

Los Angeles Fire and Police Pension Plan

*Actuarial Valuation and Review of Pension and
Other Postemployment Benefits (OPEB)
as of June 30, 2010*

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November 17, 2010

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Re: June 30, 2010 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2010 actuarial valuations for the retirement and the health programs.

As requested by LAFPP, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the two programs.
- Exhibit B - History of computed contribution rates for the two programs.

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Angelo".

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

A handwritten signature in cursive script, appearing to read "Andy Yeung".

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

AB/hy
Enclosures

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Benefits, Compensation and HR Consulting Offices throughout the United States and Canada



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Exhibit A

City of Los Angeles Fire and Police Pension Plan Summary of Significant Valuation Results

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percent Change</u>
I. Total Membership			
A. Current Active Members	13,654	13,802	-1.07%
B. Current Vested Former Members	58	61	-4.92%
C. Current Retirees, Beneficiaries, and Dependents	12,348	12,327	0.17%
II. Valuation Salary			
A. Total Annual Payroll	\$1,356,986,475	\$1,357,248,936	-0.02%
B. Average Monthly Salary	8,282	8,195	1.06%
III. Benefits to Current Retirees and Beneficiaries⁽¹⁾			
A. Total Annual Benefits	\$695,295,285	\$677,226,586	2.67%
B. Average Monthly Benefit Amount	4,692	4,578	2.49%
IV. Total System Assets⁽²⁾			
A. Actuarial Value	\$15,036,856,639	\$15,066,287,394	-0.20%
B. Market Value	12,198,968,351	10,976,368,738	11.14%
V. Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	\$1,301,043,651	\$560,535,275	132.11%
B. Health Subsidy Benefits	1,720,549,039	1,228, 981,720	40.00%

⁽¹⁾ Includes July COLA.

⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.

Exhibit A (continued)

**City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results**

VI. Budget Items	<u>FY 2011-2012</u>		<u>FY 2010-2011</u>		<u>Change</u>	
	Beginning of Year ⁽¹⁾	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	20.14%	20.93%	18.27%	19.01%	1.87%	1.92%
2. Amortization of UAAL	<u>6.99%</u>	<u>7.27%</u>	<u>3.12%</u>	<u>3.24%</u>	<u>3.87%</u>	<u>4.03%</u>
3. Total Retirement Contribution	27.13%	28.20%	21.39%	22.25%	5.74%	5.95%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	4.62%	4.79%	3.49%	3.63%	1.13%	1.16%
2. Amortization of UAAL	<u>7.20%</u>	<u>7.48%</u>	<u>5.16%</u>	<u>5.37%</u>	<u>2.04%</u>	<u>2.11%</u>
3. Total Health Contribution	11.82%	12.27%	8.65%	9.00%	3.17%	3.27%
C. Total Contribution (A+B)	38.95%	40.47%	30.04%	31.25%	8.91%	9.22%
VII Funded Ratio (Based on Valuation Value of Assets) ⁽²⁾	<u>June 30, 2010</u>		<u>June 30, 2009</u>		<u>Change</u>	
A. Retirement Benefits		91.6%		96.2%		-4.6%
B. Health Subsidy Benefits		32.2%		39.7%		-7.5%
C. Total		83.3%		89.4%		-6.1%
⁽¹⁾ Total contribution rates payable on July 15, 2011 are 27.22% for retirement, 11.86% for health and 39.08% for both plans. ⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.						

Exhibit B

City of Los Angeles Fire and Police Pension Plan Computed Contribution Rates⁽¹⁾ – Historical Comparison

<u>Valuation Date</u>	<u>Retirement</u>	<u>Health</u>	<u>Total</u>	<u>Valuation Payroll (In Thousands)</u>
06/30/2001	3.74%	3.32%	7.06%	882,758
06/30/2002	11.00%	2.98%	13.98%	946,037
06/30/2003	13.79%	3.09%	16.88%	970,727
06/30/2004	12.86%	2.83%	15.69%	1,001,004
06/30/2005	20.56%	5.03%	25.59%	1,037,445
06/30/2006	22.12%	8.48% ⁽²⁾	30.65%	1,092,815
06/30/2007	19.95% ⁽³⁾	8.20% ^{(2), (3)}	28.15% ⁽³⁾	1,135,592
06/30/2008	20.58%	8.76%	29.34%	1,206,589
06/30/2009	22.26%	9.00%	31.26%	1,357,249
06/30/2010	28.20%	12.27%	40.47%	1,356,986

(1) Contributions are assumed to be made at the end of the pay period.

(2) Before reflecting phase-in policy.

(3) Revised to recognize payment of Harbor Port Police June 30, 2007 UAAL during 2007-2008 fiscal year. This reduced the UAAL rate by 0.02% and 0.00% for the retirement plan and health plan, respectively.

City of Los Angeles Fire and Police Pension Plan

*Actuarial Valuation and Review
as of June 30, 2010*

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The Segal Company
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November 17, 2010

*Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011-2012 and analyzes the preceding year's experience.


The census information on which our calculations were based and the financial information were provided by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Commissioners are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

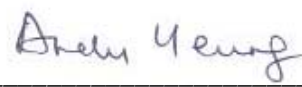
Sincerely,

THE SEGAL COMPANY

By: 

*Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary*

AB/gxk



*Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary*

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SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Los Angeles Fire and Police Pension Plan as of June 30, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Commissioners;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2010, provided by LAFPP;
- The assets of the Plan as of June 30, 2010, provided by LAFPP;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- This valuation reflects the 7.75% investment return assumption recently adopted by the Board as well as the changes in the inflation and across-the-board wage increase assumption components. All other actuarial assumptions are the same as those used in the June 30, 2009 valuation.
- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 96.2% to 91.6%. The unfunded actuarial accrued liability has increased from \$561 million to \$1,301 million. The reduction in the funded ratio and the increase in the unfunded actuarial accrued liability is primarily the result of the lower than expected returns on investment (after smoothing) and the change in the investment return assumption offset somewhat by other favorable actuarial experience during 2009/2010. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- Under the Board's funding policy, the 2009-2010 experience loss for Tier 2 would be amortized over the shorter of 15 years or the remaining 27-year amortization period ending June 30, 2037. For Tiers 3, 4 and 5 a new separate 15-year amortization layer is established in the June 30, 2010 valuation for the 2009-2010 experience loss.

Reference: Pg. 37, 7 and 11

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Reference: Pg. 17

- The aggregate beginning-of-year employer rate calculated in this valuation has increased from 21.39% of payroll to 27.13% of payroll. Using a projected annual payroll of \$1,357 million as of June 30, 2010, there would be an increase in contribution from \$290 million to \$368 million. The increase was due to lower than expected returns on investments (after smoothing) and change in the investment return assumption offset somewhat by lower than expected salary increases during 2009/2010 and lower than expected retiree COLA increases during 2009/2010.

Reference: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,837.9 million for the assets for Retirement and Health Subsidy Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- The unrecognized investment losses represent about 23% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$2,837.9 million market losses is expected to have a significant impact on the Plan's future funded ratio and the aggregate employer contributions. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 91.6% to 74.3%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 27.13% of payroll to 43.58% of payroll.

Reference: Pg. 53

- As adopted by the Board, any investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40% of the market value of assets. A description of the actuarial assumptions and methods can be found in Section 4, Exhibit V of this report.
- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year, (2) on July 15, or (3) throughout the year (i.e., the City will pay contributions at the end of every pay period).
- The actuarial valuation report as of June 30, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Summary of Key Valuation Results

	2010	2009
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of year	27.13%	21.39% ⁽¹⁾
On July 15	27.22%	21.46% ⁽¹⁾
At the end of each biweekly pay period	28.20%	22.25% ⁽¹⁾
Funding elements for plan year beginning July 1:		
Normal cost	\$385,000,579	\$360,465,016 ⁽¹⁾
Market value of assets ⁽²⁾	12,198,968,351	10,976,368,738
Actuarial value of assets ⁽²⁾	15,036,856,639	15,066,287,394
Valuation value of retirement assets	14,219,580,662	14,256,610,416
Actuarial accrued liability	15,520,624,313	14,817,145,691
Unfunded actuarial accrued liability	1,301,043,651	560,535,275
Funded ratio	91.6% ⁽³⁾	96.2% ⁽³⁾
GASB 25/27 for fiscal year ending June 30:		
Annual required contributions	\$250,516,858	\$238,697,929
Actual contributions	250,516,858	238,697,929
Percentage contributed	100.0%	100.0%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	12,348	12,327
Number of vested former members	58	61
Number of active members (includes DROP members)	13,654	13,802
Projected total payroll	\$1,356,986,475	\$1,357,248,936
Projected average payroll	99,384	98,337

⁽¹⁾ Revised to reflect payroll as of June 30, 2010.

⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.

⁽³⁾ The funded ratios excluding Harbor Port Police are 91.7% and 96.3% for 2010 and 2009, respectively.

Actuarial Certification

November 17, 2010

This is to certify that The Segal Company has conducted an actuarial valuation of the City of Los Angeles Fire and Police Pension Plan retirement program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2009. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

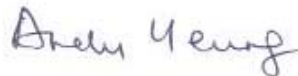
The actuarial valuation is based on the plan of benefits summarized in Exhibit VI and on participant and financial data provided by LAFPP.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the Plan's CAFR prepared by Segal is provided below:

- 1) Schedule of funding progress
- 2) Schedule of employer contributions
- 3) Supplementary Information Required by the GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the Plan's current funding information. The undersigned is a Member of the American Academy of Actuaries and meets the qualifications to provide the actuarial opinion herein.



Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, non-vested members (entitled to a refund of member contributions) and vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past seven valuations can be seen in this chart.

CHART 1
Member Population: 2004 – 2010

Year Ended June 30	Active Members⁽¹⁾	DROP Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	12,649	928	0	11,782	0.93
2005	12,656	1,178	0	11,746	0.93
2006	12,903	1,206	59	11,815	0.92
2007	13,218	1,226	85	11,974	0.91
2008	13,495	1,144	81	12,182	0.91
2009	13,802	1,024	61	12,327	0.90
2010	13,654	1,089	58	12,348	0.91

⁽¹⁾ Includes DROP members provided in the next column.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Active Members (Including DROP)

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 13,654 active members with an average age of 40.6, average years of service of 13.6 years and average payroll of \$99,384. The 13,802 active members in the prior valuation had an average age of 40.1, average service of 13.2 years and average payroll of \$98,337.

Inactive Members

In this year's valuation, there were a total of 58 members with a vested right to a deferred or immediate vested benefit versus 61 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members (Including DROP) by Age as of June 30, 2010

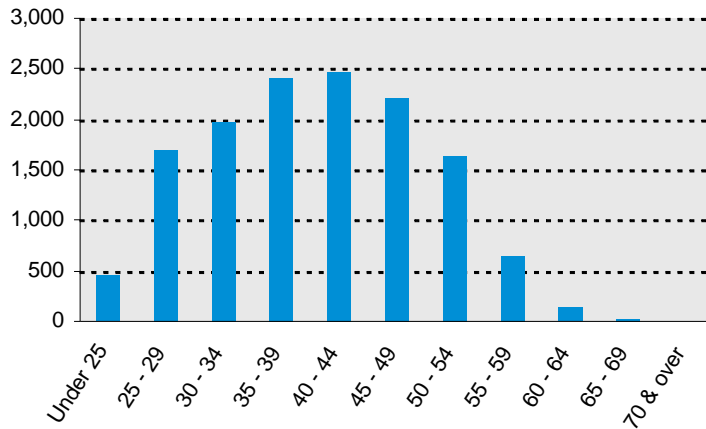
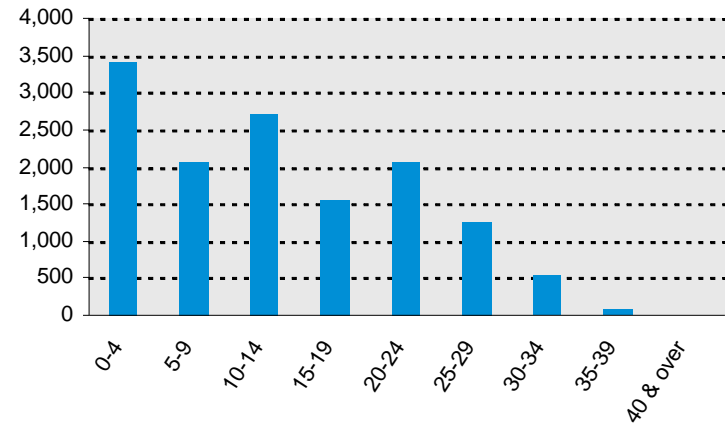


CHART 3
Distribution of Active Members (Including DROP) by Years of Service as of June 30, 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Retired Members and Beneficiaries

As of June 30, 2010, 9,958 retired members and 2,390 beneficiaries were receiving total monthly benefits of \$57,941,274. For comparison, in the previous valuation, there were 9,916 retired members and 2,411 beneficiaries receiving monthly benefits of \$56,435,549.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2010

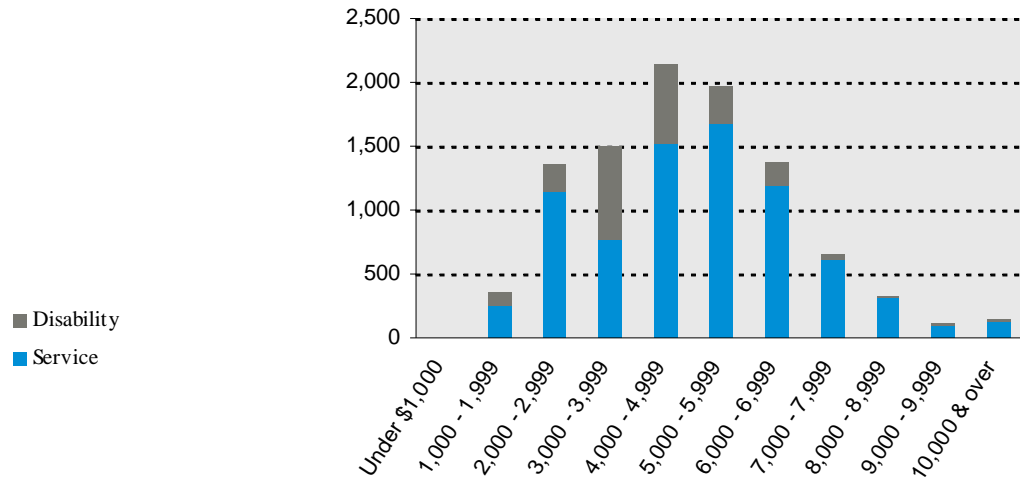
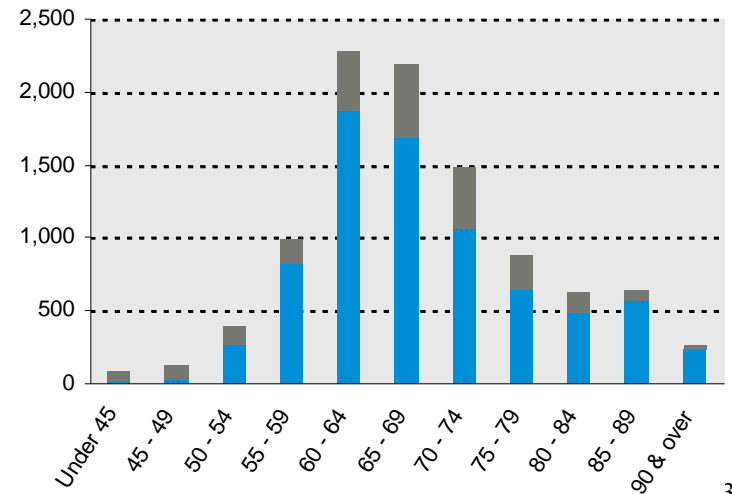


CHART 5
Distribution of Retired Members and by Type and by Age as of June 30, 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

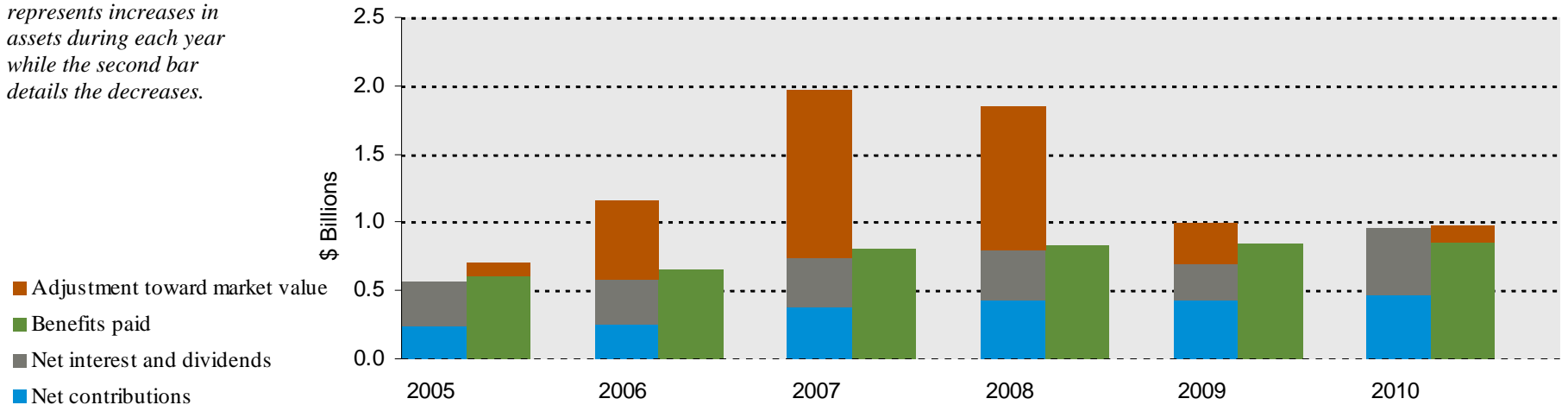
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last six years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2005 – 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2010

1. Market value of assets (for Retirement and Health Subsidy Benefits)				\$12,198,968,351
2. Calculation of unrecognized return ⁽¹⁾	Original Amount	Percent Not Recognized ⁽²⁾	Amount Not Recognized	
(a) Year ended June 30, 2010	\$737,173,630	85.71%	\$631,863,111	
(b) Year ended June 30, 2009	-4,113,928,646	71.43%	-2,938,520,461	
(c) Year ended June 30, 2008	-2,015,976,509	40.00%	-806,390,604	
(d) Year ended June 30, 2007	1,375,798,329	20.00%	275,159,666	
(e) Year ended June 30, 2006	477,862,344	0.00%	0	
(f) Total unrecognized return				-2,837,888,288
3. Preliminary actuarial value: (1) - (2f)				15,036,856,639
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$15,036,856,639</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				123.3%
7. Market value of retirement assets				\$11,535,935,909
8. Valuation value of retirement assets: (5) ÷ (1) x (7)				\$14,219,580,662
9. Deferred return recognized in each of the next 6 years:				
(a) Amount recognized on June 30, 2011				-\$610,429,213
(b) Amount recognized on June 30, 2012				-885,588,875
(c) Amount recognized on June 30, 2013				-482,393,573
(d) Amount recognized on June 30, 2014				-482,393,573
(e) Amount recognized on June 30, 2015				-482,393,573
(f) Amount recognized on June 30, 2016				<u>105,310,519</u>
(g) Subtotal (may not total exactly due to rounding)				-\$2,837,888,288

⁽¹⁾ Total return minus expected return on a market value basis

⁽²⁾ Any investment gains/losses established after July 1, 2008 are recognized over a seven-year period.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

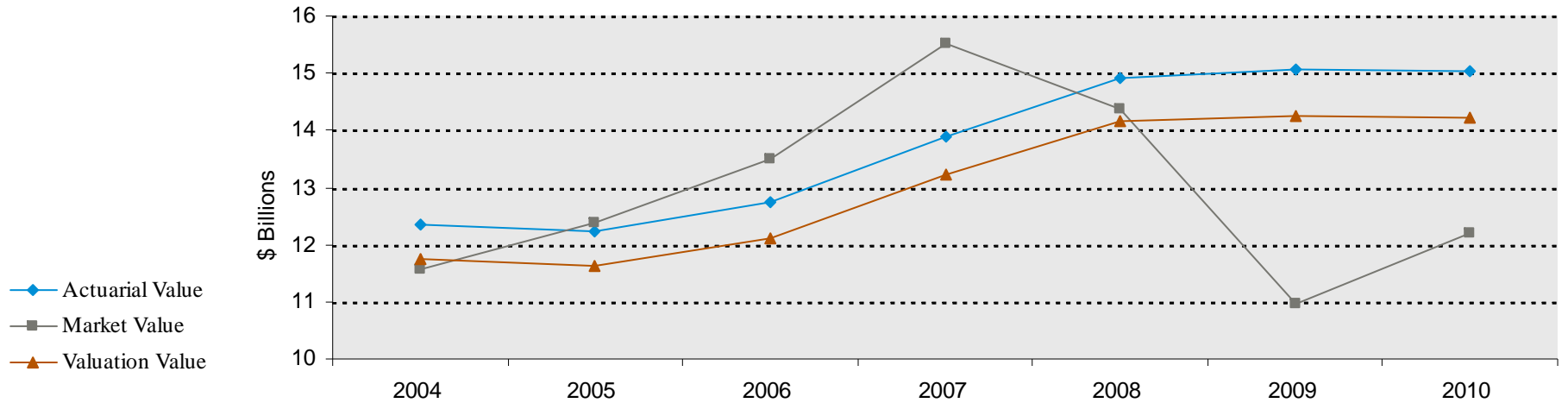
The actuarial value, market value and valuation value of assets are representations of LAFPP’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on multiplying the total actuarial value of assets by the ratio of market value of retirement assets to the market value of both retirement and health assets, is shown as the valuation

value of assets. The valuation value of assets is significant because LAFPP’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past seven years.

CHART 8

Actuarial Value of Assets*, Valuation Value of Assets and Market Value of Assets* as of June 30, 2004 – 2010**



* Retirement and Health assets

** Retirement only assets

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year’s experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total net loss of \$367,665,775 was due mainly to an investment loss of \$756,278,190 offset somewhat by salary and COLA gains. The net experience variation from all sources was 2.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

**CHART 9
Actuarial Experience for Year Ended June 30, 2010**

1. Net gain/(loss) from investments ⁽¹⁾	-\$756,278,190
2. Net gain/(loss) from other experience ⁽²⁾	<u>388,612,415</u>
3. Net experience gain/(loss): (1) + (2)	-\$367,665,775

⁽¹⁾ Details in Chart 10.

⁽²⁾ Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2009 to June 30, 2010, compared to the projected experience as predicted by the actuarial assumptions as of June 30, 2009.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LAFPP’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00% (based on the June 30, 2009 valuation). The actual rate of return on the actuarial value of assets basis for the 2010 plan year was 2.40%.

Since the actual return for the year was lower than the assumed return, LAFPP experienced an actuarial loss during the year ended June 30, 2010 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Actuarial Value Investment Experience for Year Ended June 30, 2010

	All Assets ⁽¹⁾	Assets for Retirement Only
1. Actual return	\$360,741,904	\$376,879,876
2. Average value of assets	15,034,901,752	14,164,475,829
3. Actual rate of return: (1) ÷ (2)	2.40%	2.66%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$1,202,792,140	\$1,133,158,066
6. Actuarial gain/(loss): (1) – (5)	<u>-\$842,050,236</u>	<u>-\$756,278,190</u>

⁽¹⁾ Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for all Retirement and Health Subsidy Benefits assets.

Based on this experience and future expectations, we have lowered the investment return assumption of 8.00% to 7.75% for the June 30, 2010 valuation.

CHART 11
Investment Return – Actuarial Value vs. Market Value: 2005 – 2010

Year Ended June 30	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2005	\$259,388,778	2.12%	\$1,131,871,641	9.83%
2006	901,268,460	7.44%	1,520,383,435	12.40%
2007	1,590,968,304	12.57%	2,450,077,668	18.25%
2008	1,414,391,128	10.20%	-776,503,003	-5.01%
2009	557,346,783	3.75%	-2,968,762,917	-20.74%
2010	360,741,904	2.40%	1,612,772,227	14.74%
Six-Year Average Return		6.34%		3.94%

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2005 - 2010.

CHART 12
Market and Actuarial Rates of Return for Years Ended June 30, 2005 - 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2010 amounted to \$388,612,415, which is 2.5% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LAFPP for the year ended June 30, 2010 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2010

1. Gain due to lower than expected salary increases for continuing actives	\$235,827,307
2. Gain due to lower than expected COLA for continuing retirees and beneficiaries	168,830,035
3. Miscellaneous losses	<u>-16,044,927</u>
4. Net gain/(loss)	\$388,612,415

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability, separately for each Tier. The total amount is then divided by the projected payroll for active members to determine the funding rate of 27.13%% of payroll if paid at beginning of year.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution

The chart compares this valuation's recommended contribution with the prior valuation.

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 1 Members				
1. Total normal cost	\$0	N/A	\$0	N/A
2. Expected employee contributions, discounted to beginning of year	0	N/A	0	N/A
3. Employer normal cost: (1) + (2)	0	N/A	0	N/A
4. Actuarial accrued liability	152,894,371		164,772,185	
5. Valuation value of assets	-49,364,479		-44,561,060	
6. Unfunded actuarial accrued liability	202,258,850		209,333,245	
7. Amortization of unfunded accrued liability	16,784,496	N/A	17,539,200	N/A
8. Total recommended contribution, beginning of year	16,784,496	N/A	17,539,200	N/A
9. Total recommended contribution, July 15	16,836,780	N/A	17,595,533	N/A
10. Total recommended contribution, biweekly	17,443,743	N/A	18,249,770	N/A
11. Projected payroll used for developing normal cost rate	N/A		N/A	
Tier 2 Members				
1. Total normal cost	\$4,528,447	26.27%	\$4,375,929	25.39%
2. Expected employee contributions, discounted to beginning of year	-67,788	-0.39%	-439,489	-2.55%
3. Employer normal cost: (1) + (2)	4,460,659	25.88%	3,936,440	22.84%
4. Actuarial accrued liability	5,772,008,132		5,918,326,906	
5. Valuation value of assets	6,165,929,922		6,510,729,862	
6. Unfunded actuarial accrued liability	-393,921,790		-592,402,956	
7. Amortization of unfunded accrued liability	-14,038,067	-1.03% ⁽²⁾	-31,210,689	-2.30% ⁽²⁾
8. Total recommended contribution, beginning of year	-9,577,408	N/A	-27,274,249	N/A
9. Total recommended contribution, July 15	-9,607,242	N/A	-27,361,850	N/A
10. Total recommended contribution, biweekly	-9,953,582	N/A	-28,379,218	N/A
11. Projected payroll used for developing normal cost rate	17,234,852		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

⁽²⁾ Percent of TOTAL payroll.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14

Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 3 Members				
1. Total normal cost	\$25,370,934	25.90%	\$23,904,087	24.40%
2. Expected employee contributions, discounted to beginning of year	-7,540,952	-7.70%	-7,533,706	-7.69%
3. Employer normal cost: (1) + (2)	17,829,982	18.20%	16,370,381	16.71%
4. Actuarial accrued liability	731,978,359		673,723,503	
5. Valuation value of assets	592,579,557		565,321,184	
6. Unfunded actuarial accrued liability	139,398,802		108,402,319	
7. Amortization of unfunded accrued liability	7,607,965	7.77%	5,300,045	5.41%
8. Total recommended contribution, beginning of year	25,437,947	25.97%	21,670,426	22.12%
9. Total recommended contribution, July 15	25,517,186	26.05%	21,739,004	22.19%
10. Total recommended contribution, biweekly	26,437,077	26.99%	22,542,338	23.01%
11. Projected payroll used for developing normal cost rate	97,967,569		N/A	
Tier 4 Members				
1. Total normal cost	\$11,045,764	24.47%	\$10,366,638	22.97%
2. Expected employee contributions, discounted to beginning of year	-3,430,137	-7.60%	-3,466,076	-7.68%
3. Employer normal cost: (1) + (2)	7,615,627	16.87%	6,900,562	15.29%
4. Actuarial accrued liability	379,858,147		348,027,397	
5. Valuation value of assets	294,989,171		282,830,326	
6. Unfunded actuarial accrued liability	84,868,976		65,197,071	
7. Amortization of unfunded accrued liability	4,390,930	9.73%	2,969,633	6.58%
8. Total recommended contribution, beginning of year	12,006,557	26.60%	9,870,195	21.87%
9. Total recommended contribution, July 15	12,043,957	26.69%	9,901,786	21.94%
10. Total recommended contribution, biweekly	12,478,140	27.65%	10,267,349	22.75%
11. Projected payroll used for developing normal cost rate	45,131,204		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14

Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 5 Members (without Harbor Port Police)				
1. Total normal cost	\$341,051,080	28.75%	\$318,988,447	26.89%
2. Expected employee contributions, discounted to beginning of year	-99,804,150	-8.41%	-100,121,327	-8.44%
3. Employer normal cost: (1) + (2)	241,246,930	20.34%	218,867,120	18.45%
4. Actuarial accrued liability	8,455,734,296		7,689,646,616	
5. Valuation value of assets	7,196,561,308		6,926,189,954	
6. Unfunded actuarial accrued liability	1,259,172,988		763,456,662	
7. Amortization of unfunded accrued liability	79,420,593	6.69%	47,094,985	3.97%
8. Total recommended contribution, beginning of year	320,667,523	27.03%	265,962,105	22.42%
9. Total recommended contribution, July 15	321,666,399	27.12%	266,792,494	22.49%
10. Total recommended contribution, biweekly	333,262,430	28.09%	276,638,549	23.32%
11. Projected payroll used for developing normal cost rate	1,186,271,650		N/A	
All Tiers Combined (without Harbor Port Police)				
1. Total normal cost	\$381,996,225	28.37%	\$357,635,101	26.56%
2. Expected employee contributions, discounted to beginning of year	-110,843,027	-8.23%	-111,560,598	-8.29%
3. Employer normal cost: (1) + (2)	271,153,198	20.14%	246,074,503	18.27%
4. Actuarial accrued liability	15,492,473,305		14,794,496,607	
5. Valuation value of assets	14,200,695,479		14,240,510,266	
6. Unfunded actuarial accrued liability	1,291,777,826		553,986,341	
7. Amortization of unfunded accrued liability	94,165,917	6.99%	41,693,174	3.10%
8. Total recommended contribution, beginning of year	365,319,115	27.13%	287,767,677	21.37%
9. Total recommended contribution, July 15	366,457,080	27.21%	288,666,967	21.44%
10. Total recommended contribution, biweekly	379,667,809	28.19%	299,318,788	22.23%
11. Projected payroll used for developing normal cost rate	1,346,605,275		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Harbor Port Police (Tier 5)				
1. Total normal cost	\$3,004,354	28.94%	\$2,829,915	27.26%
2. Expected employee contributions, discounted to beginning of year	-889,352	-8.57%	-888,631	-8.56%
3. Employer normal cost: (1) + (2)	2,115,002	20.37%	1,941,284	18.70%
4. Actuarial accrued liability	28,151,008		22,649,084	
5. Valuation value of assets	18,885,183		16,100,150	
6. Unfunded actuarial accrued liability	9,265,825		6,548,934	
7. Amortization of unfunded accrued liability	763,706	7.36%	584,462	5.63%
8. Total recommended contribution, beginning of year	2,878,708	27.73%	2,525,746	24.33%
9. Total recommended contribution, July 15	2,887,675	27.82%	2,534,051	24.41%
10. Total recommended contribution, biweekly	2,991,776	28.82%	2,627,482	25.31%
11. Projected payroll used for developing normal cost rate	10,381,200		N/A	
All Tiers Combined				
1. Total normal cost	\$385,000,579	28.37%	\$360,465,016	26.56%
2. Expected employee contributions, discounted to beginning of year	-111,732,379	-8.23%	-112,449,229	-8.29%
3. Employer normal cost: (1) + (2)	273,268,200	20.14%	248,015,787	18.27%
4. Actuarial accrued liability	15,520,624,313		14,817,145,691	
5. Valuation value of assets	14,219,580,662		14,256,610,416	
6. Unfunded actuarial accrued liability	1,301,043,651		560,535,275	
7. Amortization of unfunded accrued liability	94,929,623	6.99%	42,277,636	3.12%
8. Total recommended contribution, beginning of year	368,197,823	27.13%	290,293,423	21.39%
9. Total recommended contribution, July 15	369,344,755	27.22%	291,201,018	21.46%
10. Total recommended contribution, biweekly	382,659,585	28.20%	301,946,269	22.25%
11. Projected payroll used for developing normal cost rate	1,356,986,475		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

If paid by the City at the beginning of the year, the calculated normal cost is 20.14% payroll. The remaining 6.99% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 17.8 years.

The contribution rates as of June 30, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2009 to June 30, 2010

Recommended Contribution as of June 30, 2009	\$290,293,423*
Effect of increase on prior year amortization dollar amounts due to percentage of payroll amortization	\$1,895,502
Effect of contributions (more)/less than recommended contribution, from one-year delay between valuation and rate implementation	4,591,804
Effect of investment (gain)/loss	63,821,756
Effect of difference in actual versus expected salary increase	-19,901,524
Effect of retiree COLA more/(less) than assumed	-14,248,659
Effect of other actuarial (gains)/losses	4,050,058
Effect of change in assumptions	37,695,463
Total change	<u>77,904,400</u>
Recommended Contribution as of June 30, 2010	<u>\$368,197,823</u>

* Revised using payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

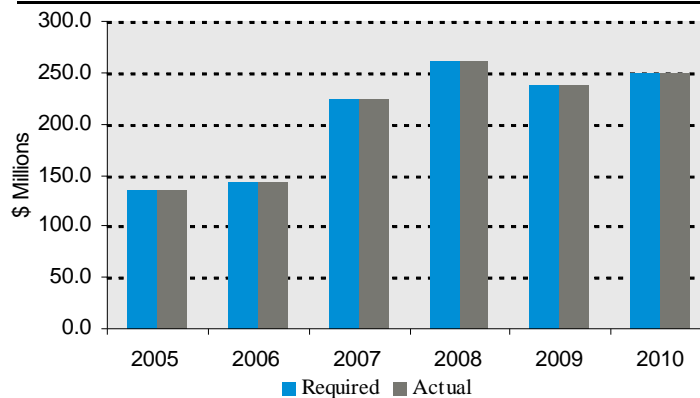
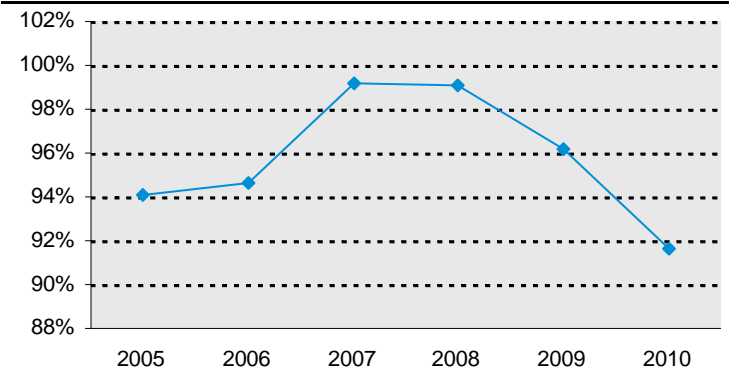


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

Total

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	13,654	13,802	-1.1%
Average age	40.6	40.1	N/A
Average service	13.6	13.2	N/A
Projected total payroll	\$1,356,986,476	\$1,357,248,936	0.0%
Projected average payroll	\$99,384	\$98,337	1.1%
Account balances	\$1,406,834,156	\$1,340,594,249	4.9%
Total active vested members	4,698	4,468	5.1%
Vested terminated members:			
Number	58	61	-4.9%
Average age	44.9	44.6	N/A
Average monthly benefit at age 50	\$1,830	\$1,708	7.1%
Retired members:			
Number in pay status	7,685	7,612	1.0%
Average age at retirement	51.5	51.4	N/A
Average age	69.0	68.7	N/A
Average monthly benefit (includes July COLA)	\$5,128	\$4,995	2.7%
Disabled members:			
Number in pay status	2,273	2,304	-1.3%
Average age at retirement	44.1	44.1	N/A
Average age	66.7	66.1	N/A
Average monthly benefit (includes July COLA)	\$4,274	\$4,215	1.4%
Beneficiaries:			
Number in pay status	2,390	2,411	-0.9%
Average age	76.8	76.8	N/A
Average monthly benefit (includes July COLA)	\$3,688	\$3,610	2.2%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average service	N/A	N/A	N/A
Projected total payroll	N/A	N/A	N/A
Projected average payroll	N/A	N/A	N/A
Account balances	N/A	N/A	N/A
Total active vested members	N/A	N/A	N/A
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	142	153	-7.2%
Average age at retirement	46.2	46.2	N/A
Average age	84.3	83.9	N/A
Average monthly benefit (includes July COLA)	\$2,176	\$2,151	1.2%
Disabled members:			
Number in pay status	143	157	-8.9%
Average age at retirement	37.2	37.4	N/A
Average age	80.5	80.0	N/A
Average monthly benefit (includes July COLA)	\$2,679	\$2,634	1.7%
Beneficiaries:			
Number in pay status	464	499	-7.0%
Average age	84.2	84.3	N/A
Average monthly benefit (includes July COLA)	\$2,432	\$2,426	0.2%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

ii. Tier 2

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	140	167	-16.2%
Average age	54.4	53.6	N/A
Average service	31.5	30.7	N/A
Projected total payroll	\$17,234,853	\$20,342,725	-15.3%
Projected average payroll	\$123,106	\$121,813	1.1%
Account balances	\$31,424,253	\$36,129,703	-13.0%
Total active vested members	140	167	-16.2%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	5,382	5,528	-2.6%
Average age at retirement	50.5	50.6	N/A
Average age	71.8	71.3	N/A
Average monthly benefit (includes July COLA)	\$4,619	\$4,556	1.4%
Disabled members:			
Number in pay status	1,757	1,788	-1.7%
Average age at retirement	45.3	45.4	N/A
Average age	69.0	68.1	N/A
Average monthly benefit (includes July COLA)	\$4,545	\$4,492	1.2%
Beneficiaries:			
Number in pay status	1,770	1,764	0.3%
Average age	77.1	76.9	N/A
Average monthly benefit (includes July COLA)	\$3,921	\$3,855	1.7%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iii. Tier 3

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	954	977	-2.4%
Average age	44.4	43.4	N/A
Average service	16.2	15.3	N/A
Projected total payroll	\$97,967,569	\$99,548,367	-1.6%
Projected average payroll	\$102,691	\$101,892	0.8%
Account balances	\$105,500,438	\$99,025,662	6.5%
Total active vested members	949	967	-1.9%
Vested terminated members:			
Number	52	56	-7.1%
Average age	44.6	44.4	N/A
Average monthly benefit at age 50	\$1,652	\$1,579	4.6%
Retired members:			
Number in pay status	129	116	11.2%
Average age at retirement	52.5	52.7	N/A
Average age	58.9	58.8	N/A
Average monthly benefit (includes July COLA)	\$2,439	\$2,450	-0.4%
Disabled members:			
Number in pay status	243	238	2.1%
Average age at retirement	39.6	39.5	N/A
Average age	51.8	51.0	N/A
Average monthly benefit (includes July COLA)	\$3,237	\$3,175	2.0%
Beneficiaries:			
Number in pay status	71	73	-2.7%
Average age	48.5	48.0	N/A
Average monthly benefit (includes July COLA)	\$3,770	\$3,700	1.9%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iv. Tier 4

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	422	435	-3.0%
Average age	42.1	41.2	N/A
Average service	17.6	16.7	N/A
Projected total payroll	\$45,131,204	\$46,215,489	-2.3%
Projected average payroll	\$106,946	\$106,243	0.7%
Account balances	\$54,597,662	\$52,208,166	4.6%
Total active vested members	204	185	10.3%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	117	106	10.4%
Average age at retirement	45.2	45.1	N/A
Average age	50.1	49.4	N/A
Average monthly benefit (includes July COLA)	\$3,873	\$3,777	2.5%
Disabled members:			
Number in pay status	40	40	0.0%
Average age at retirement	42.1	42.1	N/A
Average age	49.0	48.0	N/A
Average monthly benefit (includes July COLA)	\$4,274	\$4,215	1.4%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	47.6	46.6	N/A
Average monthly benefit (includes July COLA)	\$7,503	\$7,399	1.4%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

**Table of Plan Coverage
v. Tier 5 (without Harbor Port Police)**

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	12,023	12,108	-0.7%
Average age	40.1	39.6	N/A
Average service	13.2	12.7	N/A
Projected total payroll	\$1,186,271,650	\$1,181,379,305	0.4%
Projected average payroll	\$98,667	\$97,570	1.1%
Account balances	\$1,211,154,616	\$1,149,935,194	5.3%
Total active vested members	3,394	3,138	8.2%
Vested terminated members:			
Number	6	5	20.0%
Average age	47.7	46.6	N/A
Average monthly benefit at age 50	\$3,368	\$3,151	6.9%
Retired members:			
Number in pay status	1,914	1,708	12.1%
Average age at retirement	54.9	55.1	N/A
Average age	61.6	61.1	N/A
Average monthly benefit (includes July COLA)	\$7,037	\$6,917	1.7%
Disabled members:			
Number in pay status	88	79	11.4%
Average age at retirement	43.4	43.5	N/A
Average age	47.3	46.7	N/A
Average monthly benefit (includes July COLA)	\$4,313	\$4,204	2.6%
Beneficiaries:			
Number in pay status	82	72	13.9%
Average age	52.3	53.9	N/A
Average monthly benefit (includes July COLA)	\$5,557	\$5,551	0.1%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

vi. Harbor Port Police (Tier 5)

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	115	115	0.0%
Average age	36.1	35.1	N/A
Average service	6.5	5.5	N/A
Projected total payroll	\$10,381,200	\$9,763,050	6.3%
Projected average payroll	\$90,271	\$84,896	6.3%
Account balances	\$4,157,187	\$3,295,525	26.1%
Total active vested members	11	11	0.0%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	1	1	0.0%
Average age at retirement	57.0	57.0	N/A
Average age	61.0	60.0	N/A
Average monthly benefit (includes July COLA)	\$5,961	\$5,879	1.4%
Disabled members:			
Number in pay status	2	2	0.0%
Average age at retirement	40.1	40.1	N/A
Average age	45.2	44.2	N/A
Average monthly benefit (includes July COLA)	\$4,576	\$4,506	1.6%
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

Total

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	448	448	--	--	--	--	--	--	--	--
	\$68,009	\$68,009	--	--	--	--	--	--	--	--
25 - 29	1,707	1,558	149	--	--	--	--	--	--	--
	78,318	76,823	\$93,947	--	--	--	--	--	--	--
30 - 34	1,966	889	877	200	--	--	--	--	--	--
	89,023	79,627	95,978	\$100,287	--	--	--	--	--	--
35 - 39	2,414	350	676	1,194	194	--	--	--	--	--
	97,602	77,123	96,296	102,398	\$109,582	--	--	--	--	--
40 - 44	2,473	113	274	920	736	429	1	--	--	--
	104,227	77,096	95,677	101,838	109,223	\$113,371	\$110,545	--	--	--
45 - 49	2,211	35	69	269	478	1,087	267	6	--	--
	110,105	80,346	95,824	100,904	107,435	113,207	118,809	\$123,687	--	--
50 - 54	1,642	4	12	86	120	437	701	282	--	--
	115,601	73,915	98,227	99,886	106,660	111,998	116,956	127,746	--	--
55 - 59	651	1	2	27	18	96	250	210	47	--
	114,841	46,678	99,577	100,796	106,099	109,797	113,173	121,430	\$118,092	--
60 - 64	130	--	--	7	3	8	35	48	28	1
	116,270	--	--	105,051	97,267	114,096	111,870	118,121	123,567	\$130,072
65 - 69	11	--	--	2	1	1	1	--	4	2
	110,506	--	--	101,945	136,441	110,409	102,537	--	109,857	111,433
70 & over	1	--	--	--	--	1	--	--	--	--
	95,259	--	--	--	--	95,259	--	--	--	--
Total	13,654	3,398	2,059	2,705	1,550	2,059	1,255	546	79	3
	\$99,384	\$76,459	\$95,907	\$101,814	\$108,476	\$112,819	\$116,438	\$124,426	\$119,615	\$117,646

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

i. Tier 1

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

ii. Tier 2

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	3	--	--	--	--	--	2	1	--	--
50 - 54	\$115,011	--	--	--	--	--	\$114,857	\$115,320	--	--
55 - 59	94	--	--	--	--	--	22	72	--	--
60 - 64	125,240	--	--	--	--	--	121,909	126,258	--	--
65 - 69	33	--	--	--	--	--	8	24	1	--
70 & over	117,513	--	--	--	--	--	107,193	121,373	\$107,448	--
	9	--	--	--	--	--	--	8	1	--
	125,492	--	--	--	--	--	--	121,460	157,749	--
	1	--	--	--	--	--	--	--	1	--
	109,892	--	--	--	--	--	--	--	109,892	--
	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	140	--	--	--	--	--	32	105	3	--
	\$123,106	--	--	--	--	--	\$117,789	\$124,672	\$125,030	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

iii. Tier 3

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	7	--	--	7	--	--	--	--	--	--
	\$96,888	--	--	\$96,888	--	--	--	--	--	--
35 - 39	231	1	--	194	36	--	--	--	--	--
	101,251	\$90,496	--	100,334	\$106,491	--	--	--	--	--
40 - 44	333	--	1	174	118	40	--	--	--	--
	102,720	--	\$108,165	99,487	105,430	\$108,648	--	--	--	--
45 - 49	241	1	2	53	77	103	5	--	--	--
	103,803	63,574	86,802	100,405	103,538	106,061	\$112,213	--	--	--
50 - 54	89	--	--	33	28	19	9	--	--	--
	102,520	--	--	100,868	101,514	105,577	105,255	--	--	--
55 - 59	38	--	--	14	10	12	2	--	--	--
	104,699	--	--	99,965	105,014	108,991	110,511	--	--	--
60 - 64	11	--	--	7	2	--	2	--	--	--
	103,626	--	--	105,051	99,123	--	103,142	--	--	--
65 - 69	3	--	--	2	1	--	--	--	--	--
	113,443	--	--	101,945	136,441	--	--	--	--	--
70 & over	1	--	--	--	--	1	--	--	--	--
	95,259	--	--	--	--	95,259	--	--	--	--
Total	954	2	3	484	272	175	18	--	--	--
	\$102,691	\$77,035	\$93,923	\$100,088	\$104,684	\$106,739	\$107,537	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

iv. Tier 4

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	77	--	47	30	--	--	--	--	--	--
35 - 39	\$96,805	--	\$96,590	\$97,142	--	--	--	--	--	--
40 - 44	92	--	28	59	5	--	--	--	--	--
45 - 49	98,616	--	96,710	98,909	\$105,834	--	--	--	--	--
50 - 54	95	--	6	13	16	60	--	--	--	--
55 - 59	110,016	--	96,573	93,408	111,668	\$114,518	--	--	--	--
60 - 64	110	--	5	4	4	52	45	--	--	--
65 - 69	112,434	--	99,404	96,404	101,222	111,567	\$117,306	--	--	--
70 & over	46	--	1	--	--	5	39	1	--	--
Total	120,479	--	103,452	--	--	114,405	121,698	\$120,338	--	--
Under 25	2	--	--	--	--	--	2	--	--	--
25 - 29	121,625	--	--	--	--	--	121,625	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	422	--	87	106	25	117	86	1	--	--
Total	\$106,946	--	\$96,868	\$97,639	\$108,830	\$113,202	\$119,398	\$120,338	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

v. Tier 5 (without Harbor Port Police)

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	444	444	--	--	--	--	--	--	--	--
	\$67,943	\$67,943	--	--	--	--	--	--	--	--
25 - 29	1,677	1,529	148	--	--	--	--	--	--	--
	78,271	76,762	\$93,852	--	--	--	--	--	--	--
30 - 34	1,851	861	827	163	--	--	--	--	--	--
	88,799	79,627	95,942	\$101,011	--	--	--	--	--	--
35 - 39	2,073	337	644	939	153	--	--	--	--	--
	97,234	76,883	96,271	103,048	\$110,432	--	--	--	--	--
40 - 44	2,034	109	264	730	601	329	1	--	--	--
	104,242	76,738	95,694	102,520	109,870	\$113,736	\$110,545	--	--	--
45 - 49	1,847	31	60	210	396	930	215	5	--	--
	110,747	75,633	95,226	101,216	108,308	114,051	119,313	\$125,360	--	--
50 - 54	1,406	4	11	52	91	410	629	209	--	--
	115,551	73,915	97,752	98,777	108,039	111,961	116,707	128,294	--	--
55 - 59	574	1	2	13	8	83	236	185	46	--
	115,429	46,678	99,577	101,692	107,456	110,063	113,452	121,491	\$118,323	--
60 - 64	110	--	--	--	1	8	33	40	27	1
	116,780	--	--	--	93,555	114,096	112,399	117,453	122,301	\$130,072
65 - 69	7	--	--	--	--	1	1	--	3	2
	109,335	--	--	--	--	110,409	102,537	--	109,845	111,433
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	12,023	3,316	1,956	2,107	1,250	1,761	1,115	439	76	3
	\$98,667	\$76,314	\$95,851	\$102,411	\$109,282	\$113,316	\$116,375	\$124,406	\$119,402	\$117,646

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

vi. Harbor Port Police (Tier 5)

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4	4	--	--	--	--	--	--	--	--
	\$75,353	\$75,353	--	--	--	--	--	--	--	--
25 - 29	30	29	1	--	--	--	--	--	--	--
	80,965	80,033	\$107,989	--	--	--	--	--	--	--
30 - 34	31	28	3	--	--	--	--	--	--	--
	81,257	79,635	96,389	--	--	--	--	--	--	--
35 - 39	18	12	4	2	--	--	--	--	--	--
	88,004	82,749	97,434	\$100,673	--	--	--	--	--	--
40 - 44	11	4	3	3	1	--	--	--	--	--
	97,054	86,860	88,169	108,884	\$128,992	--	--	--	--	--
45 - 49	10	3	2	2	1	2	--	--	--	--
	116,163	134,636	113,854	90,317	86,542	\$131,422	--	--	--	--
50 - 54	7	--	--	1	1	3	2	--	--	--
	130,442	--	--	125,158	125,302	153,631	\$100,872	--	--	--
55 - 59	4	--	--	--	--	1	2	1	--	--
	101,376	--	--	--	--	97,345	98,384	\$111,390	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	115	80	13	8	3	6	4	1	--	--
	\$90,271	\$82,456	\$98,393	\$104,224	\$113,612	\$136,847	\$99,628	\$111,390	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2009	13,802	61	2,304	7,612	2,411	26,190
New members	299	N/A	N/A	N/A	N/A	299
Terminations – with vested rights	-5	5	0	0	0	0
Retirements	-259	-9	N/A	268	N/A	0
New disabilities	-14	0	14	0	N/A	0
Died with or without beneficiary	-8	0	-45	-200	-21	-274
Refund of member contributions	-162	0	0	0	0	-162
Rehired	1	-1	0	0	N/A	0
Data adjustments	<u>0</u>	<u>2</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>7</u>
Number as of June 30, 2010	13,654	58	2,273	7,685	2,390	26,060

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$357,165,140	\$326,876,839
Employee contributions	<u>106,411,630</u>	<u>103,685,447</u>
Net contribution income	\$463,576,770	\$430,562,286
Investment income:		
Interest, dividends and other income	\$555,187,632	\$325,640,062
Recognition of capital appreciation	-130,353,250	299,128,674
Less investment and administrative fees	<u>-64,092,478</u>	<u>-67,421,953</u>
Net investment income	<u>360,741,904</u>	<u>557,346,783</u>
Total income available for benefits	\$824,318,674	\$987,909,069
Less benefit payments	-\$853,749,429	-\$842,565,358
Change in reserve for future benefits	-\$29,430,755	\$145,343,711

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$5,299,376	\$1,274,686
Accounts receivable:		
Accrued interest and dividends	\$36,902,239	\$43,657,544
Contributions	3,805,162	7,279,113
Due from brokers	<u>81,424,853</u>	<u>155,504,291</u>
Total accounts receivable	122,132,254	206,440,948
Investments:		
Equities	\$8,139,691,423	\$7,199,002,334
Fixed income investments	3,306,620,533	3,070,686,821
Real estate	1,035,003,872	1,003,947,049
Securities lending collateral	<u>0</u>	<u>273,474,449</u>
Total investments at market value	<u>12,481,315,828</u>	<u>11,547,110,653</u>
Total assets	\$12,608,747,458	\$11,754,826,287
Less accounts payable:		
Accounts payable and benefits in process	-\$20,540,302	-\$22,294,858
Due to brokers	-115,187,861	-193,625,426
Mortgage payable	-274,050,944	-289,062,819
Securities lending collateral	<u>0</u>	<u>-273,474,449</u>
Total accounts payable	-\$409,779,107	-\$778,457,552
Net assets at market value	<u>\$12,198,968,351</u>	<u>\$10,976,368,735</u>
Net assets at actuarial value	<u>\$15,036,856,639</u>	<u>\$15,066,287,394</u>
Net assets at valuation value (retirement benefits)	<u>\$14,219,580,662</u>	<u>\$14,256,610,416</u>

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT F

Development of the Fund Through June 30, 2010 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return⁽¹⁾	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$167,364,751	\$75,652,949	\$251,274,616	\$604,674,609	\$12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068
2007	286,167,278 ⁽²⁾	91,263,474	1,590,968,304	800,819,286	13,902,764,838
2008	333,672,743	98,074,219	1,414,391,128	827,959,245	14,920,943,683
2009	326,876,839	103,685,447	557,346,783	842,565,358	15,066,287,394
2010	357,165,140	106,411,630	360,741,904	853,749,429	15,036,856,639

⁽¹⁾ Net of investment fees and administrative expenses

⁽²⁾ Includes \$6,220,076 (discounted to \$6,058,515) of Harbor Port Police assets transferred in October, 2007.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2010

1. Unfunded actuarial accrued liability at beginning of year	\$560,535,275
2. Normal cost at beginning of year	360,386,169
3. Total contributions	-356,928,488
4. Interest	<u>50,210,958</u>
5. Expected unfunded actuarial accrued liability: (1) + (2) + (3) + (4)	614,203,914
6 Actuarial (gain)/loss due to all changes:	
(a) Investment loss	756,278,190
(b) Salary increases less than expected	-235,827,307
(c) COLA increases less than expected for retirees	-168,830,035
(d) Other experience loss	<u>16,044,927</u>
(e) Total changes	367,665,775
7. Change in actuarial assumptions	319,173,962
8. Unfunded actuarial accrued liability at end of year: (5) + (6e) + (7)	<u>\$1,301,043,651</u>

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases

Tier 1

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2010	\$16,784,496	27	\$202,258,850
Total		\$16,784,496		\$202,258,850

Tier 2

Type	Date Established	Annual Payment⁽²⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2010	-\$36,279,537	27	-\$658,962,441
Experience Loss	07/01/2009	4,637,378	14	52,847,394
Experience Loss	07/01/2010	17,524,243	15	210,742,926
Assumption Change	07/01/2010	79,849	27	1,450,331
Total		-\$14,038,067		-\$393,921,790

⁽¹⁾ *Level dollar amortization.*

⁽²⁾ *Level percentage of payroll amortization.*

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$1,745,756	9	-\$13,817,793
Plan Amendment	07/01/1990	28,949	10	250,636
Assumption Change	07/01/1990	-650,301	10	-5,630,287
Assumption Change	07/01/1992	231,081	12	2,327,483
Assumption Change	07/01/1995	-1,700,490	15	-20,449,747
Experience Gain	07/01/1996	-39,368	1	-39,368
Plan Amendment	07/01/1996	228,955	16	2,892,886
Asset Method Change	07/01/1996	-1,480,033	16	-18,700,459
Experience Gain	07/01/1997	-2,629,200	2	-5,172,997
Experience Gain	07/01/1998	-4,023,310	3	-11,682,113
Plan Amendment	07/01/1998	418,679	18	5,775,749
Assumption Change	07/01/1998	704,172	18	9,714,174
Experience Gain	07/01/1999	-6,096,084	4	-23,221,757
Experience Gain	07/01/2000	-6,984,797	5	-32,727,650
Plan Amendment	07/01/2000	68,320	20	1,016,679
Experience Gain	07/01/2001	-5,302,390	6	-29,340,012
Assumption Change	07/01/2001	-2,044,681	21	-31,483,309
Experience Loss	07/01/2002	13,601,431	7	86,418,300
Experience Loss	07/01/2003	17,577,699	8	125,631,964
Experience Loss	07/01/2004	1,104,025	9	8,738,440
Assumption Change	07/01/2004	-570,526	24	-9,612,793
Experience Loss	07/01/2005	2,236,911	10	19,367,116
Assumption Change	07/01/2005	1,751,973	25	30,312,125
Experience Loss	07/01/2006	1,617,179	11	15,163,863
Assumption Change	07/01/2006	1,796,330	26	31,866,370

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2007	-1,544,604	18	-21,308,066
Assumption Change	07/01/2007	-295,023	27	-5,358,646
Experience Gain	07/01/2008	-1,506,106	15	-18,112,116
Assumption Change	07/01/2008	451,881	28	8,393,002
Experience Loss	07/01/2009	881,452	14	10,045,000
Experience Loss	07/01/2010	178,327	15	2,144,522
Assumption Change	07/01/2010	1,343,270	30	25,997,606
Total		\$7,607,965		\$139,398,802

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$684,236	9	-\$5,415,783
Plan Amendment	07/01/1990	11,346	10	98,235
Assumption Change	07/01/1990	-254,880	10	-2,206,748
Assumption Change	07/01/1992	90,570	12	912,239
Assumption Change	07/01/1995	-666,495	15	-8,015,128
Experience Gain	07/01/1996	-15,429	1	-15,429
Plan Amendment	07/01/1996	89,737	16	1,133,846
Asset Method Change	07/01/1996	-580,088	16	-7,329,509
Experience Gain	07/01/1997	-1,030,496	2	-2,027,518
Experience Gain	07/01/1998	-1,576,907	3	-4,578,718
Plan Amendment	07/01/1998	164,098	18	2,263,763
Assumption Change	07/01/1998	275,995	18	3,807,401
Experience Gain	07/01/1999	-2,389,316	4	-9,101,596
Experience Gain	07/01/2000	-2,737,640	5	-12,827,363
Plan Amendment	07/01/2000	26,622	20	396,160
Experience Gain	07/01/2001	-1,226,006	6	-6,783,925
Assumption Change	07/01/2001	-342,227	21	-5,269,501
Experience Loss	07/01/2002	2,291,695	7	14,560,558
Experience Loss	07/01/2003	6,917,249	8	49,439,215
Experience Loss	07/01/2004	1,108,713	9	8,775,544
Assumption Change	07/01/2004	-342,429	24	-5,769,597
Experience Loss	07/01/2005	1,371,227	10	11,872,049
Assumption Change	07/01/2005	902,112	25	15,608,079
Experience Loss	07/01/2006	597,913	11	5,606,472
Assumption Change	07/01/2006	891,534	26	15,815,543

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2007	-658,604	18	-9,085,558
Assumption Change	07/01/2007	-176,968	27	-3,214,348
Experience Gain	07/01/2008	-364,703	15	-4,385,841
Assumption Change	07/01/2008	596,139	28	11,072,379
Experience Loss	07/01/2009	1,034,737	14	11,791,825
Experience Loss	07/01/2010	398,647	15	4,794,050
Assumption Change	07/01/2010	669,020	30	12,948,180
Total		\$4,390,930		\$84,868,976

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 5 (without Harbor Port Police)

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Original Base	07/01/2002	-\$10,794,218	22	-\$171,601,123
Experience Gain	07/01/2003	-36,441,295	8	-260,454,540
Experience Loss	07/01/2004	11,636,298	9	92,102,178
Assumption Change	07/01/2004	-15,881,810	24	-267,592,783
Experience Loss	07/01/2005	25,039,775	10	216,793,698
Assumption Change	07/01/2005	27,064,099	25	468,255,217
Experience Loss	07/01/2006	6,313,451	11	59,199,584
Assumption Change	07/01/2006	17,840,045	26	316,477,163
Experience Gain	07/01/2007	-14,828,749	18	-204,565,074
Assumption Change	07/01/2007	-4,181,711	27	-75,954,402
Experience Gain	07/01/2008	-6,540,372	15	-78,653,166
Assumption Change	07/01/2008	17,585,378	28	326,621,634
Experience Loss	07/01/2009	31,000,129	14	353,276,348
Experience Loss	07/01/2010	17,262,462	15	207,594,800
Assumption Change	07/01/2010	14,347,111	30	277,673,454
Total		\$79,420,593		\$1,259,172,988

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Harbor Port Police (Tier 5)

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2008	-\$13,923	15	-\$167,439
Assumption Change	07/01/2008	7,111	28	132,074
Experience Loss	07/01/2009	571,679	14	6,514,829
Experience Loss	07/01/2010	144,916	15	1,742,728
Assumption Change	07/01/2010	53,923	30	1,043,633
Total		\$763,706		\$9,265,825

⁽¹⁾ *Level percentage of payroll amortization.*

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$195,000 for 2010. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the cost of benefits allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 2,390 beneficiaries in pay status)		12,348
2. Members inactive during year ended June 30, 2010 with vested rights		58
3. Members active during the year ended June 30, 2010		13,654
Fully vested	4,698	
Not vested	8,956	

The actuarial factors as of the valuation date are as follows:

Assets

1. Valuation value of retirement assets (\$12,198,968,351 at market value ⁽¹⁾ as reported by LAFPP and \$15,036,856,639 at actuarial value ⁽¹⁾)		\$14,219,580,662
2. Present value of future normal costs		
Employee	\$1,220,194,712	
Employer	<u>2,860,770,192</u>	
Total		\$4,080,964,904
3. Unfunded actuarial accrued liability		<u>1,301,043,651</u>
4. Present value of current and future assets		\$19,601,589,217

Liabilities

5. Present value of future benefits		
Retired members and beneficiaries	\$8,602,997,838	
Inactive members with vested rights	16,079,826	
Active members	<u>10,982,511,553</u>	
Total		\$19,601,589,217

⁽¹⁾Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$385,000,579
2. Expected employee contributions	<u>-111,732,379</u>
3. Employer normal cost: (1) + (2)	\$273,268,200
4. Payment on projected unfunded actuarial accrued liability	94,929,623
5. Total recommended contribution: (3) + (4), payable beginning of year	<u>\$368,197,823</u>
6. Total recommended contribution: adjusted for July 15 payment	<u>\$369,344,755</u>
7. Total recommended contribution: adjusted for biweekly payment	<u>382,659,585</u>
8. Projected payroll	\$1,356,986,475
9. Item 5 as a percentage of projected payroll: (5) ÷ (8)	27.13%
10. Item 6 as a percentage of projected payroll: (6) ÷ (8)	27.22%
11. Item 7 as a percentage of projected payroll: (7) ÷ (8)	28.20%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Retirement Benefits

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$135,853,688	\$135,853,688	100.00%
2006	143,945,802	143,945,802	100.00%
2007	224,946,082	224,946,082	100.00%
2008 ⁽¹⁾	261,635,491	261,635,491	100.00%
2009	238,697,929	238,697,929	100.00%
2010	250,516,858	250,516,858	100.00%

⁽¹⁾ Figures include amounts transferred and contributed during the fiscal year that were related to the transfer of certain Harbor Port Police members from the Los Angeles City Employees' Retirement System.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Retirement Benefits (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2005	\$11,634,114	\$12,357,524	\$723,411	94.1%	\$1,037,445	69.7%
06/30/2006	12,121,403	12,811,384	689,981	94.6%	1,092,815	63.1%
06/30/2007	13,215,668	13,324,089	108,421	99.2%	1,135,592	9.5%
06/30/2008	14,153,296	14,279,116	125,820	99.1%	1,206,589	10.4%
06/30/2009	14,256,611	14,817,146	560,535	96.2%	1,357,249	41.3%
06/30/2010	14,219,581	15,520,625	1,301,044	91.6%	1,356,986	95.9%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tier 2, level percent of payroll amortization is used ending on June 30, 2037 as a percent of TOTAL valuation payroll. Actuarial losses are amortized over the shorter of 15 years or the remaining amortization period ending June 30, 2037. For other Tiers, level percent of payroll with multiple layers. Actuarial gains/losses are amortized over 15 years (21 and 17 years for gains/losses emerging at the June 30, 2007 and June 30, 2008 valuations, respectively). Plan and assumption changes are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.75%
Projected salary increases*	Ranges from 4.90% to 10.09% based on age.
Cost of living adjustments	3.50% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, and 5 retirement income.
Plan membership:	
Retired members and beneficiaries receiving benefits	12,348
Terminated members entitled to, but not yet receiving benefits	58
Active members	<u>13,654</u>
Total	26,060

* See Exhibit V for these increases.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2010.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

Pre-Retirement Mortality:

Age	Rate (%)	
	Mortality	
	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates Before Retirement (continued):

	Rate (%)	
	Disability*	
Age	Fire	Police
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

* 90% of disabilities are assumed to be service connected.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates Before Retirement (continued):

Service	Rate (%)	
	Withdrawal (< 5 Years of Service)	
	Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 - 3	3.00	3.50
3 - 4	2.00	3.50
4 - 5	2.00	3.00

Age	Rate (%)	
	Withdrawal (5+ Years of Service) *	
	Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

* No withdrawal is assumed after a member is eligible for retirement.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Rates:

Age	Rate(%)			
	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

DROP Program:

For this valuation, of all members expected to retire with a service retirement benefit, we assume a 90% DROP utilization rate if they also satisfy the requirements for participating in the DROP. Members are assumed to remain in the DROP for 4 years.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Age and Benefit for Inactive Vested Participants:	For deferred vested members, retirement assumption is age 50. We assume that all deferred vested members receive a deferred vested benefit.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Exclusion of Inactive Vested:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Percent Married/Domestic Partner:	86%
Age of Spouse:	Wives are 3 years younger than their husbands.
Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.50% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Member Contribution and Matching Account Crediting Rate:	5.00%
Net Investment Return:	7.75%, net of investment and administrative expenses

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.50% per year; plus 0.75% “across the board” salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

Actuarial Value of Assets:

The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis. Unrecognized returns established before July 1, 2008 are recognized over a five-year period and unrecognized returns established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Service Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Any change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate fifteen year periods as a level percentage of payroll. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate thirty year periods as a level percentage of payroll. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. For Tier 1, the Unfunded Actuarial Accrued Liability is amortized using level dollar amortization ending on June 30, 2037. For Tier 2, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll amortization ending on June 30, 2037 as a percent of total valuation payroll. Under the Board’s funding policy, experience loss for Tier 2 would be amortized over the shorter of 15 years or the remaining amortization period ending June 30, 2037.
Changes in Assumptions:	The following are changes in actuarial assumptions since the previous actuarial valuation.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Net Investment Return:	8.00%, net of investment and administrative expenses

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus 0.50% “across the board” salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of the City of Los Angeles Fire & Police Pension Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. For Tiers 1 through 4, the section codes are from the Los Angeles Charter. For Tier 5 and the DROP program, the section codes are from the Los Angeles Administrative Code.

Plan Year: July 1 through June 30

Census Date: June 30

Service Retirement Benefit:

Tier 1 (§ 1304)

Age & Service Requirement 20 years of service

Amount

Years of Service

Benefit

20

40% of Normal Pension Base

20 to 25

Additional 2% for each year over 20 and under 25

25

50% of Normal Pension Base

25 to 35

Additional 1 2/3% for each year over 25 and under 35

35+

66 2/3% of Normal Pension Base

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 2 (§ 1408)

Age & Service Requirement 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 25	2% of Normal Pension Base per year of service
25+	55% plus 3% per year over 25 to a maximum of 70% of Normal Pension Base

Tier 3 (§ 1504)

Age & Service Requirement Age 50 and 10 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 20	2% of Final Average Salary per year of service
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 4 (§ 1604)

Age & Service Requirement 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
20	40% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 5 (§ 4.2004)

Age & Service Requirement Age 50 and 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
20	50% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20, except 30 th year where 4% is provided, to a maximum of 90% Final Average Salary

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Deferred Retirement Option Plan (DROP) (§4.2100 - 4.2109):

Eligibility

- Tier 2: 25 years of service
- Tier 3: Age 50 and 25 years of service
- Tier 4: 25 years of service
- Tier 5: Age 50 and 25 years of service

Benefits under DROP

DROP benefits (calculated using age, service, and salary at the commencement date of participation in DROP) will be credited to a DROP account with interest at 5% annually. Members are required to make normal member contributions. DROP benefits receive annual COLA while in DROP (limited to 3% for all Tiers). Members may participate in DROP for up to five years.

Normal Pension Base:

Tier 1, 2 (§ 1302, § 1406)

Final monthly salary rate

Final Average Salary:

Tier 3, 4, 5 (§1502, §1602, §4.2002)

Monthly average salary actually received during any 12 consecutive months of service

Cost of Living Benefit:

Tier 1 (§ 1328)

Based on changes to Los Angeles area consumer price index.

Tier 2 (§ 1422)

Based on changes to Los Angeles area consumer price index.

Tier 3 (§ 1516)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.

Tier 4 (§ 1616)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.

Tier 5 (§ 4.2016)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Death After Retirement:

Tier 1 (§ 1314, § 1316)

Service Retirement

Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 50%.

Service Connected Disability

50% of Member's Normal Pension Base.

Nonservice Connected Disability

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Service Retirement

Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 55%.

Service Connected Disability

50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.

Nonservice Connected Disability

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).

Tier 3, 4 (§ 1508, § 1608)

Service Retirement

Pension equal to 60% of the pension received by the deceased Member.

Service Connected Disability

If death occurs within three years of the Member's effective date of pension, then the eligible spouse or designated beneficiary shall receive 75% of the Final Average Salary.

Otherwise, a pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Nonservice Connected Disability

Pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Tier 5 (§ 4.2008, § 4.2008.5)

If former Tier 2 member, see Tier 2. Otherwise, see Tier 3.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Death Before Retirement:

Tier 1 (§ 1314, § 1316)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not to exceed 50% of Normal Pension Base.

Service Connected

Service Requirement

None.

Amount

50% of Member's Normal Pension Base.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base.

Service Connected

Service Requirement

None.

Amount

50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).

Tier 3, 4 (§ 1508, § 1608)

Eligible for Service Retirement

Service Requirement

10 years of service for Tier 3, 20 years of service for Tier 4.

Amount

Higher of 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary.

Service Connected

Service Requirement

None.

Amount

75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.

Nonservice Connected

Service Requirement

5 years of service.

Amount

30% of the Member's Final Average Salary, or 80% of the service pension if the Member was eligible to retire to a maximum of 40% of the Member's Final Average Salary.

Basic Death Benefit

If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 5 (§ 4.2008, § 4.2008.5)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

For former Tier 2, 100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base. For former Tier 3, 4, or 5, per section 1508(2), if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary, not to exceed 40% of Final Average Salary.

Service Connected

Service Requirement

None.

Amount

75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.

Nonservice Connected

Service Requirement

5 years of service.

Amount

For former Tier 2, 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay. For former Tier 3, 4, or 5, if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary; not to exceed 40% of Final Average Salary.

Basic Death Benefit

If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Disability:

Tier 1 (§ 1310, § 1312)

Service Connected

Service Requirement

None.

Amount

50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member’s service pension percentage rate.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member’s retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1412)

Service Connected

Service Requirement

None.

Amount

50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member’s service pension percentage rate.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member’s retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 3, 4, 5 (§ 1506, § 1606, § 4.2006)

Service Connected

Service Requirement

None.

Amount

30% to 90% of Final Average Salary depending on severity of disability with a minimum of 2% of Final Average Salary per year of service.

Nonservice Connected

Service Requirement

5 years of service.

Amount

30% to 50% of Final Average Salary depending on severity of disability.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Deferred Withdrawal Retirement Benefit (Vested):

Tier 3 (§ 1504)	
<i>Age & Service Requirement</i>	Age 50 with 10 years of service.
<i>Amount</i>	See Tier 3 Service Retirement.
Tier 5 (§ 4.2004)	
<i>Age & Service Requirement</i>	Age 50 and 20 years of service.
<i>Amount</i>	See Tier 5 Service Retirement. Member is entitled to receive a service pension using Tier 3 retirement formula.

Member Normal Contributions: Members are exempt from making contributions if their continuous service exceeds 30 years for Tiers 1 through 4, and 33 years for Tier 5.

Tier 1 (§ 1324)	Normal contribution rate of 6%.
Tier 2 (§ 1420)	Normal contribution rate of 6% plus half of the cost of the cost of living benefit to a maximum of 1%.
Tier 3 (§ 1514)	Normal contribution rate of 8%.
Tier 4 (§ 1614)	Normal contribution rate of 8%.
Tier 5 (§ 4.2014)	Normal contribution rate of 9% with the City of Los Angeles paying 1% provided that the LAFPP is at least 100% actuarially funded for pension benefits.

Changes in Plan Provisions: There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

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**City of Los Angeles Fire and Police
Pension Plan**

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2010
In accordance with GASB Statements No. 43 and No. 45*

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THE PARENT OF THE SEGAL COMPANY
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November 17, 2010

*Board of Trustees
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012-4203*


Dear Board members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2010 under Governmental Accounting Standards Board Statements No. 43 and No. 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2010, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided by the Fire and Police Pension Plan. The actuarial calculations were completed under the supervision of Patrick Twomey, ASA, MAAA and Dave Bergerson, ASA, MAAA, FCA.

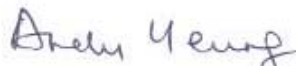
This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

Sincerely,

THE SEGAL COMPANY

By: 
Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

TXB/hy


Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

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SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of City of Los Angeles (the “Employer”) OPEB plan for Fire and Police members as of June 30, 2010. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- The recommended contribution rate has increased from 8.68% of payroll (\$117.9 million) to 11.86% of payroll (\$160.9 million), assuming contributions are made by the City on July 15. The increase in the recommended contribution amount is due to both an increase health care trend assumption and decrease in the discount rate assumption.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City either (1) throughout the year (i.e. the City will pay contributions at the end of every pay period), (2) on July 15 or (3) the beginning of the year.
- The funded ratio has decreased from 39.7% to 32.2% in this valuation. The unfunded actuarial accrued liability (UAAL) has increased from \$1,229 million to \$1,721 million. A reconciliation of the change in the UAAL is provided on page 6, Section 2.
- The City of Los Angeles Fire and Police Pension Plan is required to comply with GASB 43 effective with fiscal year 2006/2007. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.

- The annual required contribution (ARC), if made on July 15, for fiscal year 2010/2011 is 11.86% of payroll. Once the actual contributions for 2010/2011 are known, the disclosure information in Chart 5 can be completed.
- The discount rate for this valuation is 7.75%, and is based on the assumption that in the long term the City is paying a contribution that equals the ARC and 100% of benefits will be paid from the trust. The discount rate was 8.00% in the prior valuation.
- For the June 30, 2010 valuation, Segal originally recommended a 10% trend assumption to project the premiums for the first fiscal year after 2010/2011. In addition, we recommended that the trend assumption be graded down by 0.5% each year until an ultimate rate of 5.0% would be reached after ten year. At the November 4, 2010 Board meeting, the Board decided to maintain the 10% trend assumption for three fiscal years before the trend assumption would be graded down by 0.5% each year until an ultimate rate of 5.0% would be reached after twelve years. We believe the assumption adopted by the Board is within the range of reasonable assumptions that would be considered for this type of valuation.
- The funding method used to develop the (ARC) is Entry Age Normal, with the normal cost developed as a level percent of payroll. The contribution to amortize the UAAL is developed as a level percent of payroll.

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also change the ARC for future years.
- As adopted by the Board, any investment gains/losses incurred on or after July 1, 2008 relative to the assumed return (7.75% per year effective July 1, 2010) would be recognized over a period of 7 years in developing the actuarial value of assets. In addition, the actuarial value of assets is further adjusted, if necessary, so that it will stay within 40% of the market value of assets.
- As indicated in Section 3, Exhibit G of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,837.9 million for the assets for Retirement and Health Subsidy Benefits. The investment loss will be recognized in the determination of the actuarial value of assets in the next few years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expense) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- The deferred losses of \$2,837.9 million represent 23% of the market value of assets as of June 30, 2010. Unless offset by future investment gains, or other favorable experience, the recognition of the \$2,837.9 million market losses is expected to have a significant impact on the Health Plan's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 32.20% to 26.13%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable throughout the fiscal year period) would increase from 12.27% to 12.96% of payroll.

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2010	June 30, 2009
Actuarial Accrued Liability (AAL)	\$2,537,825,016	\$2,038,658,698
Actuarial Value of Assets	817,275,977	809,676,978
Unfunded Actuarial Accrued Liability	1,720,549,039	1,228,981,720
Funded Ratio	32.20%	39.72%
Market Value of Assets	\$663,032,442	\$596,582,321
Annual Required Contribution (ARC) for coming year		
Normal cost (beginning of year)	\$62,677,377	\$47,396,298
Amortization of the unfunded actuarial accrued liability	<u>97,731,938</u>	<u>70,101,145</u>
Total Annual Required Contribution at beginning of year	\$160,409,315	\$117,497,443
ARC as a percentage of pay at beginning of year	11.82%	8.65%
Adjustment for timing (payable throughout the year)	<u>6,099,881</u>	<u>4,699,898</u>
Total Annual Required Contribution, including adjustment for timing	166,509,196	\$122,197,341
ARC as a percentage of pay (payable throughout the year)	12.27%	9.00%
Total Annual Required Contribution (payable July 15)	\$160,927,303	\$17,889,101
ARC as a percentage of pay (payable July 15)	11.86%	8.68%
Covered payroll	\$1,356,986,476	\$1,357,248,936
Total Participants	25,413	25,559
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (payable end of fiscal year)	\$172,841,037	\$126,897,238
Interest on Net OPEB Obligations	3,654,571	2,631,536
ARC Adjustments	<u>-2,850,327</u>	<u>-1,924,395</u>
Total Annual OPEB Cost	\$173,645,281	\$127,604,379
AOC as percentage of pay	12.80%	9.40%

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

November 17, 2010

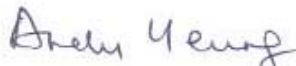
ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of City of Los Angeles Fire and Police Pension Plan's other postemployment benefit program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

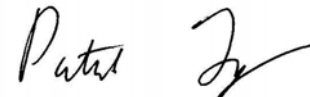
The actuarial valuation is based on the plan of benefits verified by the Pension Plan and reliance on participant, premium, claims and expense data provided by the Pension Plan. The Segal Company does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements No. 43 and No. 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.



Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	June 30, 2010	June 30, 2009
Participant Category		
Current retirees, beneficiaries, and dependents	\$1,450,500,242	\$1,189,757,437
Current active members	<u>1,769,781,102</u>	<u>1,362,243,109</u>
Total as of June 30	\$3,220,281,344	\$2,552,000,546
	June 30, 2010	June 30, 2009
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	\$817,275,977	\$809,676,978
2. Present value of future normal costs	682,456,328	513,341,848
3. Unfunded actuarial accrued liability	<u>1,720,549,039</u>	<u>1,228,981,720</u>
4. Present value of current and future assets	\$3,220,281,344	\$2,552,000,546
Liabilities		
5. Actuarial Present Value of total Projected Benefits	\$3,220,281,344	\$2,552,000,546

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members,

and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2010	June 30, 2009
Participant Category		
Current retirees, beneficiaries, and dependents	\$1,450,500,242	\$1,189,757,437
Current active members	<u>1,087,324,774</u>	<u>848,901,261</u>
Total actuarial accrued liability	\$2,537,825,016	\$2,038,658,698
Unfunded Actuarial Accrued Liability		
Net actuarial accrued liability	\$2,537,825,016	\$2,038,658,698
Actuarial value of assets	<u>817,275,977</u>	<u>809,676,978</u>
Unfunded actuarial accrued liability	\$1,720,549,039	\$1,228,981,720
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2010		
1. Unfunded actuarial accrued liability at beginning of year	\$1,228,981,720	
2. Employer normal cost at beginning of year	47,396,298	
3. Total employer contributions	-106,648,282	
4. Interest	93,942,093	
5. Expected unfunded actuarial accrued liability	1,263,671,829	
6. Change due to increased health trend assumptions	274,664,382	
7. Change due to investment loss	85,772,042	
8. Change due to decrease in discount rate	84,494,403	
9. Change due miscellaneous losses	<u>11,946,383</u>	
10. Unfunded actuarial accrued liability at end of year	\$1,720,549,039	

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. City of Los Angeles Fire and Police Pension Plan has elected to amortize the unfunded actuarial accrued liability using the following rules: Tier 1 is 30-year closed, level dollar as of June 30, 2006, Tiers 2 through 5 are 30-year closed, level percent of pay as of June 30, 2006.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Current Balance	Years Remaining	Annual Payment
Tier 1*	06/30/2006	30	\$24,466,082	\$26,918,052	26	\$2,260,741
Tier 2**	06/30/2006	30	653,100,516	874,340,622	26	49,287,210
Tier 3**	06/30/2006	30	48,141,902	80,845,750	26	4,557,333
Tier 4**	06/30/2006	30	28,161,779	51,597,320	26	2,908,578
Tier 5 - Non-Harbor**	06/30/2006	30	263,534,994	685,689,809	26	38,652,828
Tier 5 – Harbor	06/30/2007	29	512,651	<u>1,157,486</u>	26	<u>65,248</u>
Total				\$1,720,549,039		\$97,731,938

* Restarted June 30, 2006 with a 30 year, level dollar schedule.

** Restarted June 30, 2006 with a 30 year, level percent of pay schedule.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th.

The amortization payment is based on a 26-year amortization of the Unfunded Actuarial Accrued Liability on a level percent of pay basis, except that Tier 1 is based on a level dollar basis.

CHART 4

Determination of Annual Required Contribution (ARC)

Cost Element	Determined as of June 30			
	2010		2009	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	\$62,677,377	4.62%	\$47,396,298	3.49%
2. Amortization of the unfunded actuarial accrued liability (26 years)	<u>97,731,938</u>	<u>7.20%</u>	<u>70,101,145</u>	<u>5.16%</u>
3. Total Annual Required Contribution at beginning of year	\$160,409,315	11.82%	\$117,497,443	8.65%
4. Adjustment for timing (payable throughout the year)	<u>6,099,881</u>	<u>0.45%</u>	<u>4,699,898</u>	<u>0.35%</u>
5. Total Annual Required Contribution (payable throughout the year)	\$166,509,196	12.27%	\$122,197,341	9.00%
6. Adjustment for timing (payable July 15)	\$517,988	0.04%	391,058	0.03%
7. Total Annual Required Contribution (payable July 15)	\$160,927,303	11.86%	117,889,101	8.68%
8. Total Compensation	<u>\$1,356,986,476</u>		<u>\$1,357,248,936</u>	

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Annual OPEB Cost (AOC) adjusts the ARC for timing differences between the ARC and contributions in relation to the ARC. The AOC is the cost of OPEB actually booked as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)
Determination of Annual OPEB Cost (AOC)

Cost Element	Determined as of June 30	
	2010	2009
	Amount	Amount
1. Annual Required Contribution (payable at end of fiscal year)	\$172,841,037	\$126,897,238
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	3,654,571	2,631,536
3. ARC adjustment	<u>-2,850,327</u>	<u>-1,924,395</u>
4. Annual OPEB Cost	<u>\$173,645,281</u>	<u>\$127,604,379</u>
5. AOC as percentage of pay	12.80%	9.40%
6. Total compensation	\$1,356,986,476	\$1,357,248,936

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the

schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$31,541,933 ⁽¹⁾	\$31,541,933 ⁽¹⁾	100.00%
2006	31,413,281 ⁽¹⁾	31,413,201 ⁽¹⁾	100.00
2007	55,162,681 ⁽¹⁾	55,162,681 ⁽¹⁾	100.00
2008	98,033,338 ⁽¹⁾	78,257,328 ⁽¹⁾	79.83
2009	98,444,833 ⁽²⁾	88,178,910 ⁽²⁾	89.57
2010	106,648,282 ⁽²⁾	106,648,282 ⁽²⁾	100.00

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions⁽³⁾	Percentage Contributed
2005	\$31,541,933 ⁽¹⁾	\$31,541,933 ⁽¹⁾	100.00%
2006	31,413,281 ⁽¹⁾	31,413,201 ⁽¹⁾	100.00
2007	55,162,681 ⁽¹⁾	55,162,681 ⁽¹⁾	100.00
2008	105,876,005	84,517,914	79.83
2009	106,452,937	94,916,833	89.16
2010	127,604,379	114,816,430	89.98

⁽¹⁾ Shown at beginning of year. For years 2007 and prior, it appears that the ARC developed by the Plan's prior actuary may not have been determined in compliance with GASB 43/45 due to the maximum amortization period and/or the medical trend rate employed.

⁽²⁾ Shown with interest to July 15.

⁽³⁾ Shown with interest to end of year.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

(Amounts in \$1,000s)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2005	\$597,199	\$1,257,505	\$660,306	47.49%	\$1,037,445	63.65%
06/30/2006	613,782	1,631,187	1,017,405	37.63%	1,092,814	93.10%
06/30/2007	687,096	1,656,653	969,557	41.47%	1,135,592	85.38%
06/30/2008	767,647	1,836,840	1,069,193	41.79%	1,206,589	88.61%
06/30/2009	809,677	2,038,659	1,228,982	39.72%	1,357,249	90.55%
06/30/2010	817,276	2,537,825	1,720,549	32.20%	1,356,986	126.79%

Note: All numbers before June 30, 2006 provided by the prior actuary.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year Beginning	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount⁽³⁾ (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Fiscal Year (g)
07/01/2006	\$55,162,681 ⁽¹⁾	\$0	\$0	\$55,162,681	\$55,162,681	\$0	\$0
07/01/2007	105,876,005 ⁽²⁾⁽³⁾	0	0	105,876,005	84,517,914	21,358,091	21,358,091
07/01/2008	105,967,196 ⁽⁴⁾⁽³⁾	1,708,647	-1,222,906	106,452,937	94,916,833	11,536,103	32,894,194
07/01/2009	126,897,238 ⁽³⁾	2,631,536	-1,924,395	127,604,379	114,816,430	12,787,949	45,682,143

⁽¹⁾ Payable at the beginning of the year. For years 2007 and prior it appears that the ARC may not have been determined in compliance with GASB 43 and 45 due to the maximum amortization period and/or the medical trend rate employed. All results for 2007 and prior years were provided by the Plan based on valuations by the prior actuary.

⁽²⁾ Based on the beginning of year contribution rate of 8.15% of compensation calculated in the June 30, 2006 valuation before the phase-in. The ARC dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in as determined in the June 30, 2006 valuation to the actual contributions made during 2007/2008.

⁽³⁾ With interest to end of year.

⁽⁴⁾ Based on the beginning of year contribution rate of 7.89% of compensation calculated in the June 30, 2007 valuation before the phase-in. The ARC dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in made during 2008/2009 as determined in the June 30, 2007 valuation to the actual contributions.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

This exhibit summarizes the participant data used for the current and prior valuations.

**EXHIBIT A
Summary of Participant Data**

	June 30, 2010	June 30, 2009
Retirees		
Number of non-disabled	7,684	7,609
Number of disabled	<u>1,862</u>	<u>1,890</u>
Total Number of retirees	9,546	9,499
Average age of retirees	68.7	68.4
Number of spouses/domestic partners	6,194	6,079
Average age of spouses/domestic partners	64.5	64.5
Surviving Spouses		
Number	2,213	2,258
Average age	77.9	77.7
Active Participants		
Number	13,654	13,802
Average age	40.6	40.1
Average years of service	13.6	13.2

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

**EXHIBIT B
Allocation of ARC by Tier**

Cost Element	Determined as of June 30, 2010					
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (Without HPP)	Tier 5 (HPP)
1. Normal cost	\$0	\$633,962	\$4,755,845	\$1,959,246	\$54,742,663	\$585,661
2. Amortization of the unfunded actuarial accrued liability over 26 years	<u>\$2,260,741</u>	<u>\$49,287,210</u>	<u>\$4,557,333</u>	<u>\$2,908,578</u>	<u>\$38,652,828</u>	<u>\$65,248</u>
3. Total annual required contribution, beginning of year	\$2,260,741	\$49,921,172	\$9,313,178	\$4,867,824	\$93,395,491	\$650,909
4. Percent of compensation	N/A	3.68%	9.51%	10.79%	7.87%	6.27%
5. Adjustment for timing (payable throughout the year)	\$85,969	\$1,898,351	\$354,152	\$185,109	\$3,551,548	\$24,752
6. Total annual required contribution	\$2,346,710	\$51,819,523	\$9,667,330	\$5,052,933	\$96,947,039	\$675,661
7. Percent of compensation	N/A	3.82%	9.87%	11.20%	8.17%	6.51%
8. Payroll	N/A	\$1,356,986,476	\$97,967,569	\$45,131,204	\$1,186,271,650	\$10,381,200
9. Total annual required contribution (payable July 15)	\$2,268,041	\$50,082,376	\$9,343,252	\$4,883,543	\$93,697,081	\$653,011
10. Percent of compensation	N/A	3.69%	9.54%	10.82%	7.90%	6.29%

Tier 2 normal cost rate based on total payroll.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT C

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go (“paygo”) cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2011	15,630	281	15,911	\$89,655,485	\$1,779,688	\$91,435,173
2012	15,339	626	15,965	94,976,297	4,292,923	99,269,220
2013	15,023	1,047	16,070	100,206,027	7,753,959	107,959,986
2014	14,655	1,539	16,194	105,383,452	12,268,996	117,652,448
2015	14,325	2,079	16,404	110,742,146	17,793,775	128,535,921
2016	13,935	2,682	16,617	115,560,559	24,510,560	140,071,119
2017	13,484	3,276	16,760	119,768,071	31,992,304	151,760,375
2018	13,040	3,910	16,950	123,710,920	40,632,114	164,343,034
2019	12,571	4,586	17,157	127,234,557	50,754,522	177,989,079
2020	12,099	5,258	17,357	130,394,189	61,769,313	192,163,502

* Includes spouses of retirees. Does not include retirees under age 55 who have yet to commence retiree health benefits.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$357,165,140	\$326,876,839
Employee contributions	<u>106,411,630</u>	<u>103,685,447</u>
Net contribution income	\$463,576,770	\$430,562,286
Investment income:		
Interest, dividends and other income	\$555,187,632	\$325,640,062
Recognition of capital appreciation	-130,353,250	299,128,674
Less investment and administrative fees	<u>-64,092,478</u>	<u>-67,421,953</u>
Net investment income	<u>360,741,904</u>	<u>557,346,783</u>
Total income available for benefits	\$824,318,674	\$987,909,069
Less benefit payments	-\$853,749,429	-\$842,565,358
Change in reserve for future benefits	-\$29,430,755	\$145,343,711

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$5,299,376	\$1,274,686
Accounts receivable:		
Accrued interest and dividends	\$36,902,239	\$43,657,544
Contributions	3,805,162	7,279,113
Due from brokers	<u>81,424,853</u>	<u>155,504,291</u>
Total accounts receivable	122,132,254	206,440,948
Investments:		
Equities	\$8,139,691,423	\$7,199,002,334
Fixed income investments	3,306,620,533	3,070,686,821
Real estate	1,035,003,872	1,003,947,049
Securities lending collateral	<u>0</u>	<u>273,474,449</u>
Total investments at market value	<u>12,481,315,828</u>	<u>11,547,110,653</u>
Total assets	<u>\$12,608,747,458</u>	<u>\$11,754,826,287</u>
Less accounts payable:		
Accounts payable and benefits in process	-\$20,540,302	-\$22,294,858
Due to brokers	-115,187,861	-193,625,426
Mortgage payable	-284,050,944	-289,062,819
Securities lending collateral	<u>0</u>	<u>-273,474,449</u>
Total accounts payable	-\$409,779,107	-\$778,457,552
Net assets at market value	<u>\$12,198,958,351</u>	<u>\$10,976,368,735</u>
Net assets at actuarial value	<u>\$15,036,856,639</u>	<u>\$15,066,287,394</u>
Net assets at valuation value (health benefits)	<u>\$817,275,977</u>	<u>\$809,676,978</u>

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT F

Development of the Fund Through June 30, 2010 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return⁽¹⁾	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$167,364,751	\$75,652,949	\$251,274,616	\$604,674,609	\$12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068
2007	286,167,278 ⁽²⁾	91,263,474	1,590,968,304	800,819,286	13,902,764,838
2008	333,672,743	98,074,219	1,414,391,128	827,959,245	14,920,943,683
2009	326,876,839	103,685,447	557,346,783	842,565,358	15,066,287,394
2010	357,165,140	106,416,630	360,741,904	853,749,429	15,036,856,639

⁽¹⁾ *Net of investment fees and administrative expenses*

⁽²⁾ *Includes \$6,220,076 (discounted to \$6,058,515) of Harbor Port Police assets transferred in October, 2007.*

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated

equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

As adopted by the Board, any investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40% of the market value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

EXHIBIT G

Development of the Actuarial Value of Assets for All Retirement and Health Subsidy Benefits

1. Market value of assets				\$12,198,968,351
2. Calculation of unrecognized return ⁽¹⁾	Original	Percent Not	Amount Not	
	<u>Amount</u>	<u>Recognized</u>	<u>Recognized</u>	
(a) Year ended June 30, 2010	\$737,173,630	85.71%	\$631,863,111	
(b) Year ended June 30, 2009	-\$4,113,928,646	71.43%	-2,938,520,401	
(c) Year ended June 30, 2008	-2,015,976,509	40.00%	-806,390,604	
(d) Year ended June 30, 2007	1,375,798,329	20.00%	275,159,666	
(e) Total unrecognized return				-2,837,888,288
3. Preliminary actuarial value: (1) - (2e)				15,036,856,639
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$15,036,856,639</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				123.3%
7. Valuation value of health assets				\$817,275,977

⁽¹⁾ Total return minus expected return on a market value basis

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2010	
Actuarial cost method	Entry age normal, level percent of pay	
Amortization method	30 years closed, level percent of pay (with the exception of Tier 1 that is amortized as a level dollar amount)	
Remaining amortization period	26 years as of June 30, 2010	
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.	
Actuarial assumptions:		
Investment rate of return	7.75%	
Inflation rate	3.50%	
Across-the-board pay increase	0.75%	
Projected payroll increases	4.25%	
Health care cost trend rate (to calculate following year's premium)		
• Medical	10.00% in 2010-2011, 2011-2012 and 2012-2013, then decreasing by 0.5% for each year for ten years until it reaches an ultimate rate of 5%.	
• Dental	5.00%	
• Medicare Part B Premium	The 2011-2012 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.	
• Medical Subsidy Trend	<ul style="list-style-type: none"> ▪ For all non-Medicare retirees, increase at lesser of 7% or medical trend. ▪ For Medicare retirees with single party premium, increase with medical trend. ▪ For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2010 (e.g. Fire Medical), increase with medical trend. ▪ For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2010 (e.g. Police Blue Cross), increase with lesser of 7% or medical trend. 	
Plan membership:	June 30, 2010 ⁽¹⁾	June 30, 2009 ⁽¹⁾
Current retirees and beneficiaries	11,759	11,757
Current active participants	<u>13,654</u>	<u>13,802</u>
Total	25,413	25,559

⁽¹⁾ Includes all eligible retirees and surviving spouse or domestic partners whether or not they are receiving a subsidy.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the actuarial experience study as of June 30, 2007 and the Economic Assumptions Study of June 30, 2010.

<i>Data:</i>	Detailed census data and financial data for postemployment benefits were provided by the City of Los Angeles Fire and Police Pension Plan.
<i>Actuarial Cost Method</i>	Entry age normal, level percent of pay.
<i>Administrative Expenses</i>	No administrative expenses were valued separately from the claim costs.
<i>Spouse Age Difference</i>	Husbands are assumed to be 4 years older than wives.
<i>Participation</i>	

Service Range (Years)	Assumption for Future Retirees Under 65	Assumption for Future Retirees Over 65
10-14	45%	80%
15-19	60	85
20-24	70	90
25 and over	95	95

<i>Medicare Coverage</i>	100% of future retirees are assumed to elect Medicare Parts A & B.
<i>Dental Coverage</i>	75% of future retirees are assumed to elect dental coverage.
<i>Spousal Coverage</i>	Of future retirees receiving a medical subsidy 80% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date, spousal coverage is based on census data.
<i>Implicit Subsidy</i>	No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

The per capita cost assumptions were based on premium, subsidy, and census data provided by the Los Angeles Fire and Police Pension Plan and are summarized in the tables below:

Carrier	Assumed Election Percent	Under Age 65								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
<u>Fire</u>										
Fire Medical	85	\$875.40	\$1,025.62	\$875.40	\$1,136.04	\$1,025.62	\$1,025.62	\$441.95	\$562.36	\$441.95
Fire Kaiser	15	\$513.95	\$1,025.62	\$513.95	\$1,017.90	\$1,025.62	\$1,017.90	\$513.95	\$562.36	\$513.95
<u>Police</u>										
Blue Cross PPO	65	\$847.14	\$1,025.62	\$847.14	\$1,456.62	\$1,025.62	\$1,025.62	\$847.14	\$562.36	\$562.36
California Care	20	\$489.03	\$1,025.62	\$489.03	\$927.14	\$1,025.62	\$927.14	\$489.03	\$562.36	\$489.03
Police Kaiser	15	\$431.45	\$1,025.62	\$431.45	\$853.63	\$1,025.62	\$853.63	\$431.45	\$562.36	\$431.45

For the valuation of current retirees, subsidies valued are based on actual subsidies provided in the data reported for the Health Plan.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

Carrier	Assumed Election Percent	Age 65 and Over								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
<u>Fire</u>										
Fire Medical	90	\$436.76	\$440.09	\$436.76	\$714.08	\$714.08	\$714.08	\$378.28	\$440.09	\$378.28
Fire Kaiser	10	\$354.47	\$440.09	\$354.47	\$698.94	\$698.94	\$698.94	\$354.47	\$440.09	\$354.47
<u>Police</u>										
Blue Cross PPO	75	\$477.14	\$440.09	\$440.09	\$872.43	\$808.57	\$808.57	\$477.14	\$440.09	\$440.09
California Care	10	\$359.03	\$440.09	\$359.03	\$729.25	\$729.25	\$729.25	\$359.03	\$440.09	\$359.03
Police Kaiser	15	\$226.47	\$440.09	\$226.47	\$447.91	\$447.91	\$447.91	\$226.47	\$440.09	\$226.47

For the valuation of current retirees, subsidies valued are based on actual subsidies provided in the data reported for the Health Plan.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2010.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

Age	Rate (%)	
	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

	Rate (%)	
	Disability*	
Age	Fire	Police
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

**90% of disabilities are assumed to be service-connected.*

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

Rate (%)		
Withdrawal (< 5 Years of Service)		
Service	Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 - 3	3.00	3.50
3 - 4	2.00	3.50
4 - 5	2.00	3.00

Rate (%)		
Withdrawal (5+ Years of Service) *		
Age	Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

**No withdrawal is assumed after a member is eligible for retirement.*

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Retirement Rates:				
Rate(%)				
Age	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.50% per year.
Net Investment Return:	7.75%, net of investment and administrative expenses

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.50% per year; plus 0.75% “across the board” salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99
30	3.87
35	2.75
40	1.75
45	1.17
50	0.87
55	0.69
60	0.65

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Measurement Date:	June 30, 2010
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Vesting Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amounts to amortize any Surplus or Unfunded Actuarial Accrued Liability (UAAL). Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis. All the amortization bases on or before June 30, 2006 were combined and amortized over 30 years effective June 30, 2006. This valuation continues that amortization schedule by amortizing the entire June 30, 2010 UAAL over a 26 year period.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Health Care Premium Cost Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2010 through June 30, 2011).

The fiscal year trend rates are the following:

Fiscal Year	Trend (applied to calculate following year premium)
2010-2011	10.00%
2011-2012	10.00%
2012-2013	10.00%
2013-2014	9.50%
2014-2015	9.00%
2015-2016	8.50%
2016-2017	8.00%
2017-2018	7.50%
2018-2019	7.00%
2019-2020	6.50%
2020-2021	6.00%
2021-2022	5.50%
2022 and later	5.00%

Dental Premium Trend 5.00% for all years

Medicare Part B Premium Trend The 2010-2011 and all subsequent fiscal year premiums are assumed to 5% greater than the prior year premium.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
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Trends (continued)

**Expected annual rate of increase in
the Board's health subsidy amount:**

We will assume that the Board's health subsidy amount will:

- For all non-Medicare retirees, increase at lesser of 7% or medical trend as shown on page 1,
- For Medicare retirees with single party premium, increase with medical trend as shown on page 1,
- For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2010 (e.g, Fire Medical), increase with medical trend as shown on page 1, and
- For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2010 (e.g., Police Blue Cross), increase with lesser of 7% or medical trend.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Changes in Assumptions:	Future health care trend rates were updated. Premiums and maximum subsidies were updated. Maximum health subsidy increase for Medicare retirees had previously been assumed to increase the lesser of 7% or medical trend. Discount rate was previously 8.00%.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

SUBSIDY FOR MEMBERS NOT ELIGIBLE FOR MEDICARE A & B

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Members who retired prior to July 1, 1998 are subject to an eligibility requirement of age 60 with 10 or more years of service. Subsidy is paid only to Members on service or disability retirements. Surviving spouses and surviving domestic partners are eligible for health benefits upon the Member's date of death if the Member had attained age 55 prior to death. Otherwise, health benefits for survivors shall commence on the date that the Member would have reached age 55. Basic subsidy is paid until age 65, or after age 65 if Member is not covered by Medicare Parts A and B.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the actual premium paid to City approved health carrier.
Maximum Subsidy	As of July 1, 2010, maximum is \$1,025.62 per month. For surviving spouse or domestic partner, the maximum subsidy is \$562.36 per month.
Increase in Subsidy	Based on subsidy increases to active Fire and Police Members, subject to Board approval.
Dependent Portion	Difference between Basic Subsidy maximum amount and single-party premium.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT III

Summary of Plan (continued)

SUBSIDY FOR MEMBERS ELIGIBLE FOR MEDICARE A & B

Eligibility	Retired Members over age 65 with 10 or more years of service who participate in Medicare Parts A & B.	
Amount of Subsidy to Participant:	For retirees, health subsidy is provided subject to the following vesting schedule:	
	Completed Years of Service	Vested Percentage
	10-14	75%
	15-19	90%
	20+	100%
	Surviving spouses or surviving domestic partners are eligible for benefits upon the death of the Member.	
Maximum Subsidy	As of July 1, 2010, the single coverage maximum subsidy for retirees and surviving spouse or domestic partner is \$440.09. The multi-person coverage maximum subsidy is \$808.57.	
Dependent Portion	Calculation based on Board of Fire and Police Pension Commissioners Resolution No. 9320: equal to the amount payable on behalf of the dependents of a retired member in the same plan, with the same years of service, who qualifies for an under 65 or Part B only subsidy, whichever is greater, providing such subsidy does not exceed the civilian retiree dependent subsidy.	

SPECIAL SUBSIDY

Eligibility	Various, based on effective date of retirement, rank at retirement, years of service and type of pension.	
Amount of Subsidy	Flat Amount Based on Years of Service	
	20-24 years	\$75 - \$150 per month
	25-29 years	\$150 - \$225 per month
	30 and over	\$225 - \$300 per month

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT III

Summary of Plan (continued)

Medicare Part B -Related Subsidy

Medicare Part B Premium Reimbursement	For retired Members enrolled in Medicare A & B who are receiving a subsidy, the Plan provides payment of Part B premiums (\$96.40/\$110.50 per month for calendar year 2010 and \$96.40/\$110.50/\$115.40* for calendar year 2011, depending on method of payment).
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Dental Subsidy

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Subsidy is paid only to Members on service or disability retirements. Surviving spouses/domestic partners are not eligible for benefits upon the death of the Member.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the single-party premium paid to City approved dental carrier.
Maximum Subsidy	Lesser of monthly amount paid to active Fire and Police Members and retired CERS Members. Effective July 1, 2010, maximum is \$36.16 per month

Retiree Contributions: To the extent the subsidies are less than the medical or dental premiums, the retiree contributes the cost difference.

**It is assumed in this valuation that \$96.40 will be paid in 2011.*

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT IV

Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Actuarial Present Value of Total
Projected Benefits (APB):**

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability
For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability
For Retirees:**

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
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Net OPEB Obligation (NOO):

The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
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4 contain a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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