CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the System's net assets as of June 30, 2011 and 2010, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedules of Funding Progress on page 41, and the Schedules of Employer Contributions on page 42, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012 on our consideration of the System's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Simpson & Simpson

Los Angeles, California
January 20, 2012

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Fire and Police Pension System (the System or the Plan) for the years ended June 30, 2011 and 2010.

FINANCIAL HIGHLIGHTS

- Net assets at the close of the fiscal year ended June 30, 2011 were $13.5 billion and $881.2 million for the Pension Plan and Health Subsidy Plan, respectively. All of the net assets are available to meet the System's obligations to members and their beneficiaries.

- Net assets increased by $2.1 billion or 18.6% and $178.2 million or 25.4% for the Pension Plan and Health Subsidy Plan, respectively.

- As of June 30, 2011, the date of the latest actuarial valuations, the funding ratios of the Pension Plan and Health Subsidy Plan were 86.3% and 34.5%, respectively.

- Additions to the Pension Plan's net assets increased by $1.1 billion or 61.7% from $1.8 billion to $2.9 billion, due primarily to the net appreciation in the fair value of investments in 2011.

- Deductions to the Pension Plan's net assets increased by $18.8 million or 2.4% over the prior year from $783.9 million to $802.7 million.

- Additions to the Health Subsidy Plan's net assets increased by $78.2 million or 41.2% from $190.0 million to $268.2 million, due to the net appreciation in the fair value of investments in 2011.

- Deductions from the Health Subsidy Plan's net assets increased by $6.4 million or 7.7% over the prior year from $83.6 million to $90.0 million in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

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

The Statement of Changes in Plan Net Assets reports additions to and deductions from the plan net assets during the year.

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

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 12 to 39 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the Pension Plan's and Health Subsidy Plan's progress in funding to provide pension and health benefits to members. The report also provides summary information on employer contributions. The required supplementary information is on pages 41 and 42 of this report.

FINANCIAL ANALYSIS

Pension Plan

Plan Net Assets

A summary of the Pension Plan's net assets and changes in net assets are presented below:

Condensed Statement of Plan Net Assets

(In Thousands)

	2011	2010	Change	% Change
Cash	$ 5,045	$ 4,992	$ 53	1.1%
Receivables	71,119	122,670	(51,551)	(42.0)%
Investments	13,980,134	11,675,080	2,305,054	19.7%
Total Assets	14,056,298	11,802,742	2,253,556	19.1%
Liabilities	532,110	398,792	133,318	33.4%
Net Assets	$ 13,524,188	$ 11,403,950	$ 2,120,238	18.6%

Net assets increased by $2.1 billion (or 18.6%) to $13.5 billion from the prior fiscal year. Investments assets increased by $2.3 billion when compared with the prior fiscal year, attributable to favorable capital markets.

Pension Plan (Continued)

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets

	(In Thousands)			
	2011	2010	Change	% Change
Additions				
Employer Contributions	$ 277,092	$ 250,517	$ 26,575	10.6%
Member Contributions	105,535	106,480	(945)	(0.9)%
Net Investment Income	2,538,155	1,449,498	1,088,657	75.1%
Other Income	2,124	1,545	579	37.5%
Total Additions	2,922,906	1,808,040	1,114,866	61.7%
Deductions				
Benefits Payment	786,861	768,114	18,747	2.4%
Refund of Contributions	3,145	2,946	199	6.8%
Administrative Expenses	12,662	12,824	(162)	(1.3)%
Total Deductions	802,668	783,884	18,784	2.4%
Net Increase	2,120,238	1,024,156	1,096,082	107.0%
Net Assets, Beginning of Year	11,403,950	10,379,794	1,024,156	9.9%
Net Assets, End of Year	$13,524,188	$ 11,403,950	$ 2,120,238	18.6%

<u>Additions to Plan Net Assets</u>

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

Contributions for fiscal year 2011 totaled $382.6 million, up by $25.6 million or 7.2% over fiscal year 2010. The increase in contributions was due to the net of: a) an increase in the actuarial determined contribution rate. The employer contribution rate for fiscal year 2011 was 20.6% of covered payroll compared to 18.5% of covered payroll for fiscal year 2010.

Pension Plan (Continued)

Net investment income amounted to $2.5 billion, an increase of $1.1 billion or 75.1% when compared with $1.4 billion from the prior fiscal year. Investment income increased in 2011 due to favorable capital markets.

<u>Deductions from Plan Net Assets</u>

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

Deductions for the fiscal year ended June 30, 2011 totaled $802.7 million, an increase of $18.8 million over 2010. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of pensioners and beneficiaries.

Health Subsidy Plan

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

Plan Net Assets

Condensed Statement of Plan Net Assets

(In Thousands)

	2011	2010	Change	% Change
Cash	$ 329	$ 308	$ 21	6.82%
Receivables	4,359	7,324	(2,965)	(40.5)%
Investments	910,546	719,340	191,206	26.6%
Total Assets	915,234	726,972	188,262	25.9%
Liabilities	34,031	23,990	10,041	41.9%
Net Assets	$ 881,203	$ 702,982	$ 178,221	25.4%

Health Subsidy Plan (Continued)

Net assets increased by $178.2 million (or 25.4%) to $881.2 million when compared to $703.0 million of the prior fiscal year. Investments went up by $191.2 million when compared with the prior fiscal year, due to favorable capital markets.

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets

	(In Thousands)			
	2011	2010	Change	% Change
Additions				
Employer Contributions	$ 111,681	$ 106,648	$ 5,033	4.7%
Net Investment Income	156,461	83,310	73,151	87.8%
Other Income	131	89	42	47.2%
Total additions	268,273	190,047	78,226	41.2%
Deductions				
Benefits Payment	89,271	82,911	6,360	7.7%
Administrative Expenses	781	737	44	6.0%
Total Deductions	90,052	83,648	6,404	7.7%
Net Increase	178,221	106,399	71,822	67.5%
Net Assets, Beginning of Year	702,982	596,583	106,399	17.8%
Net assets, End of Year	$ 881,203	$ 702,982	$ 178,221	25.4%

<u>Additions to Plan Net Assets</u>

Total additions to net assets increased $78.2 million compared to fiscal year 2010. This is due primarily to an increase in net investment income by $73.2 million mostly attributed to favorable capital markets, and an increase in contributions of $5.0 million or 4.7% over fiscal year 2010. For fiscal year 2011, the employer contribution rate is 8.3% of covered payroll compared to 7.9% for fiscal year 2010.

Health Subsidy Plan (Continued)

<u>Deductions from Plan Net Assets</u>

Deductions represent medical and dental insurance premiums paid for the pensioners and beneficiaries and administrative expenses. Current year deductions were $6.4 million or 7.7% more than the total deductions of the prior year. This is due primarily to increase in the medical and dental insurance premiums and increase in the number of pensioners and beneficiaries.

REQUEST FOR INFORMATION

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

Michael A. Perez, General Manager
City of Los Angeles Fire and Police Pension System
360 E. Second Street, Suite 400
Los Angeles, CA 90012

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011			2010		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ASSETS						
Cash	$ 5,044,952	$ 328,585	$ 5,373,537	$ 4,991,814	$ 307,562	$ 5,299,376
Receivables						
Accrued Interest and Dividends	45,318,563	2,951,664	48,270,227	42,382,113	2,611,302	44,993,415
Contributions	4,196,667	-	4,196,667	3,805,162	-	3,805,162
Due from Brokers	21,603,670	1,407,078	23,010,748	76,483,072	4,712,375	81,195,447
Total Receivables	71,118,900	4,358,742	75,477,642	122,670,347	7,323,677	129,994,024
Investments at Fair Value						
Temporary	591,937,996	38,553,782	630,491,778	360,485,938	22,210,732	382,696,670
U.S. Government Obligations	1,729,429,603	112,640,264	1,842,069,867	1,177,378,205	72,542,170	1,249,920,375
Domestic Corporate Bonds	1,118,181,142	72,828,763	1,191,009,905	1,620,410,932	99,838,883	1,720,249,815
Foreign Bonds	17,726,891	1,154,578	18,881,469	9,704,355	597,918	10,302,273
Domestic Stocks	5,624,750,153	366,348,153	5,991,098,306	4,479,024,803	275,967,548	4,754,992,351
Foreign Stocks	2,283,651,627	148,737,550	2,432,389,177	1,767,160,679	108,880,621	1,876,041,300
Real Estate	1,054,001,972	68,648,681	1,122,650,653	945,965,238	58,284,050	1,004,249,288
Alternative Investments	1,560,454,311	101,634,657	1,662,088,968	1,314,950,301	81,018,442	1,395,968,743
Total Investments	13,980,133,695	910,546,428	14,890,680,123	11,675,080,451	719,340,364	12,394,420,815
TOTAL ASSETS	14,056,297,547	915,233,755	14,971,531,302	11,802,742,612	726,971,603	12,529,714,215
LIABILITIES						
Accounts Payable and Accrued Expenses	8,852,470	539,056	9,391,526	7,725,636	440,473	8,166,109
Benefits in Process of Payment	13,125,933	265,838	13,391,771	12,848,726	245,992	13,094,718
Due to Brokers	286,310,963	18,647,849	304,958,812	120,115,012	7,400,684	127,515,696
Mortgage Payable	223,820,378	14,577,747	238,398,125	258,102,899	15,902,574	274,005,473
TOTAL LIABILITIES	532,109,744	34,030,490	566,140,234	398,792,273	23,989,723	422,781,996
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068	$ 11,403,950,339	$ 702,981,880	$ 12,106,932,219

The notes are an integral part of these financial statements.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ADDITIONS						
Contributions						
Employer Contributions	$ 277,092,251	$ 111,681,208	$ 388,773,459	$ 250,516,858	$ 106,648,282	$ 357,165,140
Member Contributions	105,534,628	-	105,534,628	106,480,004	-	106,480,004
Total Contributions	382,626,879	111,681,208	494,308,087	356,996,862	106,648,282	463,645,144
Investment Income						
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	2,267,008,678	139,746,840	2,406,755,518	1,216,720,480	69,931,487	1,286,651,967
Interest	76,976,680	4,745,129	81,721,809	92,156,977	5,296,758	97,453,735
Dividends	185,389,183	11,428,078	196,817,261	149,342,164	8,583,500	157,925,664
Net Real Estate Income	36,921,244	2,275,963	39,197,207	20,103,644	1,155,465	21,259,109
Income from Alternative Investments	17,635,470	1,087,116	18,722,586	15,783,796	907,180	16,690,976
Securities Lending Income	2,367,899	145,966	2,513,865	4,220,749	242,589	4,463,338
Less: Securities Lending Expense	(259,291)	(15,984)	(275,275)	(644,168)	(37,024)	(681,192)
Other Income	4,471,989	275,670	4,747,659	3,374,581	193,956	3,568,537
Subtotal	2,590,511,852	159,688,778	2,750,200,630	1,501,058,223	86,273,911	1,587,332,134
Less: Investment Manager Expense	(52,357,054)	(3,227,483)	(55,584,537)	(51,559,868)	(2,963,424)	(54,523,292)
Net Investment Income	2,538,154,798	156,461,295	2,694,616,093	1,449,498,355	83,310,487	1,532,808,842
Other Income						
Miscellaneous	2,123,865	130,923	2,254,788	1,544,697	88,782	1,633,479
Total Other Income	2,123,865	130,923	2,254,788	1,544,697	88,782	1,633,479
TOTAL ADDITIONS	2,922,905,542	268,273,426	3,191,178,968	1,808,039,914	190,047,551	1,998,087,465
DEDUCTIONS						
Pension Benefits	786,860,516	-	786,860,516	768,113,512	-	768,113,512
Payment of Health Subsidy	-	81,401,095	81,401,095	-	75,414,438	75,414,438
Payment of Medicare Reimbursement	-	7,870,389	7,870,389	-	7,496,874	7,496,874
Refund of Contributions	3,145,172	-	3,145,172	2,945,586	-	2,945,586
Administrative Expenses	12,662,390	780,557	13,442,947	12,824,352	737,084	13,561,436
TOTAL DEDUCTIONS	802,668,078	90,052,041	892,720,119	783,883,450	83,648,396	867,531,846
NET INCREASE	2,120,237,464	178,221,385	2,298,458,849	1,024,156,464	106,399,155	1,130,555,619
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	11,403,950,339	702,981,880	12,106,932,219	10,379,793,875	596,582,725	10,976,376,600
End of Year	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068	$ 11,403,950,339	$ 702,981,880	$ 12,106,932,219

The notes are an integral part of these financial statements.

NOTE 1 - DESCRIPTION OF THE PLANS

The City of Los Angeles Fire and Police Pension System (the System or the Plan) operates under the City of Los Angeles Charter and Administrative Code provisions, which provide that the funding requirements of the System will be satisfied by the City of Los Angeles. The funding requirements of the System are determined by the result of annual actuarial valuations.

Pension Plan

The System's Pension Plan is a defined benefit single-employer pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor port police officers of the City of Los Angeles. The System also covers those certified paramedics and civilian ambulance employees who transferred from the Los Angeles City Employees' Retirement System (LACERS) during the year ended June 30, 1983, or have since been hired. At June 30, 2011, the System is composed of five tiers. Effective on July 1, 2011, a new pension tier, Tier 6, is added. Benefits are based on the members' pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Tier 1 includes members hired on or before January 28, 1967. Tier 2 includes members hired from January 29, 1967 through December 7, 1980, and those Tier 1 members who transferred to Tier 2 during the enrollment period of January 29, 1967 to January 29, 1968. Tier 3 includes members hired from December 8, 1980 through June 30, 1997 and those Tier 4 members hired during the period of July 1, 1997 through December 31, 1997 who elected to transfer to Tier 3 by the enrollment deadline of June 30, 1998. Tier 4 includes members hired from July 1, 1997 through December 31, 2001 and those Tier 3 members who elected to transfer to Tier 4 by the enrollment deadline of June 30, 1998. Tier 5 includes all firefighters and police officers hired from January 1, 2002 through June 30, 2011. Active members of Tiers 2, 3, and 4 were allowed to transfer to Tier 5 during the enrollment period of January 2, 2002 through December 31, 2002. Tier 5 is also the tier for all Harbor port police officers hired from January 8, 2006 through June 30, 2011. Harbor port police officers hired before January 8, 2006 who were members of LACERS were allowed to transfer to Tier 5 during the enrollment period of January 8, 2006 to January 5, 2007. The new Tier 6 will include members hired on or after July 1, 2011. The City Council may by ordinance authorize members of other Tiers to voluntarily transfer to Tier 6, provided such transfers shall be actuarially cost neutral to the System.

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

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

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

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

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

Tier 5 members must be age 50, with at least 20 years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years to a maximum of 90% for 33 years. Tier 5 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. On July 1, 2010 and 2009, eligible Tier 5 pensioners, including Tier 5 pensioners in DROP, had no COLA deposit in their COLA bank. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be age 50, with at least 20 years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year (or 24-month) final average compensation, increasing for each year of service over 20 years to a maximum of 90% for 33 years. Tier 6 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Health Subsidy Plan

Members of the System are entitled to post-employment health subsidy benefits under Sections 1330, 1428, 1518 and 1618 of the City Charter, Section 4.2018 of the Administrative Code, and related ordinances. Members who retire from the System with at least ten years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits began at age 60.

Temporary subsidies are available to certain groups at earlier ages. For retirement effective dates on or after July 1, 1998, regular benefits begin at age 55.

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

Administrative Code Section 4.1154 (e) provides that, on an annual basis beginning in 2006, the System's Board is authorized to make discretionary changes to the maximum monthly subsidy, so long as no increase exceeds the lesser of a 7% increase or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year. Effective July 1, 2010, the maximum subsidy amount is $1,025.62 per month. The maximum monthly subsidy for fiscal year 2010 was $958.52. The System also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

The System began pre-funding the health subsidy benefits effective with the 1989-1990 plan year. Full funding was phased in over four years. At June 30, 2011 and 2010, total net assets in the amounts of $881,203,265 and $702,981,880, respectively, were available for the Health Subsidy Plan. Effective July 1, 2008, actual employer contributions and benefit payments relating to health subsidy benefits are separately accounted to comply with Internal Revenue Code Section 401 (h).

Health Insurance Premium Reimbursement Program

Effective January 1, 2001, members of the System are entitled to post-employment health insurance premium reimbursements under Section 4.1163 of the Administrative Code. Eligibility requirements for pensioners and qualified surviving spouses/domestic partners are as follows: The pensioner (whether living or deceased) must have at least ten years of sworn service and must meet minimum age requirements on the effective date of retirement. The pensioner or qualified surviving spouse/domestic partner must reside either outside California or in the State of California but not within a City-approved health plan zip code service area. They may not be enrolled in a City-approved plan.

The reimbursement paid is a percentage of the maximum subsidy for health care. The maximum monthly subsidy for fiscal years 2011 and 2010 were $1,025.62 and $958.52, respectively. For members with Medicare Parts A and B, a different subsidy maximum is used. The System also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Dental Subsidy Plan

Effective January 1, 2002, members of the System are entitled to post-employment dental subsidy benefits under Section 4.1164 of the Administrative Code. Members who retire from the System with at least 10 years of service, are age 55 years or older, and are enrolled in a City-approved dental plan, are eligible for dental subsidy benefits. Surviving spouses, domestic partners, and dependents are not covered by this subsidy.

The benefit paid is a percentage of a maximum subsidy for dental care based on the lower of the dental subsidy in effect for LACERS (civilian retirees) or active Safety Members. The maximum monthly subsidy amount was $36.16 for the period January 1, 2010 through June 30, 2011. In determining the dental subsidy, members receive 4% for each completed year of service, up to 100% of the subsidy.

Deferred Retirement Option Plan

Effective May 1, 2002, members of the System have the option to enroll in the Deferred Retirement Option Plan (DROP) under Section 4.2100 of the Administrative Code. Members of Tiers 2 and 4 who have at least 25 years of service, and members of Tiers 3 and 5 who have at least 25 years of service and who are at least age 50 are eligible for DROP. Members who enroll continue to work and receive their active salary up to five years. Enrolled members continue to contribute to the System until they have completed the maximum number of years required for their Tier but cease to earn additional retirement service and pay credits. Monthly pension benefits that would have been paid to enrolled members are credited to their DROP accounts. DROP account balances earn interest at an annual rate of 5%.

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

At June 30, 2011 and 2010, 1,201 and 1,089 pensioners, respectively, were enrolled in the DROP program, with total estimated values of the DROP accounts of approximately $224,699,403 and $214,000,000, respectively.

SINCE THE PLAN INCLUDES DETAILED PROVISIONS FOR EACH SITUATION, MEMBERS SHOULD REFER TO THE CITY CHARTER AND ADMINISTRATIVE CODE FOR MORE COMPLETE INFORMATION.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Membership

The components of the System's membership at June 30, 2011 and 2010 are as follows:

	2011	2010
Active Nonvested:		
Tier 1	--	--
Tier 2	--	--
Tier 3	4	5
Tier 4	204	218
Tier 5	8,416	8,733
	8,624	8,956
Active Vested:		
Tier 1	--	--
Tier 2	115	140
Tier 3	933	949
Tier 4	193	204
Tier 5	3,567	3,405
	4,808	4,698
Pensioners and Beneficiaries:		
Tier 1	686	749
Tier 2	8,727	8,909
Tier 3	459	443
Tier 4	185	160
Tier 5	2,322	2,087
	12,379	12,348
	25,811	26,002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Reporting

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

Investments and Method Used to Value Investments

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

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

The category of alternative investments includes private equity and hedge funds. Private equity investments are comprised predominantly of limited partnerships that invest mainly in privately-owned companies. Hedge funds are pooled investment programs that invest in a wide variety of asset classes and use a wide variety of approaches. The use of leverage and short selling is a common characteristic. The Fund invests in hedge funds using what are known as fund of funds. The Fund hires a manager skilled in the selection of hedge funds that then builds a diversified portfolio of individual hedge funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Method Used to Value Investments (Continued)

Investments are carried at fair value. The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Investments for which market quotations are not readily available are valued at their fair value. The fair values of private equity investments are estimated by the General Partners based on consideration of various factors, including current net asset valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with accounting principles generally accepted in the United States of America, and other financial information provided by the General Partners of investee limited partnerships. Hedge Fund of Fund investments are valued by the fund manager based upon the information it receives from individual hedge fund managers that it has invested the money with. Real estate investments are recorded in the financial statements under the equity method and are carried at fair value as determined by an annual external appraisal or based on audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The fair values of real estate investment funds are provided by the individual real estate fund managers.

Cash

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

Use of Estimates

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

NOTE 3 - FUNDING POLICY AND CONTRIBUTION INFORMATION

As a condition of participation, members are required to contribute a percentage of their salaries to the System. Tier 1 members were required by the City Charter to contribute 6% of salary. The System's actuary recommended that Tier 2 members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Tiers 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of the Tier 5 required contribution rate contingent on the System remaining at least 100% actuarially funded for pension benefits. Since July 1, 2006, Tier 5 members have been required to contribute 9% of salary because the System has remained less than 100% actuarially funded for pension benefits as determined by the System's actuary. The new Tier 6 members will be required to contribute 11% (which includes 2% to support funding of retiree health benefits) of salary.

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

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

B. For members of Tiers 1 and 2, a dollar amount or percentage necessary to amortize the "unfunded liability" of the System over a 70-year period, beginning with the fiscal year commencing July 1, 1967. Under Tiers 3, 4 and 5, any "unfunded liability" resulting from plan amendments shall be amortized over a 30-year period, and actuarial experience gains and losses shall be amortized over a 15-year period.

C. An amount to provide for Health Subsidy Plan.

Accordingly, the City's contributions as determined by the System's actuary for items A, B, and C above, net of early payment discount, for the fiscal years ended June 30, 2011 and 2010 to be as follows ($ in millions):

Fiscal Year Ended June 30, 2011	Fire and Police					Harbor Police
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 5
Entry-Age Normal Cost Contribution	N/A	22.91%	16.76%	15.34%	18.51%	18.76%
Amortization of Unfunded Liability*	$17.6	$(25.2)	$21.0	$9.5	$252.3	$2.6
Health Subsidy Plan*	$ 2.1	$38.3	$ 6.6	$3.5	$ 60.7	$0.5

Fiscal Year Ended June 30, 2010	Fire and Police					Harbor Police
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 5
Entry-Age Normal Cost Contribution	N/A	23.32%	17.80%	16.21%	19.44%	19.72%
Amortization of Unfunded Liability*	$18.2	$(30.9)	$22.1	$9.6	$229.9	$1.6
Health Subsidy Plan*	$ 2.0	$39.2	$ 7.2	$3.6	$ 54.2	$0.4

*Stated as required dollar amount.

NOTE 3 - FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

During fiscal year 2011, total contributions of $494,308,087 ($388,773,459 from the employer and $105,534,628 from the members) were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2009. For the Pension Plan, fiscal year 2011 employer contributions included $235.8 million for normal cost and $41.3 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2011 employer contributions consisted of $45.1 million for normal cost and $66.5 million for unfunded actuarial accrued liability annual amount.

During fiscal year 2010, total contributions of $463,645,144 ($357,165,140 from the employer and $106,480,004 from the members) were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2008. For the Pension Plan, fiscal year 2010 employer contributions included $244.0 million for normal cost and $6.5 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2010 employer contributions consisted of $44.0 million for normal cost and $62.6 million for unfunded actuarial accrued liability annual amount.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS

The System engages an actuarial firm to conduct annual actuarial valuations of the Pension Plan and Health Subsidy Plan to monitor the System's funding status and funding integrity.

Pension Plan

The June 30, 2011 and 2010 annual valuations determined the funding status to be 86.3% and 91.6%, respectively. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 86.3% to 81.6%.

The funded status of the Pension Plan as of June 30, 2011, the most recent actuarial valuation date is as follows ($ in thousands):

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)
$14,337,669	$16,616,476	$2,278,807	86.3%	$1,343,963	169.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2011
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.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Pension Plan (Continued)

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 actual value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Assumptions:	
Investment Return Rate	7.75%
Inflation Rate	3.50%
Real Across-the-board Salary Increase	0.75%
Projected Salary Increase	3.50% inflation per year; plus 0.75% "across the board" salary increase; plus Merit and Longevity increases ranging from 1% to 8% based on years of service.
Cost of Living Adjustments	3.50% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income.
Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality Table (separate for males and females) set back four years for members. RP-2000 Combined Health Mortality Table (separate for males and females) set back two years for beneficiaries.
Disabled	RP-2000 Combined Health Mortality Table (separate for males and females) set back two years.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan

The June 30, 2011 and 2010 annual valuations determined the funding status to be 34.5% and 32.2%, respectively. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 34.5% to 32.7%.

The funded status of the Health Subsidy Plan as of June 30, 2011, the most recent actuarial valuation date is as follows ($ in thousands):

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)
$ 882,890	$ 2,557,607	$1,674,717	34.5%	$ 1,343,963	124.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2011
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	25 years as of June 30, 2011
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 Return Rate	7.75%
Inflation rate	3.50%
Real Across-the-board Salary Increase	0.75%
Projected Salary Increase	4.25%

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Health care cost trend rate (To calculate following year's premium):

Medical	9% in 2011-2012 and 2012-2013, then decreasing by 0.5% for each year for eight years until it reaches an ultimate rate of 5%.
Dental	5%
Medical Part B Premium	The 2012-2013 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.
Medical Subsidy Trend	For employees not subject to freeze: For all non-Medicare retires, 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, 2011 (e.g. Fire Medical), increase with medical trend. For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2011 (e.g. Police Blue Cross), increase with lesser of 7% or medical trend.

The following assumptions were adopted by the System's Board based on the actuarial experience study and the economic assumptions study as of June 30, 2010:

Data	Detailed census data and financial data for post-employment benefits were provided by the System.
Actuarial Cost Method	Entry age normal, level percent of pay.
Administrative Expenses	No administrative expenses were valued separately from the claim costs.
Spouse Age Difference	Husbands are assumed to be 4 years older than wives.

Participation

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

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

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Dental Coverage	75% of future retirees are assumed to elect dental coverage.
Spousal Coverage	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.
Implicit Subsidy	No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

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

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

For Participants under Age 65:

		Maximum Subsidies		
Plan	Assumed Election Percentage	Single	Married	Surviving Spouse
Fire Medical	75	$1,097.41	$1,097.41	$595.60
Fire Kaiser	15	1,097.41	1,097.41	595.60
Fire Blue Cross	5	1,097.41	1,097.41	595.60
Fire California Care	5	1,097.41	1,097.41	595.60
Police Blue Cross PPO	65	1,097.41	1,097.41	595.60
Police California Care	20	1,097.41	1,097.41	595.60
Police Kaiser	15	1,097.41	1,097.41	595.60
Dental	75	36.16	36.16	0.00

For Participants Age 65 and Over:

		Maximum Subsidies		
Plan	Assumed Election Percentage	Single	Married	Surviving Spouse
Fire Medical	90	$480.41	$735.50	$480.41
Fire Kaiser	10	480.41	750.12	480.41
Fire Blue Cross	0	480.41	841.12	480.41
Fire California Care	0	480.41	764.30	480.41
Police Blue Cross PPO	75	480.41	873.02	480.41
Police California Care	10	480.41	792.27	480.41
Police Kaiser	15	480.41	447.98	480.41
Dental	75	36.16	36.16	0.00
Medicare B	100	115.40	115.40	115.40

NOTE 5 - SECURITIES LENDING

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

The City Charter permits the System to use investments of the System to enter into securities lending transactions - loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Upon direction of the Board, the custodian may loan securities to brokers or dealers or other borrowers upon such terms and conditions, as it deems advisable. Collateral for the securities on loan will be maintained at a level of at least 102 percent of their fair value plus any accrued interest for U.S. securities lending and 105 percent of the fair value plus any accrued interest for non-U.S. securities lending. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

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

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

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

As of June 30, 2011 and 2010, the fair value of securities lent were $393,761,554 and $492,575,205, respectively and the fair value of non-cash collateral received were $407,252,526 and $519,350,492, respectively. There was no cash collateral reported at the end of the fiscal years 2011 and 2010. Non-cash collateral, which the system does not have the ability to pledge or sell unless the borrower defaults, is not reported in the Statements of Plan Net Assets.

NOTE 5 - SECURITIES LENDING (Continued)

The following represents the balances relating to the security lending transactions as of June 30, 2011 and 2010.

Fair Value of loaned securities and collateral received as of June 30, 2011:

Securities	Securities Lent	Non-Cash Collateral
U. S. Government and Agency Securities	$199,097,441	$202,739,831
Domestic Corporate Fixed Income Securities	20,356,958	20,770,902
International Stocks	174,307,155	183,741,793
	$393,761,554	$407,252,526

Fair Value of loaned securities and collateral received as of June 30, 2010:

Securities	Securities Lent	Non-Cash Collateral
U. S. Government and Agency Securities	$ 50,193,707	$ 51,738,156
Domestic Corporate Fixed Income Securities	2,337,870	2,399,749
International Stocks	440,043,628	465,212,587
	$492,575,205	$519,350,492

For the fiscal years ended June 30, 2011 and 2010, securities lending income amounted to $2,513,865 and $4,463,338, respectively; while securities lending expenses amounted to $275,275 and $681,192, respectively.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS

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

The System considers investments purchased with a maturity of 12 months or less to be temporary investments. At June 30, 2011, cash and temporary investments consisted of $5,373,537 cash held by the City Treasurer's office and $630,491,778 in collective short-term investment funds (STIF). At June 30, 2010, cash and temporary investments consisted of $5,299,376 cash held by the City Treasurer's office and $382,696,670 in collective short-term investment funds (STIF). Cash held by the City Treasurer's office is pooled with funds of other City agencies and is not individually identifiable.

Credit Risk

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

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Credit Risk (Continued)

As of June 30, 2011, the credit ratings of the System's fixed income investments in U.S. Government obligations, domestic corporate and foreign bonds are as follows:

Credit Rating	Fair Value	Percentage
AAA	$ 1,266,448,127	42.66%
AA	107,361,075	3.62%
A	205,927,728	6.94%
BBB	238,462,555	8.03%
BB	220,102,014	7.42%
B	221,462,650	7.46%
CCC	45,728,790	1.54%
CC	7,473,710	0.25%
C	1,738,536	0.06%
Not Rated	653,580,922	22.02%
Subtotal	2,968,286,107	100.00%
U. S. Government Issued or Guaranteed Securities	83,675,134	
Total Fixed Income Investments	$ 3,051,961,241	

As of June 30, 2010, the credit ratings of the System's fixed income investments in U.S. Government obligations, domestic corporate and foreign bonds are as follows:

Credit Rating	Fair Value	Percentage
AAA	$ 1,039,422,846	38.60%
AA	76,747,762	2.85%
A	202,777,131	7.53%
BBB	218,453,797	8.11%
BB	251,564,388	9.34%
B	201,379,029	7.48%
CCC	47,998,610	1.78%
CC	7,291,384	0.27%
C	896,506	0.04%
Not Rated	646,296,040	24.00%
Subtotal	2,692,827,493	100.00%
U. S. Government Issued or Guaranteed Securities	287,644,970	
Total Fixed Income Investments	$ 2,980,472,463	

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the System's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2011 and 2010, the System's exposure to custodial credit risk comprised of foreign currencies held outside the custodial bank amounted to $25,042,723 and $16,820,020, respectively.

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counter party, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the System's name, and held by the counter party. As of June 30, 2011 and 2010, the System's investments in publicly traded stocks and bonds were not exposed to custodial risk since they are all held by the custodian and are registered in the System's name. As of June 30, 2011 and 2010, the System’s investments in hedge fund of funds of $598,654,338 and $560,841,800, private equity of $1,063,434,630 and $835,126,943, and commingled real estate funds of $530,167,289 and $399,362,406, were exposed to custodial credit risk, respectively.

Concentration of Credit Risk

Concentration of credit risk exists when the System has investments in a single issuer totaling 5% or more of the total investment portfolio. As of June 30, 2011 and 2010, the System's investment portfolio contained no such concentrations. Securities issued or guaranteed by the U.S. Government are exempt from this limitation.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Interest Rate Risk

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

Fiscal Year 2011

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 55,462,798	9.41
Commercial Mortgages	40,939,657	28.55
Corporate Bonds	1,054,353,868	15.09
Government Agencies Bonds	72,266,758	4.50
Government Bonds	602,859,784	22.18
Government Mortgage Backed Securities	535,420,207	22.56
Index Linked Government Bonds	664,552,438	9.62
Non-Government Backed Collateralized Mortgage Obligations	11,790,377	16.43
Bond Index Fund*	14,315,354	N/A
Total Fixed Income Investments	$ 3,051,961,241	

Fiscal Year 2010

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 57,367,884	7.95
Commercial Mortgages	53,301,499	33.26
Corporate Bonds	1,004,401,482	26.29
Government Agencies Bonds	53,269,857	3.40
Government Bonds	411,856,165	12.44
Government Mortgage Backed Securities	185,976,331	17.93
Index Linked Government Bonds	618,563,309	9.08
Non-Government Backed Collateralized Mortgage Obligations	18,560,389	20.71
Bond Index Fund*	577,175,547	N/A
Total Fixed Income Investments	$ 2,980,472,463	

* Shares are in commingled fixed income funds.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Investments that are highly sensitive to interest rate risk are as follows:

Fiscal Year 2011

Investment Type	Fair Value
Asset Backed Securities	$ 55,462,798
Commercial Mortgages	40,939,657
Government Agencies Bonds	72,266,758
Government Mortgage Backed Securities	535,420,207
Index Linked Government Bonds	664,552,438
Non-Government Backed Collateralized Mortgage Obligations	11,790,377
	$ 1,380,432,235

Fiscal Year 2010

Investment Type	Fair Value
Asset Backed Securities	$ 57,367,884
Commercial Mortgages	53,301,499
Government Agencies Bonds	53,269,857
Government Mortgage Backed Securities	185,976,331
Index Linked Government Bonds	618,563,309
Non-Government Backed Collateralized Mortgage Obligations	18,560,389
	$ 987,039,269

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of deposits or investments. The System's asset allocation policy sets a target of 18% of the total portfolio for non-U.S. investments in equities. The majority of the System's currency exposure comes from its holdings of foreign stocks.

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2011 are as follows:

Foreign Currency Type	Fair Value
Australian Dollar	$ 57,762,580
Brazilian Real	63,282,764
British Pound Sterling	389,017,167
Canadian Dollar	82,835,336
Chilean Peso	827,596
Czech Koruna	4,093,252
Danish Krone	25,392,173
Euro	701,079,354
Hong Kong Dollar	161,605,669
Hungarian Forint	1,760,103
Indian Rupee	41,758,680
Indonesian Rupiah	24,231,706
Japanese Yen	426,138,552
Malaysian Ringgit	15,364,162
Mexican Peso	24,912,869
New Taiwan Dollar	59,132,665
New Zealand Dollar	5,311,923
Norwegian Krone	9,099,974
Philippine Peso	10,066,007
Polish Zloty	11,231,543
Singapore Dollar	12,572,569
South African Rand	27,587,883
South Korean Won	100,381,466
Swedish Krona	54,978,194
Swiss Franc	127,197,560
Thai Baht	7,754,620
Turkish Lira	5,894,279
	$ 2,451,270,646

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2010 are as follows:

Foreign Currency Type	Fair Value
Australian Dollar	$ 40,970,220
Brazilian Real	54,934,742
British Pound Sterling	288,704,775
Canadian Dollar	53,090,873
Chilean Peso	1,482,826
Czech Koruna	4,642,175
Danish Krone	13,232,876
Egyptian Pound	342,803
Euro	525,280,946
Hong Kong Dollar	94,507,295
Hungarian Forint	2,410,474
Indian Rupee	21,796,234
Indonesian Rupiah	24,197,346
Japanese Yen	371,614,083
Malaysian Ringgit	9,923,171
Mexican Peso	19,640,446
New Taiwan Dollar	38,654,595
New Zealand Dollar	3,404,882
Norwegian Krone	8,981,240
Philippine Peso	1,652,585
Polish Zloty	10,785,474
Singapore Dollar	12,456,415
South African Rand	26,716,510
South Korean Won	67,716,883
Swedish Krona	43,471,411
Swiss Franc	131,947,672
Thai Baht	4,101,379
Turkish Lira	9,683,242
	$ 1,886,343,573

NOTE 7 - DERIVATIVE INSTRUMENTS

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

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows ($ in thousands):

	Changes in Fair Value		Fair Value at June 30, 2011		Notional
Type	Classification	Amount	Classification	Amount	Amount
Investment Derivatives:					
Futures – Shorts	Investment Income	$ --	Investment	$ --	$(11,387)
Futures – Longs	Realized Loss	1,142	Investment	--	--
Forwards	Unrealized Loss	345	Investment	(248)	--
	Realized Loss	7,915			
Rights/Warrants	Unrealized Gain	1,160	Investment	1,241	--
	Realized Gain	645			

At June 30, 2011, the System held futures-shorts with a notional value of negative $11,387,023 and futures-longs with a realized loss of $1,141,783 for the fiscal year. The System held forwards with a fair value of negative $247,925 and rights and warrants with a fair value of $1,241,107. Losses of $8,260,107 for forwards and earnings of $1,805,252 for rights and warrants were reported for the fiscal year.

NOTE 7 - DERIVATIVE INSTRUMENTS (Continued)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows ($ in thousands):

	Changes in Fair Value		Fair Value at June 30, 2010		Notional
Type	Classification	Amount	Classification	Amount	Amount
Investment Derivatives:					
Futures – Shorts	Investment Income	$ --	Investment	$ --	$ 21,837
Futures – Longs	Realized Gain	337	Investment	--	6,467
Forwards	Unrealized Gain	1,452	Investment	97	--
	Realized Gain	3,498			
Rights/Warrants	Unrealized Loss	3,139	Investment	81	--
	Realized Gain	5,880			

At June 30, 2010, the System held futures-shorts with a notional value of $21,837,200 and futures-longs with the notional value of $6,467,091 with a realized gain of $336,910 for the fiscal year. The System held forwards with a fair value of $96,662 and rights and warrants with a fair value of $80,655. Earnings of $4,949,436 and $2,740,613 were reported for forwards and rights/warrants, respectively for the fiscal year.

NOTE 8 - MORTGAGES PAYABLE

Mortgages are secured by real estate. For fiscal year 2011, interest rates range from 4.03% to 7.50% per annum. The average monthly principal and interest payment ranges from $47,790 to $459,542. For fiscal year 2010, interest rates range from 4.59% to 7.50% per annum. The average monthly principal and interest payments range from $47,790 to $1,085,055. The mortgages maturity dates range from July 2012 to June 2031.

Principal and interest payments due under such mortgages are as follows:

Fiscal Year Ending	Principal	Interest	Total
2012	$ 1,638,288	$ 13,865,185	$ 15,503,473
2013	26,760,255	12,487,827	39,248,082
2014	12,294,062	11,811,412	24,105,474
2015	83,331,454	6,983,827	90,315,281
2016	36,443,470	6,063,729	42,507,199
2017 through 2021	52,815,987	14,086,804	66,902,791
2022 through 2026	20,200,800	3,133,439	23,334,239
2027 through 2031	4,913,809	772,354	5,686,163
	$ 238,398,125	$ 69,204,577	$ 307,602,702

NOTE 9 - OPERATING LEASE

The System leases office space under an operating lease that expires on April 14, 2014. The annual lease payments for the fiscal years ended June 30, 2011 and 2010 were $1,042,094 and $879,238, respectively.

The minimum lease commitments for the future fiscal years are as follows:

Fiscal Year Ending June 30	
2012	$ 780,000
2013	950,000
2014	760,000
	$ 2,490,000

NOTE 10 - CONTINGENCIES

Termination Rights

All members who were active on or after July 1, 1982 have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement, except Tier 4 members. The dollar amount of contributions and interest subject to this right were $1,417,834,360 and $1,352,236,494 as of June 30, 2011 and 2010, respectively.

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

Investment Commitments

The System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $3,206,716,538 and $2,804,779,198 at June 30, 2011 and 2010, respectively. The System is in negotiation with the State of Arizona over the value received in a taking of property that was owned by the System and might result in an additional payment to the System for the property.

NOTE 11 - DONATIONS

From 1999 to 2002, the System received donations of non-voting common stock of non-public corporations, pursuant to repurchase agreements, between the System and the donors, structured entirely by the donors' tax advisers. Under the terms of the agreements, the System, although the owner of the donated common stock, acknowledged that: the non-voting common shares have not been registered under the Federal Securities Act of 1933 or qualified under the California Corporate Securities Law of 1968; that no public market exists with respect to the non-voting common shares; and, that the common shares are subject to a right of first refusal prohibiting the System from selling or otherwise disposing of any common shares without first offering to sell them to the donor. The shares are recorded at carry and market values of zero for the following reasons: (1) there is no public market for the shares, (2) the System does not have the right to sell or otherwise dispose of the shares until the agreed upon future date, and (3) the shares were received as a donation for no consideration. Donation income is only recorded if cash dividends are received from the stock while in the possession of the System or when the stock is sold.

As previously reported in fiscal year 2005, the System has been informed that the Internal Revenue Service is disputing the tax treatment claimed by the donors in connection with these donations of stock. There have been no allegations of inappropriate activity by the System. The last donation of private equity accepted by the System was in 2002. The System has sold or returned the majority of donation of private equity since August 2005. The System has received the following income from these donations: $2,685,000 in 2002; $2,918,066 in 2003; $14,402,308 in 2004; $7,791,262 in 2005; none in 2006; $864,281 in 2007; $67,568 in 2008; $50,676 in 2009; and no dividends were received in 2010.

NOTE 12 - PATIENT PROTECTION AND AFFORDABLE CARE ACT

The Patient Protection and Affordable Care Act (Act) was signed into law in March 2010. One key provision of the legislation is the assessment of a 40% excise tax on the cost of health plans for plans that exceed certain threshold. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are $11,850 for single coverage and $30,950 for family coverage. For all other retirees the thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. The impact of the Act was not reflected in the annual actuarial valuation as of June 30, 2011. The System’s actuary estimates that the projected excise tax will increase the fiscal year 2013 annual required contribution (ARC) by approximately 0.66% of payroll. The increase in the UAAL is approximately $98.6 million and the decrease in the funded ratio is approximately 1.28%.

NOTE 13 - RISKS AND UNCERTAINTIES

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

NOTE 14 - SUBSEQUENT EVENTS

Freeze in Medical Subsidies

Subsequent to June 30, 2011, the City adopted an ordinance to freeze the maximum monthly medical plan premium subsidies and medical plan premium reimbursements at the effective rate as of July 1, 2011 for Plan members who retire on or after July 15, 2011, or who enter the DROP on or after July 15, 2011. An active member may opt to make voluntary additional contributions by salary deduction at the rate of 2% of regular biweekly base salary for the vesting of retiree health benefit increases. The right to make the opt-in election shall be limited to 45 days.

Three-Year Phase-in of Actuarial Experience Study

On July 7, 2011, the Board adopted the actuarial experience study for the period July 1, 2007 through June 30, 2010. These adopted actuarial assumptions are used to determine the City's contribution rates for fiscal year 2013. On September 1, 2011, the Board elected to phase in the impact of the new actuarial assumptions on the City's contribution rates over a three-year period beginning fiscal year 2013. The before and after phase-in fiscal year 2013 contribution rates (assuming payment at the beginning of the year) are summarized below.

	Before Three-year Phase-in	After Three-year Phase-in
Pension Plan	31.33%	29.37%
Health Subsidy Plan	10.93%	10.38%
Total	42.26%	39.75%

The System's actuary estimates that the reduction in the funded ratios at the end of the three-year phase-in period to be approximately 0.24% and 0.53% for the Pension Plan and Health Subsidy Plan, respectively.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

SCHEDULE 1A

SCHEDULE OF FUNDING PROGRESS – PENSION PLAN (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL As a % of Payroll
June 30, 2006	$12,121,402,902	$12,811,383,737	$689,980,835	94.6%	$1,092,814,844	63.1%
June 30, 2007	13,215,668,458	13,324,089,628	108,421,170	99.2%	1,135,591,951	9.5%
June 30, 2008	14,153,296,122	14,279,115,742	125,819,620	99.1%	1,206,589,277	10.4%
June 30, 2009	14,256,610,416	14,817,145,691	560,535,275	96.2%	1,357,248,936	41.3%
June 30, 2010	14,219,580,662	15,520,624,313	1,301,043,651	91.6%	1,356,986,475	95.9%
June 30, 2011	14,337,669,409	16,616,476,266	2,278,806,857	86.3%	1,343,963,356	169.6%

SCHEDULE 1B

SCHEDULE OF FUNDING PROGRESS – HEALTH SUBSIDY PLAN (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL As a % of Payroll
June 30, 2006	$613,782,166	$1,631,187,439	$1,017,405,273	37.6%	$1,092,814,844	93.1%
June 30, 2007	687,096,380	1,656,653,149	969,556,769	41.5%	1,135,591,951	85.4%
June 30, 2008	767,647,562	1,836,840,337	1,069,192,775	41.8%	1,206,589,277	88.6%
June 30, 2009	809,676,978	2,038,658,698	1,228,981,720	39.7%	1,357,248,936	90.5%
June 30, 2010	817,275,977	2,537,825,016	1,720,549,039	32.2%	1,356,986,475	126.8%
June 30, 2011	882,890,188	2,557,606,524	1,674,716,336	34.5%	1,343,963,356	124.6%

See accompanying independent auditor’s report.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

SCHEDULE 2A

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN (UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contributions	Percent Contributed
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%
2011	277,092,251	277,092,251	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 (LACERS).

SCHEDULE 2B

SCHEDULE OF EMPLOYER CONTRIBUTIONS – HEALTH SUBSIDY PLAN (UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contributions	Percent Contributed
2006	$ 31,413,281 [(1)]	$ 31,413,281	100.00%
2007	55,162,681 [(1)]	55,162,681	100.00%
2008	98,033,338 [(2)]	78,257,328	79.83%
2009	98,444,833 [(3)]	88,178,910	89.57%
2010	106,648,282	106,648,282	100.00%
2011	111,681,208	111,681,208	100.00%

(1) Payable at the beginning of the year. For years 2007 and prior, Annual Required Contribution may not have been determined in compliance with GASB 43 and 45 due to maximum amortization period and/or for the medical trend rate employed.

(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 Annual Required Contribution 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) Based on the beginning of year contribution rate of 7.89% of compensation calculated in the June 30, 2007 valuation before phase-in. The Annual Required Contribution has been approximated by applying the ratio of the contribution before 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.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the accompanying statements of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 2011 and 2010, and related statements of changes in plan net assets for the years ended, and have issued our report thereon dated January 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

S&S

We noted certain matters that we reported to management of the System in a separate letter dated January 20, 2012.

This report is intended solely for the information and use of the Board of Fire and Police Pension Commissioners, the System's audit committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

Los Angeles, California
January 20, 2012