditures		Budgeted 1999-00		Actual 1999-00
Service Pensions	$	268,050,000	$	267,265,217
Disability Pensions		87,570,000		85,842,898
Surviving Spouses' Pensions		70,430,000		67,137,480
Minors'/Dependents' Pensions		1,180,000		1,686,804
Refund of Member Contributions		4,000,000		3,875,333
Health Insurance Subsidy		18,050,000		19,864,358
Medicare		1,910,000		1,885,035
Investment Management Expense		27,944,000		26,470,935
Administrative Expense		6,746,950		5,065,362
Total Expenditures	**$**	**485,880,950**	**$**	**479,093,422**
Increase in Fund Balance	**$**	**47,060,190**	**$**	**1,518,126,383**

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

Independent Auditors' Report

To the Board of Fire and Police
Pension Commissioners
Los Angeles, California

Members of the Board:

We have audited the accompanying statements of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 2000 and 1999, and the related statements of changes in plan net assets 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 and *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 general purpose financial statements present fairly, in all material respects, information regarding the System's plan net assets as of June 30, 2000 and 1999, and changes therein for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic 2000 and 1999 general purpose financial statements taken as a whole. The supplemental schedules of funding progress, employer contributions, actuarial methods and assumptions, revenues by source and expenses by type, and administrative expenses are presented for the purpose of additional analysis and are not a required part of the basic general purpose financial statements. These schedules are the responsibility of the System's management. Such schedules for the years ended June 30, 2000 and 1999 have been subjected to the auditing procedures applied in our audits 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., LLP

October 20, 2000

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

STATEMENT OF PLAN NET ASSETS

June 30, 2000

	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	$ 1,333,616	$ --	$ 1,791,689	$ --	$ 3,125,305
RECEIVABLES					
Accrued Interest and Dividend Income	$ 55,905,302	$ --	$ 8,225,001	$ --	$ 64,130,303
Contributions	--	--	299,312	--	299,312
Due from Old Pension and New Pension System	--	290,901,618	--	--	290,901,618
Due from Safety Members Pension Plan	--	--	--	230,862,511	230,862,511
Due from Brokers	79,868,446	--	5,361,441	--	85,229,887
TOTAL RECEIVABLES	$ 135,773,748	$ 290,901,618	$ 13,885,754	$ 230,862,511	$ 671,423,631
INVESTMENTS AT FAIR VALUE					
Temporary	$ 581,943,103	$ --	$ 91,161,037	$ --	$ 673,104,140
U.S. Government Obligations	663,611,559	--	192,832,299	--	856,443,858
Municipal Bonds	--	--	--	--	--
Domestic Corporate Bonds	1,644,000,373	--	281,390,822	--	1,925,391,195
International Bonds	117,099,089	--	35,896,384	--	152,995,473
Domestic Stocks	5,380,082,709	--	866,263,689	--	6,246,346,398
International Stocks	2,030,293,358	--	117,482,150	--	2,147,775,508
Real Estate	161,746,995	--	561,016,654	--	722,763,649
Alternative Investments	266,070,867	--	78,581,688	--	344,652,555
TOTAL INVESTMENTS	$ 10,844,848,053	$ --	$ 2,224,624,723	$ --	$ 13,069,472,776
SECURITIES LENDING COLLATERAL	$ 1,091,546,695	$ --	$ 174,478,907	$ --	$ 1,266,025,602
TOTAL ASSETS	$ 12,073,502,112	$ 290,901,618	$ 2,414,781,073	$ 230,862,511	$ 15,010,047,314
LIABILITIES					
Accounts Payable and Accrued Expenses	$ 7,443,642	$ --	$ 300,107	$ --	$ 7,743,749
Benefits in Process of Payment	294,181	--	378,130	--	672,311
Due to Brokers	93,901,439	--	6,409,401	--	100,310,840
Mortgage Payable	15,629,695	--	74,257,105	--	89,886,800
Due to Health Plan Subsidy	290,901,618	--	230,862,511	--	521,764,129
Securities Lending Collateral	1,266,025,602	--	--	--	1,266,025,602
TOTAL LIABILITIES	$ 1,674,196,177	$ --	$ 312,207,254	$ --	$ 1,986,403,431
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS (A schedule of funding progress is presented on pages 30 and 31)					
TOTAL PLAN NET ASSETS	$ 10,399,305,935	$ 290,901,618	$ 2,102,573,819	$ 230,862,511	$ 13,023,643,883

June 30 1999

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
$ 1,595,929	$ --	$ 215,156	$ --	$ 1,811,085
$ 53,840,328	$ --	$ 7,608,933	$ --	$ 61,449,261
461,388	--	1,587,863	--	2,049,251
--	252,968,619	--	--	252,968,619
--	--	--	192,928,739	192,928,739
62,152,790	--	5,979,241	--	68,132,031
$ 116,454,506	$ 252,968,619	$ 15,176,037	$ 192,928,739	$ 577,527,901
$ 521,886,165	$ --	$ 221,632,595	$ --	$ 743,518,760
703,479,833	--	221,994,963	--	925,474,796
28,436,640	--	7,274,000	--	35,710,640
1,637,260,793	--	222,994,363	--	1,860,255,156
41,217,728	--	10,256,768	--	51,474,496
4,958,397,694	--	756,029,579	--	5,714,427,273
1,463,184,383	--	11,265,777	--	1,474,450,160
143,968,316	--	364,537,698	--	508,506,014
153,258,022	--	25,877,204	--	179,135,226
$ 9,651,089,574	$ --	$ 1,841,862,947	$ --	$ 11,492,952,521
$ 863,928,858	$ --	$ 124,230,646	$ --	$ 988,159,504
$ 10,633,068,867	$ 252,968,619	$ 1,981,484,786	$ 192,928,739	$ 13,060,451,011
$ 9,309,935	$ --	$ 848,145	$ --	$ 10,158,080
187,300	--	34,843	--	222,143
54,698,698	--	27,553,687	--	82,252,385
--	--	28,244,041	--	28,244,041
252,968,619		192,928,739	--	445,897,358
863,928,858	--	124,230,646	--	988,159,504
$ 1,181,093,410	$ --	$ 373,840,101	$ --	$ 1,554,933,511
$ 9,451,975,457	$ 252,968,619	$ 1,607,644,685	$ 192,928,739	$ 11,505,517,500

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

June 30, 2000

	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	$ 104,592,612	$ 16,915,233	$ 58,788,231	$ 10,541,087	$ 190,837,163
Member Contributions	14,249,541	--	43,318,948	--	57,568,489
TOTAL CONTRIBUTIONS	$ 118,842,153	$ 16,915,233	$ 102,107,179	$ 10,541,087	$ 248,405,652
Miscellaneous	547,038	--	$ 52,017	--	$ 599,055
	$ 119,389,191	$ 16,915,233	$ 102,159,196	$ 10,541,087	$ 249,004,707
INVESTMENT INCOME					
Net Appreciation in Fair Value of Plan Investments, Including Gain on Sales	$ 957,632,907	$ 30,103,248	$ 324,192,125	$ 24,148,039	$ 1,336,076,319
Interest	203,641,384	8,176,157	37,915,493	1,522,299	251,255,333
Dividends	96,344,609	3,868,215	6,883,739	276,381	107,372,944
Net Real Estate Income	10,161,849	407,996	35,778,568	1,436,502	47,784,915
Securities Lending Income	3,563,461	143,072	296,813	11,917	4,015,263
Other Income	1,644,196	66,014	111	4	1,710,325
SUBTOTAL	$ 1,272,988,406	$ 42,764,702	$ 405,066,849	$ 27,395,142	$ 1,748,215,099
Less: Investment Manager Expense	(25,129,798)	--	(1,341,137)	--	(26,470,935)
Net Investment Income	$ 1,247,858,608	$ 42,764,702	$ 403,725,712	$ 27,395,142	$ 1,721,744,164
TOTAL ADDITIONS	$ 1,367,247,799	$ 59,679,935	$ 505,884,908	$ 37,936,229	$ 1,970,748,871
DEDUCTIONS					
Pension Benefits	$ 414,642,009	$ --	$ 7,290,391	$ --	$ 421,932,400
Payment of Medicare Reimbursement	--	1,882,578	--	2,457	1,885,035
Payment of Health Subsidy	--	19,864,358	--	--	19,864,358
Refund of Contributions	209,950	--	3,665,383	--	3,875,333
Administrative Expenses	5,065,362	--	--	--	5,065,362
	$ 419,917,321	$ 21,746,936	$ 10,955,774	$ 2,457	$ 452,622,488
NET INCREASE	$ 947,330,478	$ 37,932,999	$ 494,929,134	$ 37,933,772	$ 1,518,126,383
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS					
Beginning of Year	9,451,975,457	252,968,619	1,607,644,685	192,928,739	11,505,517,500
End of Year	$ 10,399,305,935	$ 290,901,618	$2,102,573,819	$ 230,862,511	$ 13,023,643,883

JUNE 30, 1999

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
$ 164,112,320	$ 16,878,608	$ 57,642,742	$ 9,754,995	$ 248,388,665
15,680,628	--	40,124,448	--	55,805,076
$ 179,792,948	$ 16,878,608	$ 97,767,190	$ 9,754,995	$ 304,193,741
669,638	--	55,441	--	725,079
$ 180,462,586	$ 16,878,608	$ 97,822,631	$ 9,754,995	$ 304,918,820
$ 1,153,280,656	$ 16,436,314	$ 12,750,719	$ 10,118,961	$ 1,192,586,650
177,812,123	14,230,347	39,321,128	3,146,879	234,510,477
74,866,717	5,991,601	6,083,625	486,874	87,428,817
18,635,572	1,491,409	27,307,526	2,185,428	49,619,935
6,485,830	519,063	355,485	28,450	7,388,828
5,357,043	428,725	65,220	5,220	5,856,208
$ 1,436,437,941	$ 39,097,459	$ 85,883,703	$ 15,971,812	$ 1,577,390,915
(26,045,505)	--	(563,838)	--	(26,609,343)
$ 1,410,392,436	$ 39,097,459	$ 85,319,865	$ 15,971,812	$ 1,550,781,572
$ 1,590,855,022	$ 55,976,067	$ 183,142,496	$ 25,726,807	$ 1,855,700,392
$ 392,673,293	$ --	$ 5,841,600	$ --	$ 398,514,893
--	1,866,091	--	2,143	1,868,234
--	16,960,662	--	2,905	16,963,567
231,267	--	4,043,405	--	4,274,672
$ 4,829,885	--	--	--	$ 4,829,885
$ 397,734,445	$ 18,826,753	$ 9,885,005	$ 5,048	$ 426,451,251
$ 1,193,120,577	$ 37,149,314	$ 173,257,491	$ 25,721,759	$ 1,429,249,141
8,258,854,880	215,819,305	1,434,387,194	167,206,980	10,076,268,359
$ 9,451,975,457	$ 252,968,619	$1,607,644,685	$ 192,928,739	$ 11,505,517,500

City of Los Angeles Fire and Police Pension System
Notes to Financial Statements
June 30, 2000 and 1999

Note 1 -- Description of Plans

The City of Los Angeles Department of Fire and Police 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 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 28, 1967. Members hired on or after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV) which was established at that time.

The plan also covers those certified paramedics and civilian ambulance employees who transferred from the City Employees' Retirement System during the year ending June 30, 1983, or have since been hired.

Effective July 1, 1998, a new tier was established for Article XXXV. Active Members hired prior to July 1, 1997 could elect to join the new tier, which has eligibility for service retirement requirements similar to Article XVIII, as of July 1, 1998. Members hired after July 1, 1997 will automatically be covered under the new tier, except Members hired between July 1, 1997 and December 31, 1997 who can elect to transfer to the old tier. This valuation is based upon both tiers of Article XXXV, with costs based upon the individual Member's actual tier election.

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.

Note 1 -- Description of Plans (Continued)

Health Subsidy benefits are available to Members and their spouses/domestic partners on disability and service retirement. Effective January 1, 2000, surviving spouses/domestic partners are eligible for Health Subsidy benefits.

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

Membership

The components of the System's membership were as follows at June 30, 2000 and 1999:

	2000	1999
Active nonvested - Old & New Pension System	210	403
Active nonvested - Safety Members Pension Plan	5,512	5,921
Active vested - Old & New Pension System	2,770	2,963
Active vested - Safety Members Pension Plan	3,886	3,308
Pensioners and beneficiaries -		
Old & New Pension System	11,377	11,170
Pensioners and beneficiaries -		
Safety Members Pension Plan	235	200
	23,990	23,965

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 allowed 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 note 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.

B. Financial Reporting (Continued)

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 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, a subsidiary of Deutsche Bank.

D. 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 determined by the Custodian, Bankers Trust Company, a subsidiary of Deutsche Bank..

Short-term investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements along with bonds, stocks and alternative investments 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 and are carried at lower of cost or 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.

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

The fair values of venture capital and alternative investments are estimated based on audited financial statements provided by the individual fund managers.

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.

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, 2000 and 1999, 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 year ended June 30, 2000 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	20.33%	21.77%	14.28%
Amortization of Unfunded Liability	$30.3M	$78.6M	$61.5M
Health Plan Subsidy	$ .5M*	$17.1M*	$11.0M*

*Stated as required dollar amount.

The actuarially determined unfunded (surplus) liability of the System was ($1,109,665,140) and ($210,545,583) at June 30, 2000 and 1999, respectively, (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, 2000 is to be amortized over the next 37 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Contributions totaling $248,405,652 ($190,837,163 City and $57,568,489 member) were made during the year ending June 30, 2000 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, 2000. These contributions consisted of approximately $185,100,000 normal cost and $34,500,000 amortization of the unfunded actuarial accrued liability for the aggregate pension plans. For the health plan subsidy, they consisted of approximately $19,600,000 normal cost and $9,000,000 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 total securities lent was $1,222,861,713 and $953,482,842 as of June 30, 2000 and 1999, respectively. The collateralized value of cash and securities was $1,266,025,602 and $988,159,504 as of June 30, 2000 and 1999, respectively.

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 was $811,781,737 and $787,499,626 as of June 30, 2000 and 1999, respectively.

B. Investment Commitment

The System has commitments to contribute capital for real estate and venture capital investments in the aggregate amount of approximately $354,925,427 at June 30, 2000.

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

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

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, 2000, the market value of categorized investments were as follows:

Types of Investments	Category 1	Category 2	Category 3	AMOUNT
Investments - Categorized				
Securities Not on Securites Loan				
Temporary Investments	$ 311,514,278	$ --	$ 361,589,862	$ 673,104,140
U.S. Government Obligations	557,141,503	--	--	557,141,503
Domestic Corporate Bonds	1,830,789,297	--	--	1,830,789,297
International Bonds	149,897,313	--	--	149,897,313
Domestic Stocks	5,634,395,160	--	--	5,634,395,160
International Stocks	1,933,867,447	--	--	1,933,867,447
Alternative Investments	344,652,555	--	--	344,652,555
Total Securities Not on Loan	$ 10,762,257,553	$ --	$ 361,589,862	$ 11,123,847,415
Securities on Loan for Securities Collateral				
U.S. Government Obligations	$ 64,088,177	$ --	$ --	$ 64,088,177
Domestic Stocks	41,940,563	--	--	41,940,563
International Stocks	20,834,521	--	--	20,834,521
Total Securities on Loan for Securities Collateral	$ 126,863,261	$ --	$ --	$ 126,863,261
Total Categorized Investments	$ 10,889,120,814	$ --	$ 361,589,862	$ 11,250,710,676
Investments - Non-Categorized				
Securities Held by Broker/Dealer Under				
Securities Loans with Cash Collateral:				
Domestic Stocks				$ 570,010,675
International Stocks				193,073,540
Domestic Corporate Bonds				94,601,898
U.S. Government Obligations				235,214,178
International Bonds				3,098,160
Total Securities Held by Broker/Dealer Under Securities Loans with Cash Collateral:				$ 1,095,998,451
Securities Lending Short Term Investment Pool				$ 1,266,025,602
Real Estate				$ 722,763,649
Total				$ 14,335,498,378

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

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 -- Notes Payable

Notes payable consists of the following at June 30, 2000:

Secured by real estate. Interest rate ranges from 6.89% to 9.0% per annum.	
Monthly Principal and interest payments range from $36,140 to $190,800.	
The notes mature July 2002 through October 2008.	$ 89,886,800

Principal payments due under such notes are as follows for the years ended June 30:

2001	$ 1,652,313
2002	1,778,378
2003	24,592,403
2004	1,383,989
2005	1,501,563
Thereafter	58,978,154
	$89,886,800

Note 8 -- Operating Lease

The System leases building facilities under a noncancelable operating lease that expires in 2001, at which time a five-year renewal option is available.

The future minimum lease commiments are as follows as of June 30, 2000:

2001	$ 339,989
2002	169,995
	$ 509,984

CITY OF LOS ANGLES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - PENSION PLANS

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, 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%
June 30, 1998	8,393,868,685	8,912,535,199	518,666,514	94.2%	808,807,269	64.1%
June 30,1999	9,637,255,489	9,203,636,397	(433,619,092)	104.7%	819,740,647	(52.9%)
June 30, 2000	10,985,936,206	9,604,173,677	(1,381,762,529)	114.4%	845,426,191	(163.4%)

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, 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%
June 30, 1998	7,145,149,538	7,821,533,465	676,383,927	91.4%	287,719,455	235.1%
June 30, 1999	8,134,046,399	7,920,942,404	(213,103,995)	102.7%	261,600,750	(81.5%)
June 30, 2000	9,196,311,369	8,111,370,302	(1,084,941,067)	113.4%	242,559,464	(447.3%)

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, 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%)
June 30, 1998	1,248,719,147	1,091,001,734	(157,717,413)	114.5%	521,087,814	(30.3%)
June 30, 1999	1,503,209,090	1,282,693,993	(220,515,097)	117.2%	558,139,897	(39.5%)
June 30, 2000	1,789,624,837	1,492,803,375	(296,821,462)	119.9%	602,866,727	(49.2%)

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - HEALTHCARE PLANS

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, 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%
June 30, 1998	371,411,413	626,669,733	255,258,320	59.3%	808,807,269	31.6%
June 30, 1999	443,492,170	666,565,679	223,073,509	66.5%	819,740,647	27.2%
June 30, 2000	519,240,573	791,337,962	272,097,389	65.6%	845,426,191	32.2%

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, 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%
June 30, 1998	213,935,369	501,116,016	287,180,647	42.7%	287,719,455	99.8%
June 30, 1999	254,933,821	518,059,740	263,125,919	49.2%	261,600,750	100.6%
June 30, 2000	295,168,021	608,247,133	313,079,112	48.5%	242,559,464	129.1%

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, 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%)
June 30, 1998	157,476,044	125,553,717	(31,922,327)	125.4%	521,087,814	(6.1%)
June 30, 1999	188,558,349	148,505,939	(40,052,410)	127.0%	558,139,897	(7.2%)
June 30, 2000	224,072,552	183,090,829	(40,981,723)	122.4%	602,866,727	(6.8%)

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
1995	$ 287,697,971	100%
1996	296,636,023	100%
1997	265,744,307	100%
1998	231,170,832	100%
1999	221,755,062	100%
2000	163,380,843	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Fiscal Years Ending		
1995	$ 250,731,527	100%
1996	253,792,681	100%
1997	222,678,703	100%
1998	179,527,992	100%
1999	164,112,320	100%
2000	104,592,612	100%

SAFETY MEMBERS PENSION PLAN

Fiscal Years Ending		
1995	$ 36,966,444	100%
1996	42,843,342	100%
1997	43,065,604	100%
1998	51,642,840	100%
1999	57,642,742	100%
2000	58,788,231	100%

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
1995	$ 45,782,214	100%
1996	46,565,595	100%
1997	39,935,095	100%
1998	29,585,835	100%
1999	26,633,603	100%
2000	27,456,320	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

Fiscal Years Ending		
1995	$ 31,897,396	100%
1996	32,128,225	100%
1997	26,805,677	100%
1998	19,712,441	100%
1999	16,878,608	100%
2000	16,915,233	100%

SAFETY MEMBERS PENSION PLAN

Fiscal Years Ending		
1995	$ 13,884,818	100%
1996	14,437,370	100%
1997	13,129,418	100%
1998	9,873,394	100%
1999	9,754,995	100%
2000	10,541,087	100%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO SUPPLEMENTAL 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, 2000. Additional information as of June 30, 1999 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	10.00%
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%
Aggregate	5.00%
Annual Cost-of-Living Increase:	
Old System and New System Members:	
Accrued for All Subsequent Service (Subject to Any Applicable Caps)	5.00%
Safety Members Pension Plan Members	3.00%

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 SUPPLEMENTAL 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	10.00%
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%
Aggregate	5.00%

Graded Medical Cost Rate Increases:	
Pre-65 Premiums	7.75%*
Post-65 Premiums	7.50%*

*Decreasing gradually to 6.5% in 2005 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

FIRE AND POLICE PENSION PLANS

Four Fire and Police Pension Plans

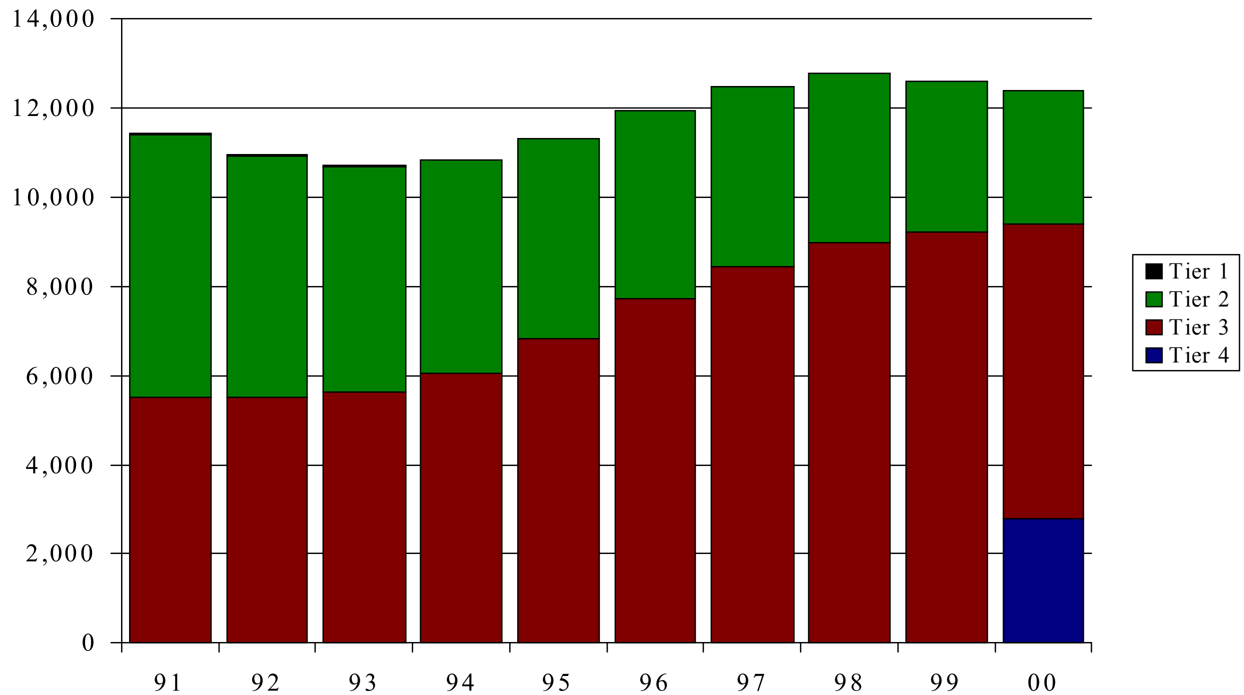
Prior to July 1, 2000, there were three pension systems in operation serving active and retired membership. **The Fire and Police Pension System (Article XVII)** was established under the Charter in 1925. In 1967, this plan was extensively amended, resulting in the creation of **The New Pension System (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. All members hired or rehired prior to July 1, 1997 are covered under the provisions of Article XXXV, Plan 1. These members had a one time opportunity to transfer into Article XXXV, Plan 2. Members hired on or after July 1, 1997 are covered under the provisions of Article XXXV, Plan 2. Members hired from July 1, 1997 to December 31, 1997 have a one time opportunity to transfer into Article XXXV, Plan 1.

One of the Charter changes effective July 1, 2000 is the change of the titles for the pension plans. The chart below outlines the changes:

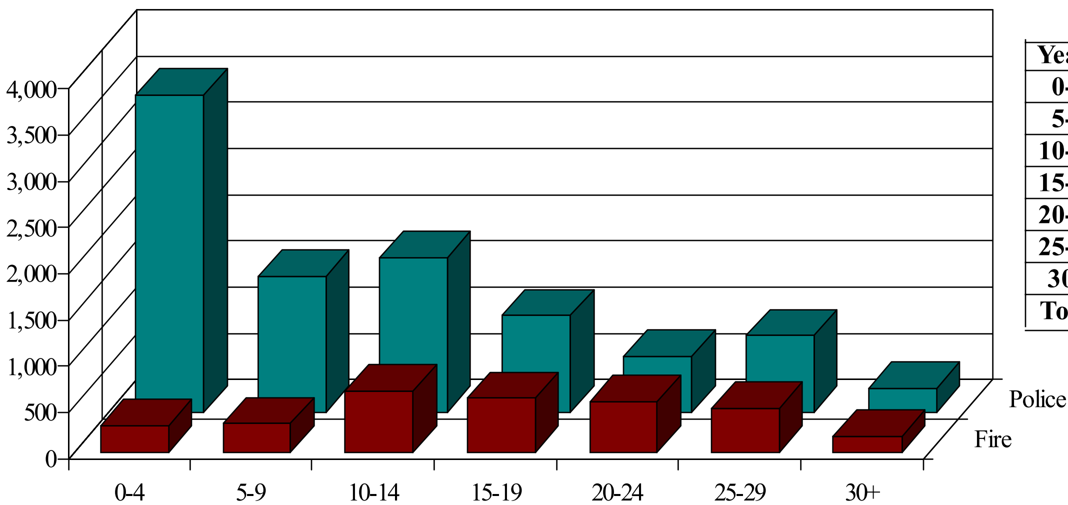
FORMER TITLE	NEW TITLE
ARTICLE XVII	TIER 1
ARTICLE XVIII	TIER 2
ARTICLE XXXV, PLAN 1	TIER 3
ARTICLE XXXV, PLAN 2	TIER 4

ACTIVE MEMBERSHIP
Last Ten Years



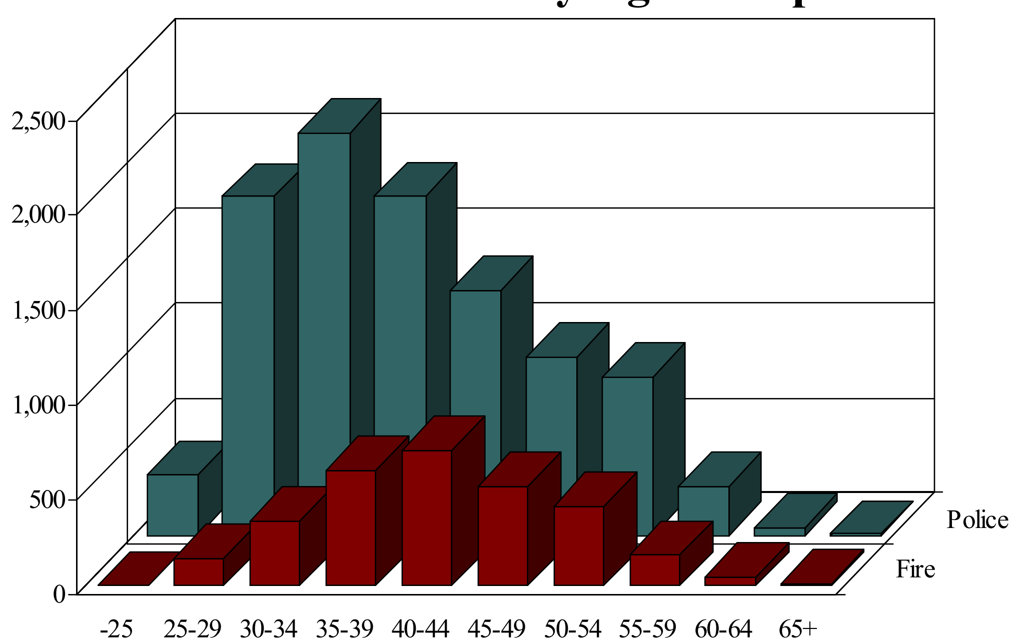
MEMBERSHIP AS OF JUNE 30, 2000			
Tier	**Fire**	**Police**	**Total**
Tier 1	**0**	**2**	**2**
Tier 2	**1,192**	**1,786**	**2,978**
Tier 3	**1,111**	**5,509**	**6,620**
Tier 4	**715**	**2,063**	**2,778**
Total	**3,018**	**9,360**	**12,378**

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	289	3,437
5-9	305	1,482
10-14	660	1,680
15-19	584	1,052
20-24	541	609
25-29	476	836
30+	163	264
Total	3,018	9,360

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	34	318
25-29	146	1,780
30-34	347	2,113
35-39	612	1,785
40-44	713	1,292
45-49	523	938
50-54	419	836
55-59	161	258
60-64	48	35
65+	15	5
Total	3,018	9,360

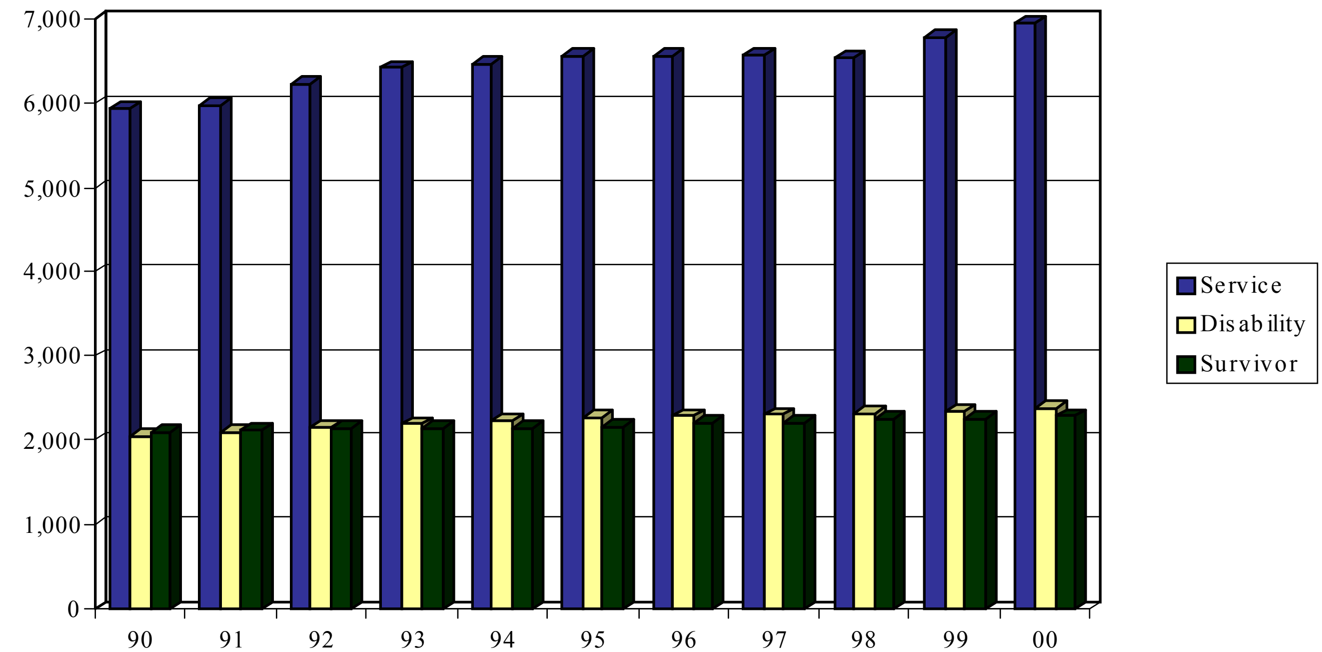
REFUNDS OF MEMBER CONTRIBUTIONS

	95-96	96-97	97-98	98-99	99-00
FIRE					
Tier 2	0	1	1	2	0
Tier 3	23	6	5	2	0
POLICE					
Tier 2	4	3	2	1	2
Tier 3	144	125	152	151	185
TOTAL	171	135	160	156	187

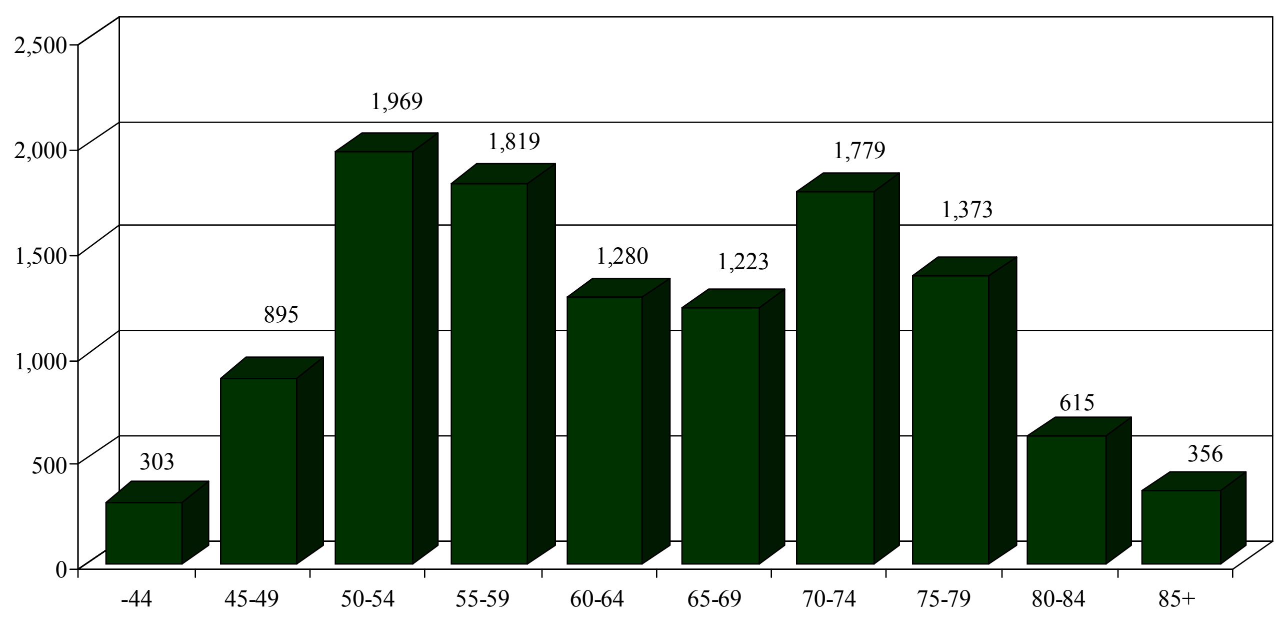
This chart shows the number of members who have applied for a refund of their Pension contributions.

RETIRED MEMBERSHIP
Last Ten Years

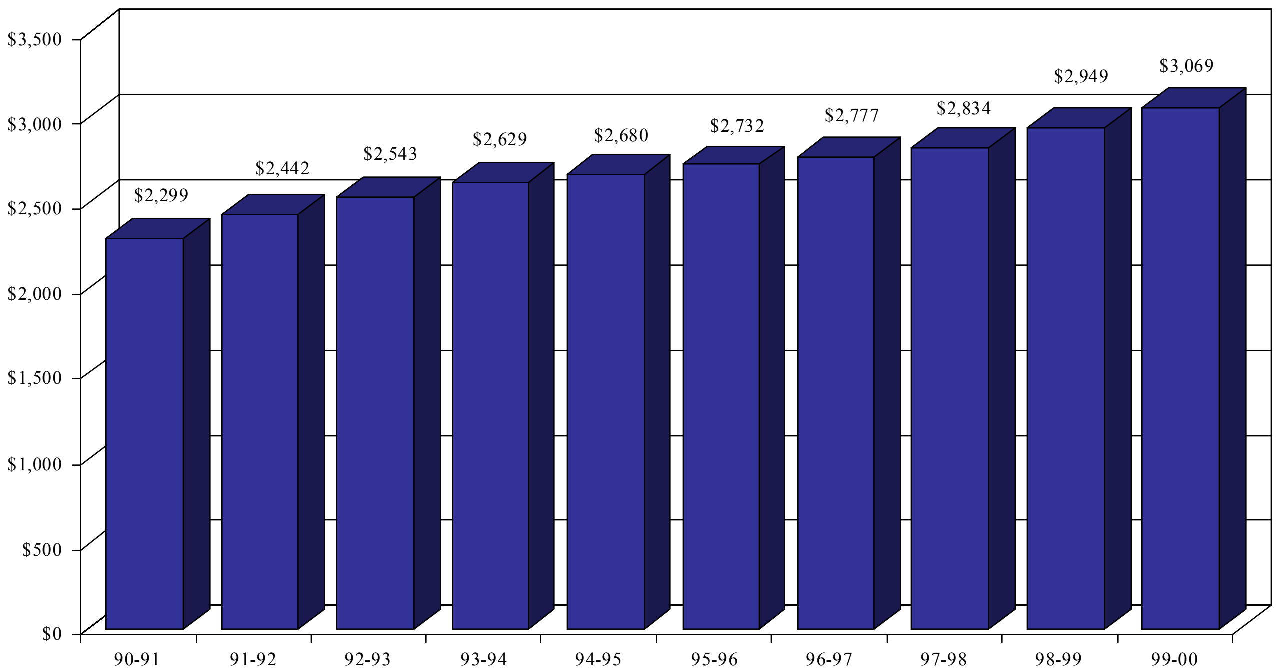
AS OF JUNE 30, 2000	
Service Pensions	6,955
Disability Pensions	2,378
Survivor Pensions	2,279
Total	11,612



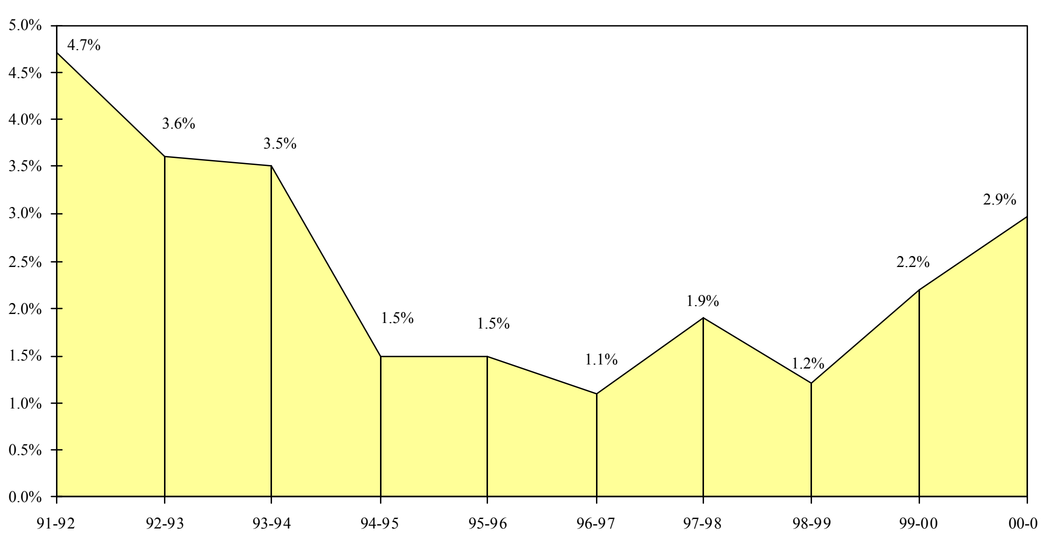
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



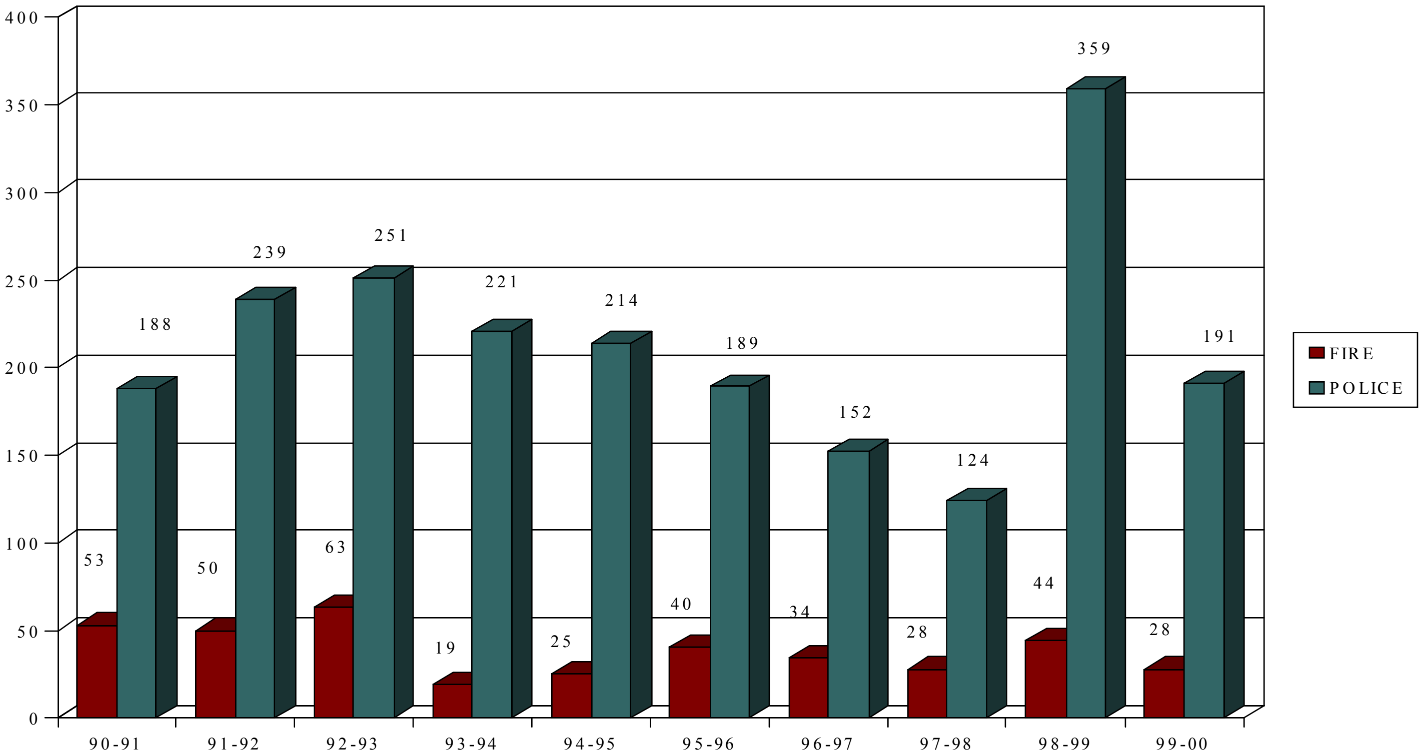
COST OF LIVING ADJUSTMENTS
Effective July 1



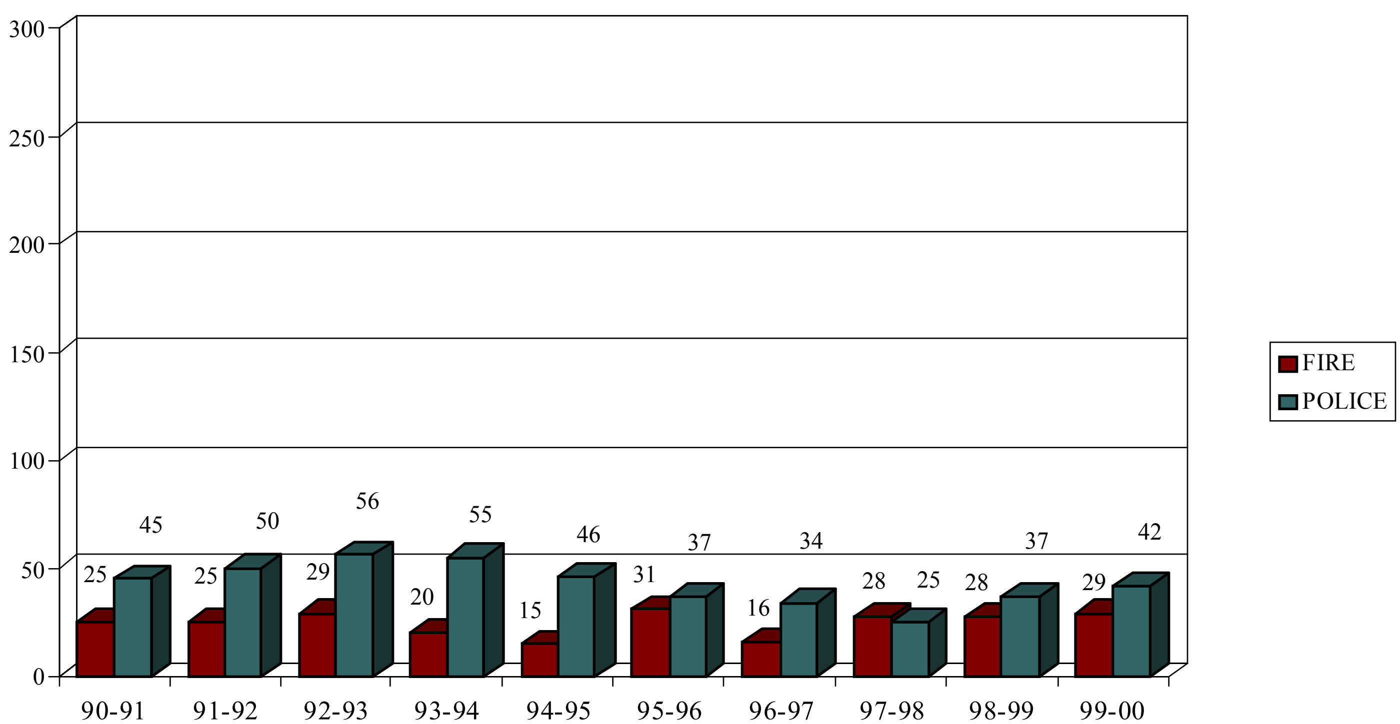
Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of Tier 3 and Tier 4 have cost of living increases capped at 3%. The City Council can provide for a discretionary cost of living increase above the 3% cap once every 3 years. Members of Tier 1 and Tier 2 have no cap on their cost of living adjustments.

PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

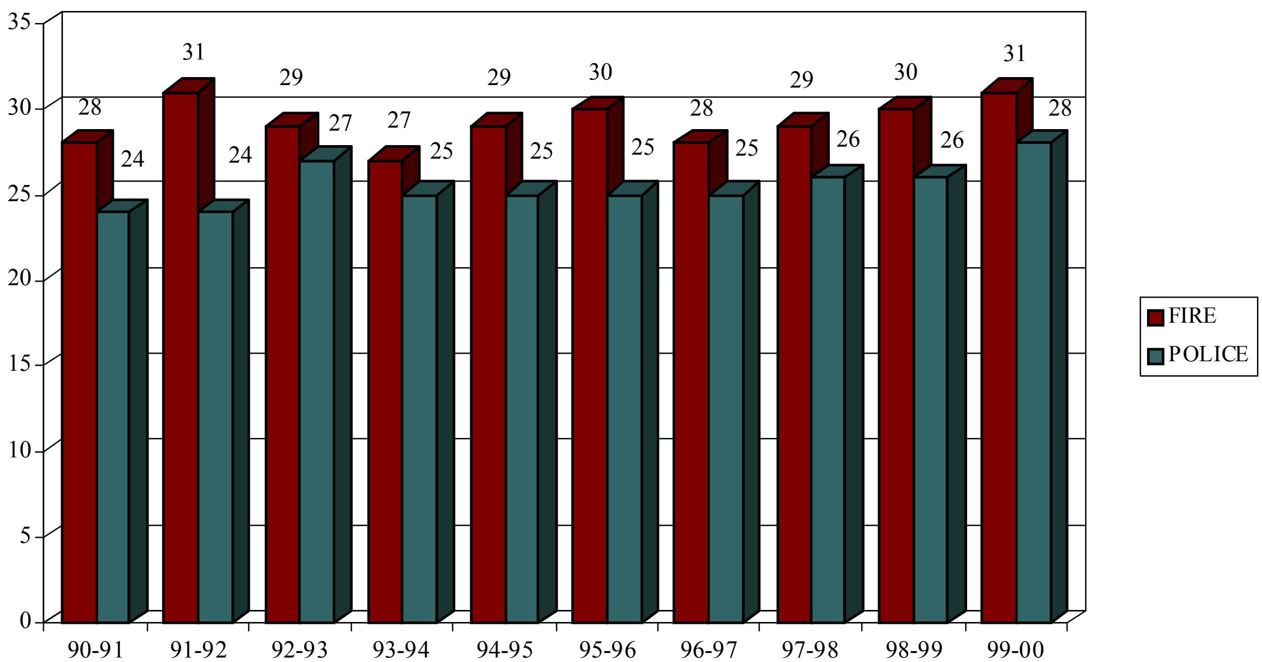


DISABILITY PENSIONS GRANTED

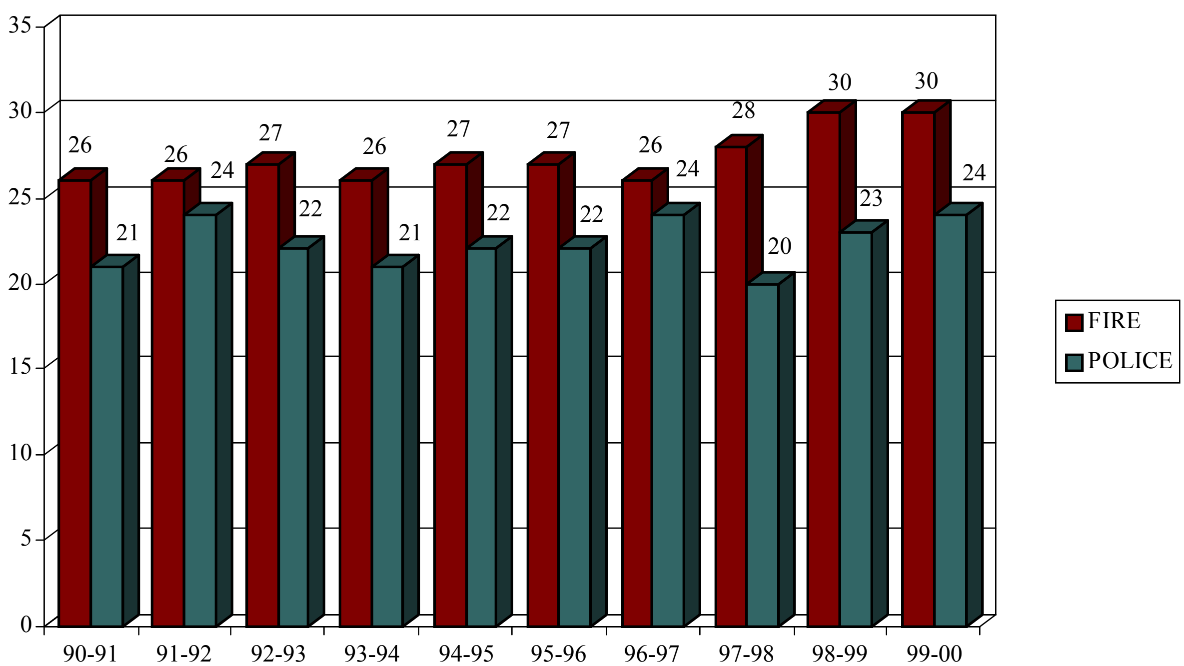


PENSION STATISTICS: LAST TEN YEARS

AVERAGE YEARS OF SERVICE
At Service Retirement

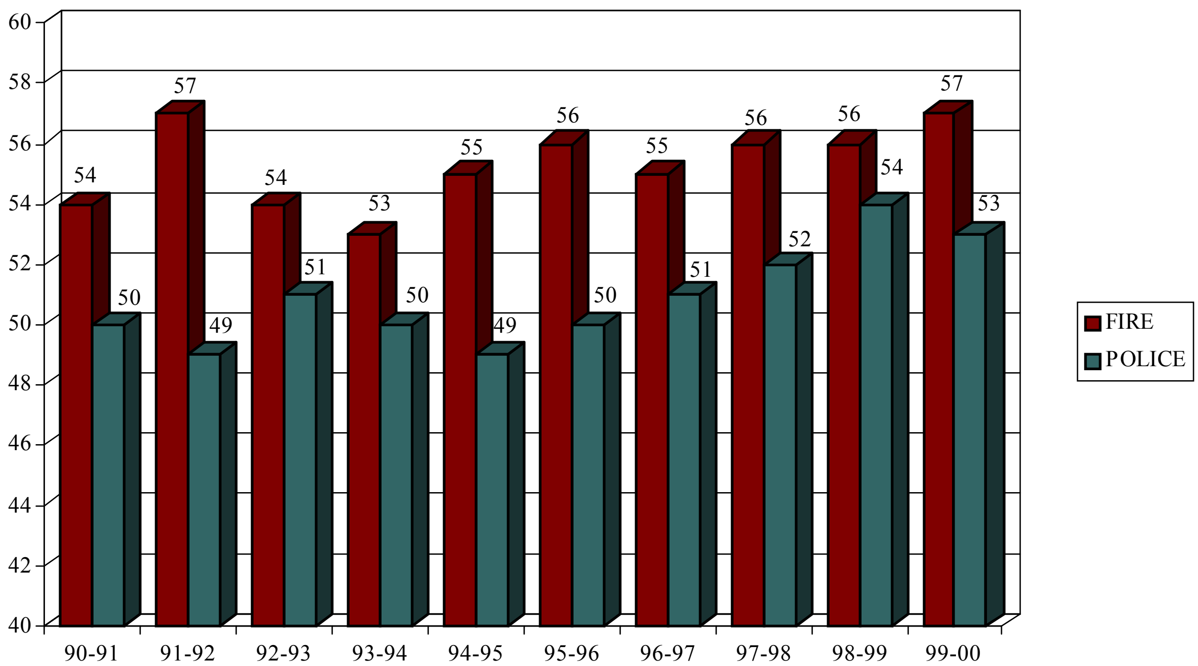


AVERAGE YEARS OF SERVICE
At Disability Retirement

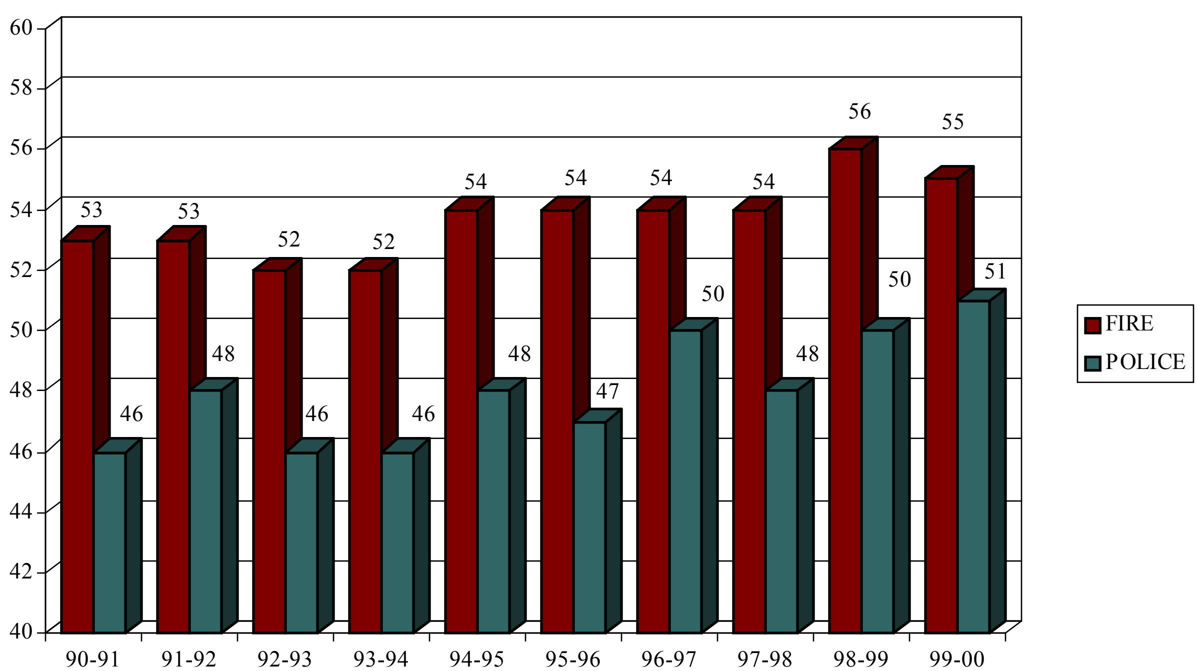


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 1995-96			FISCAL YEAR 1996-97			FISCAL YEAR 1997-98			FISCAL YEAR 1998-99			FISCAL YEAR 1999-00		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	29	23	52	15	22	37	25	12	37	27	33	60	29	37	66
Physical/Psychiatric	2	9	11	1	8	9	1	6	7	0	4	4	0	1	1
Psychiatric Only	0	2	2	0	0	0	0	2	2	1	0	1	0	4	4
TOTAL	31	34	65	16	30	46	26	20	46	28	37	65	29	42	71

TYPES OF CLAIMS*	FISCAL YEAR 1995-96			FISCAL YEAR 1996-97			FISCAL YEAR 1997-98			FISCAL YEAR 1998-99			FISCAL YEAR 1999-00		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	15	9	24	10	5	15	14	2	16	20	12	32	17	25	42
Neck	5	9	14	6	6	12	6	2	8	8	8	16	7	7	14
Knees	9	5	14	7	4	11	9	2	11	13	4	17	10	15	25
Other Orthopedic	20	9	29	9	15	24	19	9	28	10	16	26	11	17	28
Cardiovascular	5	3	8	0	12	12	3	4	7	4	14	18	4	12	16
Ulcer	0	0	0	0	1	1	0	1	1	0	0	0	0	5	5
Hypertension	3	3	6	1	9	10	2	1	3	0	6	6	0	0	0
Pulmonary	1	0	1	1	0	1	2	0	2	1	1	2	0	1	1
Cancer	0	0	0	0	1	1	0	1	1	1	0	1	1	0	1
Gun Shot Wound	0	0	0	0	0	0	0	3	3	0	2	2	0	0	0
HIV/AIDS	0	0	0	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	95-96	96-97	97-98	98-99	99-00
Firefighter	7	5	13	10	12
Apparatus Operator	1	0	0	0	0
Engineer	2	4	3	3	5
Inspector	1	1	0	0	1
Captain	15	6	8	9	9
Battalion Chief	5	0	2	3	1
Assistant Chief	0	0	2	3	0
Deputy Chief	0	0	0	0	1
TOTAL	31	16	28	28	29

POLICE	95-96	96-97	97-98	98-99	99-00
Police Officer	22	21	14	18	19
Sergeant	5	3	5	7	7
Detective	9	8	5	7	12
Lieutenant	0	0	1	2	2
Captain	0	2	0	3	1
Commander	0	0	0	0	1
Deputy Chief	1	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	37	34	25	37	42

Legal Summary

SUMMARY OF LEGAL ACTIVITIES

General Pension Litigation in Fiscal Year 1999-2000

The Retirement Benefits Division of the City Attorney's Office continued to provide necessary legal advice to the Department and the Board of Fire and Police Pension Commissioners. As in the previous year, the Division consisted of Assistant City Attorney Donna Weisz Jones, Managing Assistant of the Division, Deputy City Attorneys John Blair, Mary Jo Curwen and Garcelle Embry, and Legal Secretary Rebecca Clark.

The city attorneys handled general legal issues on a daily basis and represented the Board and Department in litigation, primarily cases concerning disability pension decisions. They also continued to ensure that court orders concerning division of pension benefits in dissolution proceedings comply with the provisions of the Fire and Police Pension Plans. Additionally, this year, the Division was involved in the preparation of the ordinances necessary to amend the Los Angeles Administrative Code in light of the passage of the new City Charter. Of specific importance to the members of the Pension System was the drafting of the ordinance setting forth the provisions for the election of the two retired members to the Board of Fire and Police Pension Commissioners.

Summary of Pension Plan Benefits

Fire and Police Pension Plan - Tier 1 (Formerly Article XVII)
(Closed January 28, 1967)

Fire and Police Pension Plan - Tier 2 (Formerly Article XVIII)
(Closed December 7, 1980

Fire and Police Pension Plan - Tier 3 (Formerly Article XXXV, Plan 1)
(Closed June 30, 1997)

Fire and Police Pension Plan - Tier 4 (Formerly Article XXXV, Plan 2)

SUMMARY OF PENSION PLAN BENEFITS
JUNE 30, 2000

	Tier 1	Tier 2	Tiers 3 and 4
1. SERVICE RETIREMENT			
a. Eligibility	20 years of service.	20 years of service.	Tier 3: Age 50 with 10 years of service. Tier 4: 20 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 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

	Tier 1	Tier 2	Tiers 3 and 4
5. DEATH WHILE ELIGIBLE FOR SERVICE RETIREMENT OR DEATH AFTER SERVICE RETIREMENT			
a. Eligibility	20 years of service.	20 years of service.	Tier 3: Age 50 with 10 years of service. Tier 4: 20 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

	Tier 1	Tier 2	Tiers 3 and 4
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 pensions 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

	Tier 1	Tier 2	Tiers 3 and 4
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.	Tier 3: After 10 years of service. Tier 4: 20 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 (Tier 3 only) 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. Article 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 were 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.

1999. City Council was given authority to establish by ordinance domestic partner benefits and pension benefits for sworn employees brought into City employment by merger or contract for fire and police services.

Provision was also established so that members hired July 1, 1997 through December 31, 1997 could irrevocably elect to transfer from Article XXXV, Plan 2 to Article XXXV, Plan 1. The provision allowed the Metropolitan Transportation Authority officers merged into the Police Department to join either Plan 1 or Plan 2 of Article XXXV. A delay in the merger made it necessary to add this provision so that negotiated benefits could be provided.

As of June 30, 1999, the actuarial value of system assets equaled 104.7% of the actuarial accrued liability of pension benefits.

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

The new City Charter became effective July 1, 2000. The primary changes affecting the Pension System are:

(1) The official department name became the Department of Fire and Police Pensions.

(2) The plans were reorganized under a new Charter Article number. Articles XVII, XVIII, XXXV Plan 1 and XXXV Plan 2 are now referred to as Tiers 1, 2, 3 and 4, respectively.

(3) The Board of Commissioners was expanded from 7 to 9 members and now includes an elected retired fire member and an elected retired police member.

(4) The Board now selects the Retirement Plan Manager, subject to confirmation by the Mayor and Council, and may remove the Manager, subject to confirmation by the Mayor.

(5) Assistant General Manager positions will be appointed on an exempt basis.

(6) The powers, duties and responsibilities of the Board are more expressly recognized and include:

(a) Language consistent with the provisions of the California Constitution Article XVI, Section 17

(b) The prudent person investment standard

(c) Sole and exclusive power to provide actuarial services

(d) Control over litigation and settlement of litigation that involve policies and funds under board control

(e) Deletion of the Council's right to veto any Board decisions.

(7) The definition of dependent parent was revised so that United States residency at the time of member death is no longer an eligibility requirement.

City of Los Angeles

Department of Pensions
Fire and Police Pension Systems