City of Los Angeles Fire and Police Pension Plan

Actuarial Valuation and Review
Of Retirement and Other Postemployment Benefits (OPEB)
as of June 30, 2012

SEGAL

5220222v1/07916.001

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THE SEGAL COMPANY

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November 8, 2012

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, 2012 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2012 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,

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

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

ST/bqb
Enclosures

5220222v1/07916

Exhibit A

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

		June 30, 2012	June 30, 2011	Percent Change
I.	**Total Membership**			
	A. Current Active Members	13,396	13,432	-0.27%
	B. Current Vested Former Members	62	59	5.08%
	C. Current Retirees, Beneficiaries, and Dependents	12,380	12,392[3]	-0.10%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,341,913,739	$1,343,963,356	-0.15%
	B. Average Monthly Salary	8,348	8,338	0.12%
III.	**Benefits to Current Retirees and Beneficiaries[1]**			
	A. Total Annual Benefits	$744,481,620	$721,509,672	3.18%
	B. Average Monthly Benefit Amount	5,011	4,852	3.28%
IV.	**Total System Assets[2]**			
	A. Actuarial Value	$15,179,275,167	$15,220,559,597	-0.27%
	B. Market Value	14,132,070,728	14,400,209,049	-1.86%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$2,778,919,652	$2,278,806,857	21.95%
	B. Health Subsidy Benefits	1,571,926,881	1,674,716,336	-6.14%

(1) *Includes July COLA.*

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

(3) *Includes 13 new retirees during the period July 1, 2011 to July 14, 2011.*

Exhibit A (continued)

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

VI. Budget Items	FY 2013-2014[2]		FY 2012-2013[2]		Change	
	Beginning of Year[1]	July 15	Beginning of Year	July 15	Beginning of Year	July 15
After Reflecting Additional 2% Employee Contributions for Unfrozen Health Subsidies						
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	19.36%	19.42%	19.27%	19.33%	0.09%	0.09%
2. Amortization of UAAL	15.25%	15.30%	12.02%	12.06%	3.23%	3.24%
3. Total Retirement Contribution	34.61%	34.72%	31.29%	31.39%	3.32%	3.33%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.81%	3.82%	3.70%	3.71%	0.11%	0.11%
2. Amortization of UAAL	6.92%	6.95%	7.26%	7.29%	-0.34%	-0.34%
3. Total Health Contribution	10.73%	10.77%	10.96%	11.00%	-0.23%	-0.23%
C. Total Contribution (A+B)	45.34%	45.49%	42.25%	42.39%	3.09%	3.10%

[1] *Alternative contribution payment date for FY 2013-2014:*	*Retirement*	*Health*	*Total*
End of Pay Periods	*35.93%*	*11.14%*	*47.07%*

[2] *Before adjustments to phase in over three years the City contribution rate impact of new actuarial assumptions adopted in the June 30, 2011 valuation.*

Exhibit A (continued)

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

		June 30, 2012	June 30, 2011	Change
VII	**Funded Ratio**			
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	83.7%	86.3%	-2.6%
	B. Health Subsidy Benefits	37.1%	34.5%	2.6%
	C. Total	77.7%	79.4%	-1.7%

		June 30, 2012	June 30, 2011	Change
VIII	**Funded Ratio**			
	(Based on Market Value of Assets)			
	A. Retirement Benefits	77.9%	81.6%	-3.7%
	B. Health Subsidy Benefits	34.5%	32.7%	1.8%
	C. Total	72.4%	75.1%	-2.7%

Exhibit B

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

Valuation Date	Retirement	Health	Total	Valuation Payroll (In Thousands)
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%[4]	12.27%[5]	40.47%	1,356,986
06/30/2011[2]	32.56%	11.34%	43.90%	1,343,963
06/30/2012[2]	35.93%	11.14%	47.07%	1,341,914

(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.*

(4) *Before reflecting the 2% additional employee contributions for unfrozen health subsidies.*

(5) *Before reflecting the freeze on the medical subsidy for certain employees retiring on or after July 15, 2011.*

City of Los Angeles Fire and Police Pension Plan

Actuarial Valuation and Review as of June 30, 2012

SEGAL

The Segal Company
100 Montgomery Street, Suite 500 San Francisco, CA 94104
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November 8, 2012

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, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013-2014 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census information and financial information on which our calculations were based was prepared by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

We are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the 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

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

ST/gxk

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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, 2012. 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, 2012, provided by LAFPP;
- The assets of the Plan as of June 30, 2012, 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:

Reference: Pg. 45

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 86.3% to 83.7%. On a market value of assets basis, the funded ratio decreased from 81.6% to 77.9%. The unfunded actuarial accrued liability has increased from $2.279 billion to $2.779 billion. The reduction in the funded ratio and the increase in the Unfunded Actuarial Accrued Liability (UAAL) are primarily the result of a lower than expected return on investment (after smoothing), offset by other favorable actuarial experience during 2011/2012. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.

Reference: Pg. 46 to Pg.52

- Under the Board's revised funding policy, as adopted in September 2012, for Tiers 2, 3, 4, 5 and 6 a new separate 20-year amortization layer is established in the June 30, 2012 valuation for the 2011-2012 experience loss. Under that revised policy, the UAAL contribution rates for Tiers 3 and 4 are now expessed as percentage of the City's total payroll.

Reference: Pg. 20

- The aggregate beginning-of-year employer rate calculated in this valuation has increased from 31.29% of payroll to 34.61% of payroll. Both of these rates are after adjustments for the additional 2% employee contributions that have been implemented by the City for those employees who elected to make such contributions in order to continue to receive an unfrozen medical subsidy. Using a projected annual payroll of $1,342 million as of June 30, 2012, there would be an increase in contribution from $420 million to $464 million. The increase was primarily due to a lower than expected return on investments (after smoothing) offset somewhat by lower than expected salary increases during 2011/2012 and lower than expected retiree COLA increases during 2011/2012.

- On September 1, 2011, the Board elected to phase in the impact of new actuarial assumptions adopted for the June 30, 2011 valuation on the City's retirement and health plan contributions over a three-year period, beginning with the 2012-2013 fiscal year. The recommended pre-phase-in contribution rates for Fiscal Year 2013-2014 are contained in this report. In a separate letter, we provide the second year of the "phased-in" contribution rates for Fiscal Year 2013-2014.
- The employer contribution rates (before adjustments for the three-year phase in of the impact of new actuarial assumptions adopted for the June 30, 2011 valuation) 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).

Reference: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2012 is $1,047.2 million for the assets for Retirement and Health Subsidy Benefits. For comparison purposes, the total unrecognized investment loss as of June 30, 2011 was $820.4 million. 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 7.4% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $1,047.2 million market losses is expected to have an 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 83.7% to 77.9%.
  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 34.6% of payroll to 39.5% of payroll.

Reference: Pg. 60

- 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 actuarial valuation report as of June 30, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date 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.

Reference: Pg. 22

- The California Actuarial Advisory Panel (CAAP) has recently adopted a set of model disclosure elements recommended for actuarial valuation reports for public retirement systems in California. Information has been added to this valuation report consistent with the recommendations regarding basic disclosure elements. In particular, we are now including new information regarding measures of plan volatility.
- The Governmental Accounting Standards Board (GASB) recently approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for Plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.

Summary of Key Valuation Results

	2012	2011
Contributions calculated as of June 30[1]:		
Recommended as a percent of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of year	34.61%	31.29%[2]
On July 15	34.72%	31.39%[2]
At the end of each biweekly pay period	35.93%	32.52%[2]
Funding elements for plan year beginning July 1:		
Normal cost	$387,161,523	$385,203,841[2]
Market value of retirement assets	13,268,686,932	13,564,904,460
Valuation value of retirement assets (VVA)	14,251,913,532	14,337,669,409
Actuarial accrued liability	17,030,833,184	16,616,476,266
Unfunded actuarial accrued liability on valuation value of retirement assets basis	2,778,919,652	2,278,806,857
Unfunded actuarial accrued liability on market value of retirement assets basis	3,762,146,252	3,051,571,806
Funded ratio on valuation value of retirement assets basis[3]	83.7%	86.3%
Funded ratio on market value of retirement assets basis	77.9%	81.6%
GASB 25/27 for fiscal year ending June 30:		
Annual required contributions	$321,593,433	$277,092,251
Actual contributions	321,593,433	277,092,251
Percentage contributed	100.0%	100.0%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	12,380	12,392[4]
Number of vested former members	62	59
Number of active members (includes DROP members)	13,396	13,432
Projected total payroll	$1,341,913,739	$1,343,963,356
Projected average payroll	100,173	100,057

(1) *Both the June 30, 2012 and June 30, 2011 contribution rates are after adjustments for the 2% additional contributions that have been implemented by the City for those employees who opted to make such contributions. The contribution rates are also before adjustments to phase in over three years the City contribution rate impact of new actuarial assumptions adopted for the June 30, 2011 valuation.*

(2) *Revised to reflect payroll as of June 30, 2012.*

(3) *The funded ratios on VVA basis excluding Harbor Port Police are 83.7% and 86.3% for 2012 and 2011, respectively.*

(4) *Includes 13 new retirees during the period July 1, 2011 to July 14, 2011.*

Actuarial Certification

November 8, 2012

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, 2012, 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, 2011. 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

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

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 nine valuations can be seen in this chart.

CHART 1

Member Population: 2004 – 2012

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
2011	13,432	1,314[2]	59	12,392[3]	0.93
2012	13,396	1,193	62	12,380	0.93

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

(2) *Includes 113 members who made an election to participate in the DROP during the period July 1, 2011 to July 14, 2011.*

(3) *Includes 13 new retirees during the period July 1, 2011 to July 14, 2011.*

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 13,396 active members with an average age of 41.5, average years of service of 14.5 years and average payroll of $100,173. The 13,432 active members in the prior valuation had an average age of 41.2, average service of 14.2 years and average payroll of $100,057.

Inactive Members
In this year's valuation, there were a total of 62 members with a vested right to a deferred or immediate vested benefit versus 59 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, 2012

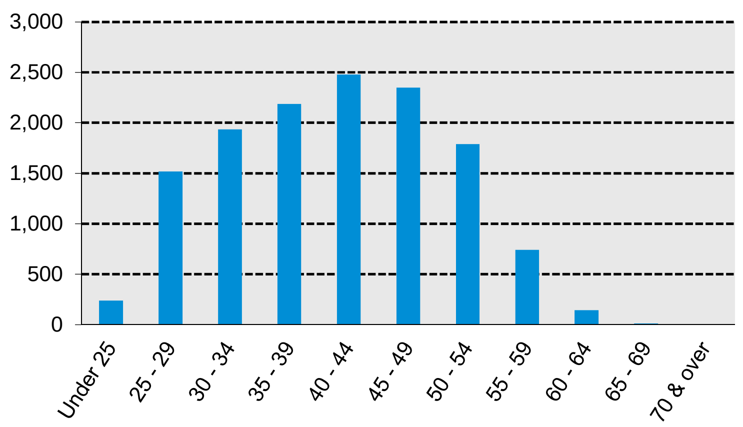
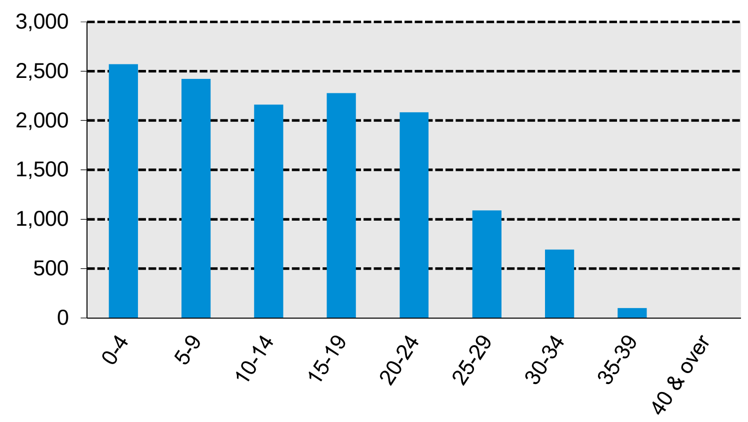


CHART 3

Distribution of Active Members (Including DROP) by Years of Service as of June 30, 2012



Retired Members and Beneficiaries
As of June 30, 2012, 10,013 retired members and 2,367 beneficiaries were receiving total monthly benefits of $62,040,135. For comparison, in the previous valuation, there were 10,004 retired members and 2,388 beneficiaries receiving monthly benefits of $60,125,806.

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, 2012 (Includes July 1 COLA)

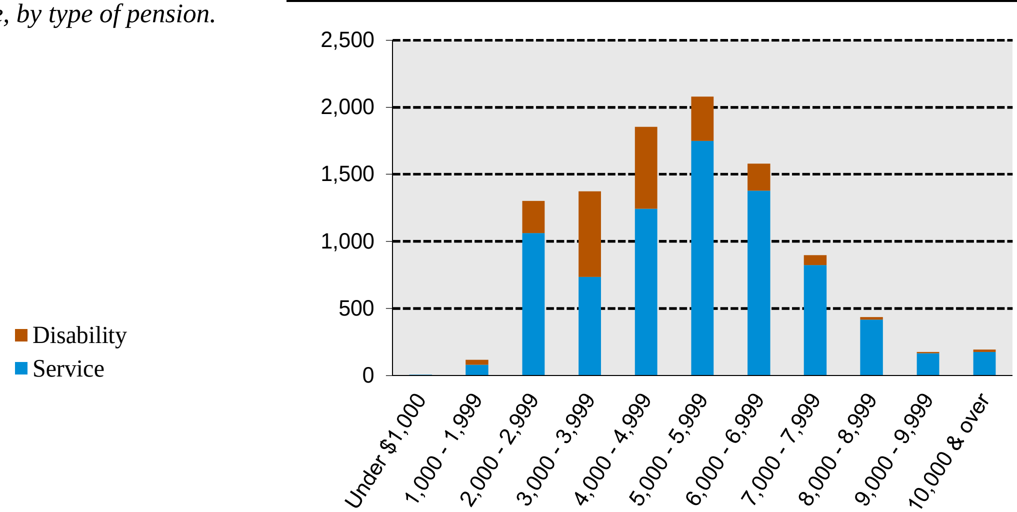
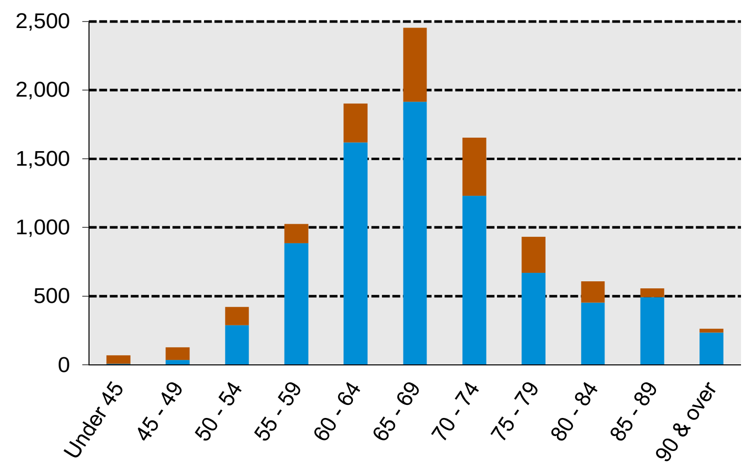


CHART 5

Distribution of Retired Members and by Type and by Age as of June 30, 2012 (Includes July 1 COLA)



B. FINANCIAL INFORMATION

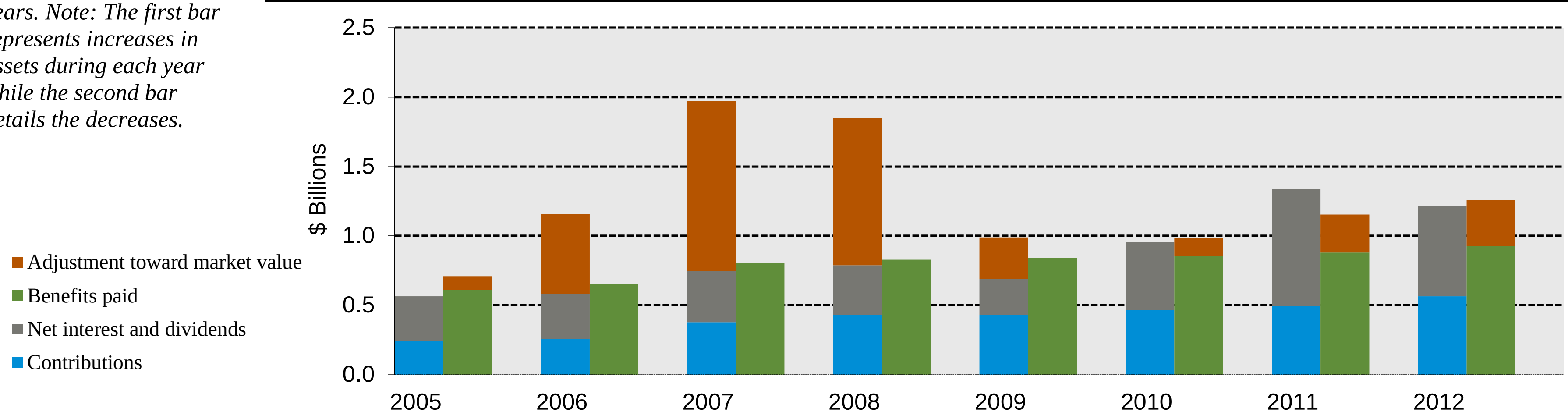
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 eight 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 – 2012



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, 2012

	Original Amount	Percent Not Recognized[2]	Amount Not Recognized	
1. Market value of assets (for Retirement and Health Subsidy Benefits)				$14,132,070,728
2. Calculation of unrecognized return[1]				
(a) Year ended June 30, 2012	-$1,024,245,456	85.71%	-$877,924,677	
(b) Year ended June 30, 2011	1,641,626,618	71.43%	1,172,590,441	
(c) Year ended June 30, 2010	737,173,630	57.14%	421,242,074	
(d) Year ended June 30, 2009	-4,113,928,646	42.86%	-1,763,112,277	
(e) Year ended June 30, 2008	-2,015,976,509	0.00%	0	
(f) Total unrecognized return				-1,047,204,439
3. Preliminary actuarial value: (1) - (2f)				15,179,275,167
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				$15,179,275,167
6. Actuarial value as a percentage of market value: (5) ÷ (1)				107.4%
7. Market value of retirement assets				$13,268,686,932
8. Valuation value of retirement assets: (5) ÷ (1) x (7)				$14,251,913,532
9. Deferred return recognized in each of the next 6 years (for Retirement and Health Subsidy Benefits):				
(a) Amount recognized on June 30, 2013				-$394,196,265
(b) Amount recognized on June 30, 2014				-394,196,265
(c) Amount recognized on June 30, 2015				-394,196,265
(d) Amount recognized on June 30, 2016				193,507,827
(e) Amount recognized on June 30, 2017				88,197,308
(f) Amount recognized on June 30, 2018				-146,320,779
(g) Subtotal (may not total exactly due to rounding)				-$1,047,204,439

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

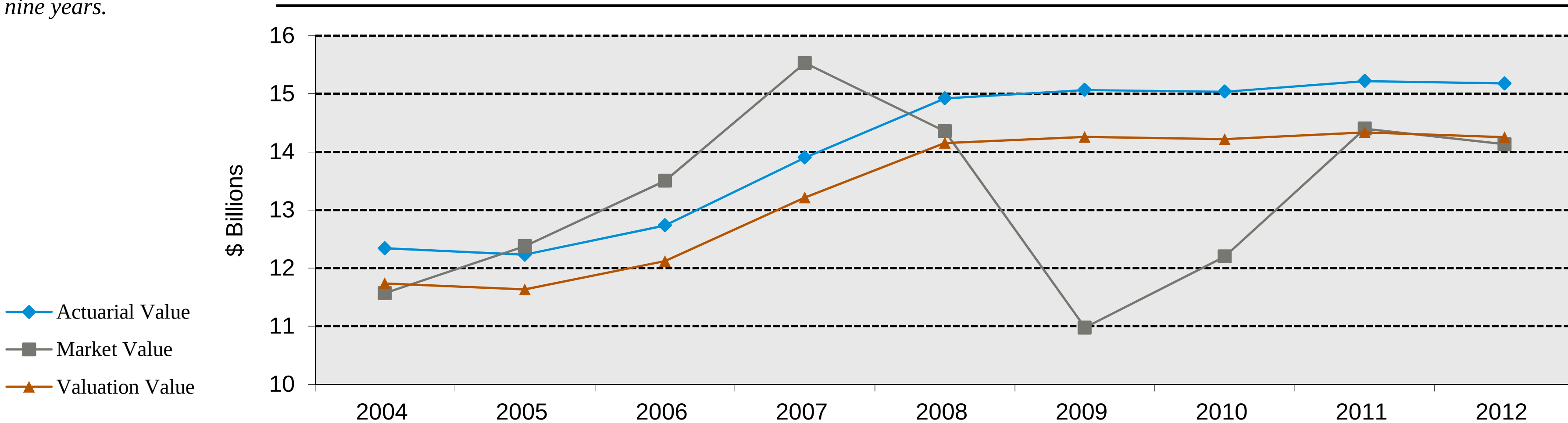
(2) *Any investment gains/losses established after July 1, 2008 are recognized over a seven-year period.*

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 nine years.

CHART 8

Actuarial Value of Assets*, Valuation Value of Assets and Market Value of Assets* as of June 30, 2004 – 2012**



* *Retirement and Health assets*
** *Retirement only assets*

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 $378,154,983 was due mainly to an investment loss of $802,393,983 offset by salary gains and less than expected COLA increases for retirees. The net experience variation from all sources was 2.2% 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, 2012

1.	Net gain/(loss) from investments[1]	-$802,393,983
2.	Net gain/(loss) from other experience[2]	424,239,000
3.	Net experience gain/(loss): (1) + (2)	-$378,154,983

(1) *Details in Chart 10.*

(2) *Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2011 to June 30, 2012, compared to the projected experience as predicted by the actuarial assumptions as of June 30, 2011.*

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 7.75%. The actual rate of return on the actuarial value of assets basis for the 2012 plan year was 2.10%.

Since the actual return for the year was lower than the assumed return, LAFPP experienced an actuarial loss during the year ended June 30, 2012 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, 2012

	All Assets[1]	Assets for Retirement Only
1. Actual return	$320,400,668	$305,054,751
2. Average value of assets	15,243,476,137	14,289,661,084
3. Actual rate of return: (1) ÷ (2)	2.10%	2.13%
4. Assumed rate of return	7.75%	7.75%
5. Expected return: (2) x (4)	$1,181,369,401	$1,107,448,734
6. Actuarial gain/(loss): (1) – (5)	-$860,968,733	-$802,393,983

[1] *Includes all assets for Retirement and Health Subsidy Benefits.*

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.

CHART 11

Investment Return[1] – Actuarial Value vs. Market Value: 2005 – 2012

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%
2011	568,411,044	3.78%	2,585,948,784	21.22%
2012	320,400,668	2.10%	93,546,777	0.65%
Eight-Year Average Return		5.48%		5.53%

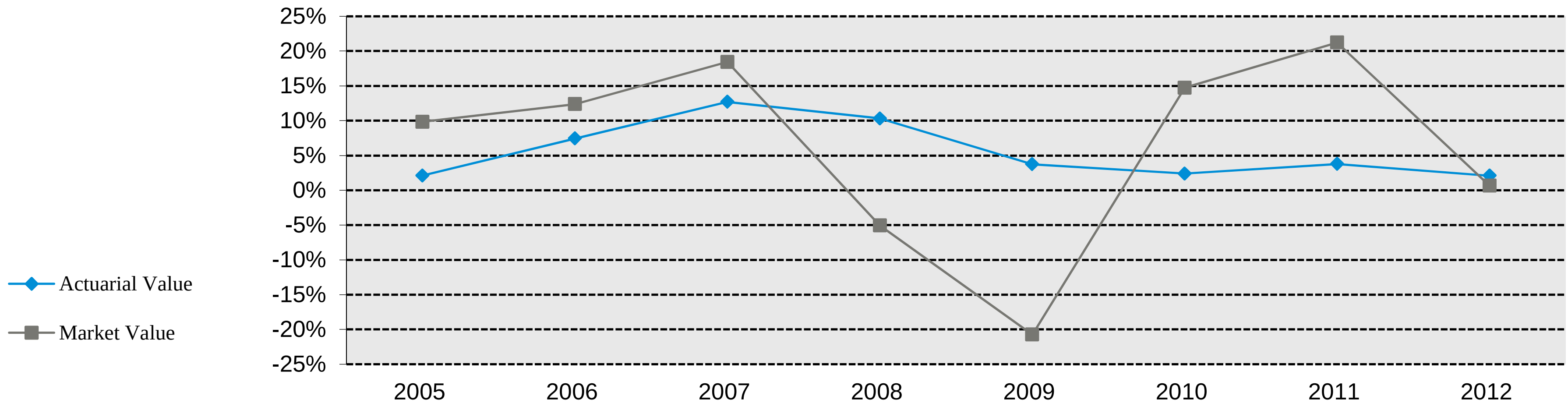
[1] *Includes all assets for Retirement and Health Subsidy Benefits*

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 - 2012.

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2005 - 2012



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, 2012 amounted to $424,239,000, 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, 2012 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, 2012

1. Gain due to lower than expected salary increases for continuing actives	$277,758,910
2. Gain due to lower than expected COLA for continuing retirees and beneficiaries	108,995,547
3. Miscellaneous gain	37,484,543
4. Net gain/(loss)	$424,239,000

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 contribution rate of 34.61% of payroll if paid at beginning of year.

The 34.61% contribution rate is <u>after</u> adjustments for the 2% additional contributions that have been implemented by the City for those employers who opted to make such contributions. The contribution rate is also <u>before</u> adjustments to phase in over three years the City contributions rate impact of new actuarial assumptions adopted for the June 30, 2011 valuation.

CHART 14

Recommended Contribution (Before Phase-In)

Tier 1 Members	June 30, 2012 Amount	June 30, 2012 % of Payroll			June 30, 2011 Amount	June 30, 2011 % of Payroll
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	137,677,049				154,861,068	
5. Valuation value of assets	-57,012,559				-53,919,685	
6. Unfunded actuarial accrued liability	194,689,608				208,780,753	
7. Amortization of unfunded accrued liability	16,566,492	N/A			17,534,670	N/A
8. Total recommended contribution, payable July 1	16,566,492	N/A			17,534,670	N/A
9. Total recommended contribution, payable July 15	16,618,096	N/A			17,589,290	N/A
10. Total recommended contribution, payable biweekly	17,196,466	N/A			18,223,382	N/A
11. Projected payroll used for developing normal cost rate	N/A				N/A	

	June 30, 2012				June 30, 2011	
	New Payroll Base to Amortize UAAL (1)		*Old Payroll Base to Amortize UAAL (2)*		*After Adjustment for 2% Additional Health Contributions (2)*	
Tier 2 Members	Amount	% of Payroll	Amount	% of Payroll	Amount (3)	% of Payroll
1. Total normal cost	$2,780,120	25.38%	$2,780,120	25.38%	$2,823,662	25.78%
2. Expected employee contributions, discounted to beginning of year	-19,881	-0.18%	-19,881	-0.18%	-41,621	-0.38%
3. Employer normal cost: (1) + (2)	2,760,239	25.20%	2,760,239	25.20%	2,782,041	25.40%
4. Actuarial accrued liability	5,876,071,732		5,876,071,732		6,020,146,450	
5. Valuation value of assets	5,511,921,957		5,511,921,957		5,881,813,474	
6. Unfunded actuarial accrued liability	364,149,775		364,149,775		138,332,976	
7. Amortization of unfunded accrued liability	38,622,337	2.90%	38,622,337	2.88%	21,604,811	1.61%
8. Total recommended contribution, payable July 1	41,382,576	N/A	41,382,576	N/A	24,386,852	N/A
9. Total recommended contribution, payable July 15	41,511,482	N/A	41,511,482	N/A	24,462,817	N/A
10. Total recommended contribution, payable biweekly	42,956,230	N/A	42,956,230	N/A	25,344,698	N/A
11. Projected payroll used for developing normal cost rate	10,952,917		10,952,917		N/A	

(1) UAAL rate is calculated using the City's total payroll of $1,330,935,836.
(2) UAAL rate is calculated using the Plan's total payroll (including Harbor).
(3) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

	June 30, 2012				June 30, 2011	
	New Payroll Base to Amortize UAAL (1)		*Old Payroll Base to Amortize UAAL (2)*		*After Adjustment for 2% Additional Health Contributions (2)*	
Tier 3 Members	Amount	% of Payroll	Amount	% of Payroll	Amount (3)	% of Payroll
1. Total normal cost	$25,282,093	26.44%	$25,282,093	26.44%	$25,119,649	26.27%
2. Expected employee contributions, discounted to beginning of year	-8,585,073	-8.98%	-8,585,073	-8.98%	-8,519,835	-8.91%
3. Employer normal cost: (1) + (2)	16,697,020	17.46%	16,697,020	17.46%	16,599,814	17.36%
4. Actuarial accrued liability	833,469,294		833,469,294		793,822,446	
5. Valuation value of assets	650,850,007		650,850,007		625,146,481	
6. Unfunded actuarial accrued liability	182,619,287		182,619,287		168,675,965	
7. Amortization of unfunded accrued liability	13,379,271	1.01%	13,379,271	13.99%	9,303,928	9.73%
8. Total recommended contribution, payable July 1	30,076,291	N/A	30,076,291	31.45%	25,903,742	27.09%
9. Total recommended contribution, payable July 15	30,169,979	N/A	30,169,979	31.55%	25,980,238	27.17%
10. Total recommended contribution, payable biweekly	31,220,002	N/A	31,220,002	32.65%	26,917,324	28.15%
11. Projected payroll used for developing normal cost rate	95,621,046		95,621,046		N/A	

	June 30, 2012				June 30, 2011	
	New Payroll Base to Amortize UAAL (1)		*Old Payroll Base to Amortize UAAL (2)*		*After Adjustment for 2% Additional Health Contributions (2)*	
Tier 4 Members	Amount	% of Payroll	Amount	% of Payroll	Amount (3)	% of Payroll
1. Total normal cost	$10,099,987	24.77%	$10,099,987	24.77%	$10,009,231	24.54%
2. Expected employee contributions, discounted to beginning of year	-3,306,077	-8.11%	-3,306,077	-8.11%	-3,397,592	-8.33%
3. Employer normal cost: (1) + (2)	6,793,910	16.66%	6,793,910	16.66%	6,611,639	16.21%
4. Actuarial accrued liability	433,422,742		433,422,742		414,524,012	
5. Valuation value of assets	315,214,843		315,214,843		307,704,070	
6. Unfunded actuarial accrued liability	118,207,899		118,207,899		106,819,942	
7. Amortization of unfunded accrued liability	7,814,523	0.59%	7,814,523	19.16%	5,632,742	13.81%
8. Total recommended contribution, payable July 1	14,608,433	N/A	14,608,433	35.82%	12,244,381	30.02%
9. Total recommended contribution, payable July 15	14,653,938	N/A	14,653,938	35.93%	12,281,090	30.11%
10. Total recommended contribution, payable biweekly	15,163,948	N/A	15,163,948	37.18%	12,725,673	31.20%
11. Projected payroll used for developing normal cost rate	40,787,414		40,787,414		N/A	

(1) UAAL rate is calculated using the City's total payroll of $1,330,935,836.
(2) UAAL rate is calculated using the payroll from the respective tier only.
(3) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

Tier 5 Members (without Harbor Port Police)	June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 After Adjustment for 2% Additional Health Contributions Amount[1]	June 30, 2011 % of Payroll
1. Total normal cost	$341,095,621	29.25%		$339,329,307	29.10%
2. Expected employee contributions, discounted to beginning of year	-112,466,591	-9.64%		-111,710,473	-9.58%
3. Employer normal cost: (1) + (2)	228,629,030	19.61%		227,618,834	19.52%
4. Actuarial accrued liability	*(Tiers 5 and 6 are*			9,200,854,822	
5. Valuation value of assets	*combined. See*			7,554,147,261	
6. Unfunded actuarial accrued liability	*table below.)*			1,646,707,561	
7. Amortization of unfunded accrued liability	125,476,902	10.76%		104,830,600	8.99%
8. Total recommended contribution, payable July 1	354,105,932	30.37%		332,449,434	28.51%
9. Total recommended contribution, payable July 15	355,208,969	30.46%		333,498,906	28.60%
10. Total recommended contribution, payable biweekly	367,571,510	31.52%		345,509,531	29.63%
11. Projected payroll used for developing normal cost rate	1,166,080,092			N/A	

Tier 6 Members (without Harbor Port Police)	June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 After Adjustment for 2% Additional Health Contributions Amount[1]	June 30, 2011 % of Payroll
1. Total normal cost	$4,567,663	26.11%		$4,609,766	26.35%
2. Expected employee contributions, discounted to beginning of year	-1,851,652	-10.58%		-1,850,904	-10.58%
3. Employer normal cost: (1) + (2)	2,716,011	15.53%		2,758,862	15.77%
4. Actuarial accrued liability	*(Tiers 5 and 6 are*			0	
5. Valuation value of assets	*combined. See*			0	
6. Unfunded actuarial accrued liability	*table below.)*			0	
7. Amortization of unfunded accrued liability	1,882,494	10.76%		1,572,744	8.99%
8. Total recommended contribution, payable July 1	4,598,505	26.29%		4,331,606	24.76%
9. Total recommended contribution, payable July 15	4,612,829	26.37%		4,345,601	24.84%
10. Total recommended contribution, payable biweekly	4,773,372	27.29%		4,501,301	25.73%
11. Projected payroll used for developing normal cost rate	17,494,367			N/A	

(1) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

Combined Tiers 5 and 6 UAAL Contribution Rate Calculations for the City

	June 30, 2012			
	Tier 5	*Tier 6*	*Combined Tiers 5 and 6*	
			Amount	% of Payroll
4. Actuarial accrued liability	$9,712,253,008	$497,026	$9,712,750,034	
5. Valuation value of assets			7,804,172,923	
6. Unfunded actuarial accrued liability			1,908,577,111	
7. Amortization of unfunded accrued liability			127,359,396	10.76%
Projected payroll used for developing combined UAAL rate	1,166,080,092	17,494,367	1,183,574,459	

	June 30, 2012			June 30, 2011	
				After Adjustment for 2% Additional Health Contributions	
All Tiers Combined (without Harbor Port Police)	Amount	% of Payroll		Amount[1]	% of Payroll
1. Total normal cost	$383,825,484	28.83%		$381,891,615	28.69%
2. Expected employee contributions, discounted to beginning of year	-126,229,274	-9.48%		-125,520,425	-9.43%
3. Employer normal cost: (1) + (2)	257,596,210	19.35%		256,371,190	19.26%
4. Actuarial accrued liability	16,993,390,851			16,584,208,798	
5. Valuation value of assets	14,225,147,171			14,314,891,601	
6. Unfunded actuarial accrued liability	2,768,243,680			2,269,317,197	
7. Amortization of unfunded accrued liability	203,742,019	15.31%		160,479,495	12.06%
8. Total recommended contribution, payable July 1	461,338,229	34.66%		416,850,685	31.32%
9. Total recommended contribution, payable July 15	462,775,293	34.77%		418,157,943	31.42%
10. Total recommended contribution, payable biweekly	478,881,527	35.98%		433,221,910	32.55%
11. Projected payroll used for developing normal cost rate	1,330,935,836			N/A	

(1) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

Harbor Port Police Tier 5	June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 *After Adjustment for 2% Additional Health Contributions* Amount[1]	June 30, 2011 *After Adjustment for 2% Additional Health Contributions* % of Payroll
1. Total normal cost	$3,314,279	30.41%		$3,291,001	30.20%
2. Expected employee contributions, discounted to beginning of year	-1,106,051	-10.15%		-1,101,722	-10.11%
3. Employer normal cost: (1) + (2)	2,208,228	20.26%		2,189,279	20.09%
4. Actuarial accrued liability	*(Tiers 5 and 6 are*			32,267,468	
5. Valuation value of assets	*combined. See*			22,777,808	
6. Unfunded actuarial accrued liability	*table below.)*			9,489,660	
7. Amortization of unfunded accrued liability	914,405	8.39%		831,468	7.63%
8. Total recommended contribution, payable July 1	3,122,633	28.65%		3,020,747	27.72%
9. Total recommended contribution, payable July 15	3,132,360	28.74%		3,030,554	27.81%
10. Total recommended contribution, payable biweekly	3,241,377	29.74%		3,139,528	28.81%
11. Projected payroll used for developing normal cost rate	10,897,354			N/A	

Harbor Port Police Tier 6	June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 *After Adjustment for 2% Additional Health Contributions* Amount[1]	June 30, 2011 *After Adjustment for 2% Additional Health Contributions* % of Payroll
1. Total normal cost	$21,760	27.01%		$21,225	26.35%
2. Expected employee contributions, discounted to beginning of year	-8,526	-10.58%		-8,522	-10.58%
3. Employer normal cost: (1) + (2)	13,234	16.43%		12,703	15.77%
4. Actuarial accrued liability	*(Tiers 5 and 6 are*			0	
5. Valuation value of assets	*combined. See*			0	
6. Unfunded actuarial accrued liability	*table below.)*			0	
7. Amortization of unfunded accrued liability	6,759	8.39%		6,146	7.63%
8. Total recommended contribution, payable July 1	19,993	24.82%		18,849	23.40%
9. Total recommended contribution, payable July 15	20,055	24.90%		18,905	23.47%
10. Total recommended contribution, payable biweekly	20,753	25.76%		19,590	24.32%
11. Projected payroll used for developing normal cost rate	80,550			N/A	

(1) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

Combined Tiers 5 and 6 UAAL Contribution Rate Calculations for Harbor Port Police

	June 30, 2012			
	Tier 5	*Tier 6*	*Combined Tiers 5 and 6*	
			Amount	% of Payroll
4. Actuarial accrued liability	$37,422,821	$19,512	$37,442,333	
5. Valuation value of assets			26,766,361	
6. Unfunded actuarial accrued liability			10,675,972	
7. Amortization of unfunded accrued liability			921,164	8.39%
Projected payroll used for developing combined UAAL rate	10,897,354	80,550	10,977,904	

	June 30, 2012			June 30, 2011	
				After Adjustment for 2% Additional Health Contributions	
Harbor Port Police Combined (Tiers 5 and 6)	Amount	% of Payroll		Amount(1)	% of Payroll
1. Total normal cost	$3,336,039	30.39%		$3,312,226	30.17%
2. Expected employee contributions, discounted to beginning of year	-1,114,577	-10.15%		-1,110,244	-10.11%
3. Employer normal cost: (1) + (2)	$2,221,462	20.24%		$2,201,982	20.06%
4. Actuarial accrued liability	37,442,333			32,267,468	
5. Valuation value of assets	26,766,361			22,777,808	
6. Unfunded actuarial accrued liability	10,675,972			9,489,660	
7. Amortization of unfunded accrued liability	921,164	8.39%		837,614	7.63%
8. Total recommended contribution, payable July 1	3,142,626	28.63%		3,039,596	27.69%
9. Total recommended contribution, payable July 15	3,152,415	28.72%		3,049,459	27.78%
10. Total recommended contribution, payable biweekly	3,262,130	29.72%		3,159,117	28.78%
11. Projected payroll used for developing normal cost rate	10,977,904			N/A	

(1) Amounts are revised to reflect payroll as of June 30, 2012.

CHART 14

Recommended Contribution (Before Phase-In) (Continued)

	June 30, 2012			June 30, 2011	
				After Adjustment for 2% Additional Health Contributions	
All Tiers Combined	Amount	% of Payroll		Amount[1]	% of Payroll
1. Total normal cost	$387,161,523	28.85%		$385,203,841	28.71%
2. Expected employee contributions, discounted to beginning of year	-127,343,851	-9.49%		-126,630,669	-9.44%
3. Employer normal cost: (1) + (2)	259,817,672	19.36%		258,573,172	19.27%
4. Actuarial accrued liability	17,030,833,184			16,616,476,266	
5. Valuation value of assets	14,251,913,532			14,337,669,409	
6. Unfunded actuarial accrued liability	2,778,919,652			2,278,806,857	
7. Amortization of unfunded accrued liability	204,663,183	15.25%		161,317,109	12.02%
8. Total recommended contribution, payable July 1	464,480,855	34.61%		419,890,281	31.29%
9. Total recommended contribution, payable July 15	465,927,708	34.72%		421,207,402	31.39%
10. Total recommended contribution, payable biweekly	482,143,657	35.93%		436,381,027	32.52%
11. Projected payroll used for developing normal cost rate	1,341,913,740			N/A	

(1) Amounts are revised to reflect payroll as of June 30, 2012.

If paid by the City at the beginning of the year, the calculated normal cost is 19.36% payroll. The remaining 15.25% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 17.6 years.

The contribution rates as of June 30, 2012 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 Rate* from June 30, 2011 to June 30, 2012

Recommended Contribution as of June 30, 2011 (Assuming Payment at the Beginning of the Year)	31.29%**
Effect of contributions (more)/less than recommended contribution, from one-year delay between valuation and rate implementation	0.60%
Effect of investment (gain)/loss	4.01%
Effect of difference in actual versus expected salary increase	-1.39%
Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.53%
Effect of retiree COLA more/(less) than assumed	-0.55%
Effect of other actuarial (gains)/losses***	0.12%
Total change	3.32%
Recommended Contribution as of June 30, 2012 (Assuming Payment at the Beginning of the Year)	34.61%

* *Contribution rates are after adjustments for the 2% additional contributions that have been implemented by the City for those employees who opted to make such contributions. Contribution rates are before adjustments to phase in over three years the City contributions rate impact of new actuarial assumptions adopted for the June 30, 2011 valuation.*

** *Revised using payroll as of June 30, 2012.*

*** *Includes a gain of about 0.09% from more than expected deaths among retirees.*

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

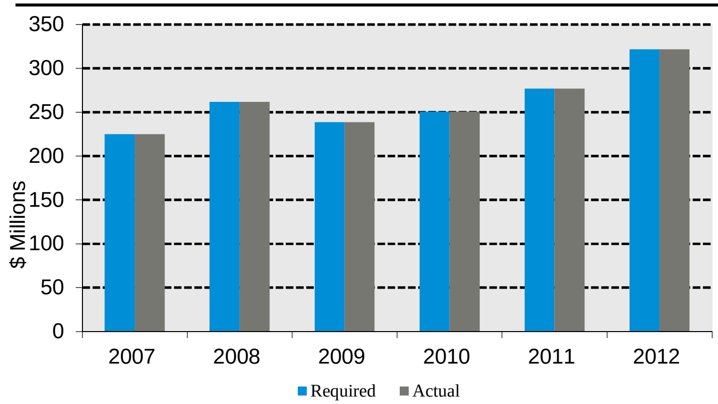
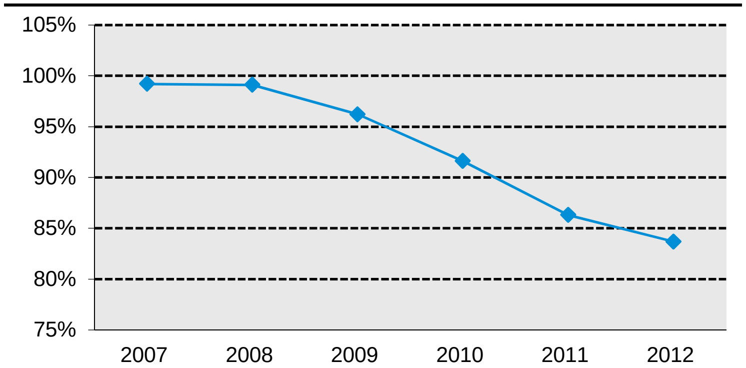


CHART 17

Funded Ratio



F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of retirement assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For LAFPP, the current AVR is about 9.9. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 9.9% of one-year's payroll. Since LAFPP amortizes actuarial gains and losses over a period of 20 years, there would be a 0.7% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For LAFPP, the current LVR is about 12.7. This is about 28% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 18

Volatility Ratios for Years Ended June 30, 2008 – 2012

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008[1]	11.3	11.8
2009	7.6	10.9
2010	8.5	11.4
2011	10.1	12.4
2012	9.9	12.7

(1) 2008 payroll was based on actual payroll reported by LAFPP for 2007-2008, but payroll for subsequent years was based on estimated payroll projected by Segal for the plan year beginning July 1.

EXHIBIT A

Table of Plan Coverage

Total

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	13,396	13,432	-0.3%
Average age	41.5	41.2	N/A
Average service	14.5	14.2	N/A
Projected total payroll	$1,341,913,739	$1,343,963,356	-0.2%
Projected average payroll	$100,173	$100,057	0.1%
Account balances	$1,554,523,952	$1,471,923,465	5.6%
Total active vested members	4,601	4,808	-4.3%
Vested terminated members:			
Number	62	59	5.1%
Average age	45.8	45.1	N/A
Average monthly benefit at age 50	$2,058	$1,870	10.1%
Retired members:			
Number in pay status	7,830	7,770	0.8%
Average age at retirement	51.5	51.5	N/A
Average age	69.2	69.0	N/A
Average monthly benefit (includes July COLA)	$5,483	$5,305	3.4%
Disabled members:			
Number in pay status	2,183	2,234	-2.3%
Average age at retirement	44.0	44.1	N/A
Average age	67.9	67.3	N/A
Average monthly benefit (includes July COLA)	$4,475	$4,374	2.3%
Beneficiaries:			
Number in pay status	2,367	2,388	-0.9%
Average age	77.0	76.9	N/A
Average monthly benefit (includes July COLA)	$3,946	$3,825	3.2%

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
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	113	130	-13.1%
Average age at retirement	46.4	46.3	N/A
Average age	85.0	84.8	N/A
Average monthly benefit (includes July COLA)	$2,283	$2,234	2.2%
Disabled members:			
Number in pay status	115	136	-15.4%
Average age at retirement	36.8	37.3	N/A
Average age	81.5	81.3	N/A
Average monthly benefit (includes July COLA)	$2,853	$2,768	3.1%
Beneficiaries:			
Number in pay status	372	420	-11.4%
Average age	84.4	84.5	N/A
Average monthly benefit (includes July COLA)	$2,499	$2,472	1.1%

EXHIBIT A

Table of Plan Coverage

ii. Tier 2

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	87	115	-24.3%
Average age	55.9	55.2	N/A
Average service	33.0	32.3	N/A
Projected total payroll	$10,952,917	$14,271,877	-23.3%
Projected average payroll	$125,896	$124,103	1.4%
Account balances	$20,489,001	$26,343,793	-22.2%
Total active vested members	87	115	-24.3%
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	5,048	5,220	-3.3%
Average age at retirement	50.4	50.5	N/A
Average age	72.8	72.3	N/A
Average monthly benefit (includes July COLA)	$4,846	$4,738	2.3%
Disabled members:			
Number in pay status	1,673	1,715	-2.4%
Average age at retirement	45.2	45.3	N/A
Average age	70.7	69.8	N/A
Average monthly benefit (includes July COLA)	$4,743	$4,649	2.0%
Beneficiaries:			
Number in pay status	1,814	1,792	1.2%
Average age	77.8	77.6	N/A
Average monthly benefit (includes July COLA)	$4,137	$4,038	2.5%

EXHIBIT A
Table of Plan Coverage
iii. Tier 3

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	922	937	-1.6%
Average age	46.3	45.3	N/A
Average service	18.3	17.2	N/A
Projected total payroll	$95,621,046	$96,483,412	-0.9%
Projected average payroll	$103,710	$102,971	0.7%
Account balances	$122,795,491	$113,030,483	8.6%
Total active vested members	918	933	-1.6%
Vested terminated members:			
Number	54	52	3.8%
Average age	45.5	44.7	N/A
Average monthly benefit at age 50	$1,780	$1,701	4.6%
Retired members:			
Number in pay status	151	143	5.6%
Average age at retirement	52.3	52.3	N/A
Average age	59.5	59.0	N/A
Average monthly benefit (includes July COLA)	$2,556	$2,486	2.8%
Disabled members:			
Number in pay status	247	245	0.8%
Average age at retirement	39.7	39.6	N/A
Average age	53.6	52.6	N/A
Average monthly benefit (includes July COLA)	$3,382	$3,312	2.1%
Beneficiaries:			
Number in pay status	68	71	-4.2%
Average age	52.7	50.1	N/A
Average monthly benefit (includes July COLA)	$3,958	$3,762	5.2%

EXHIBIT A

Table of Plan Coverage

iv. Tier 4

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	383	397	-3.5%
Average age	43.6	42.8	N/A
Average service	19.0	18.2	N/A
Projected total payroll	$40,787,414	$42,110,657	-3.1%
Projected average payroll	$106,495	$106,072	0.4%
Account balances	$56,069,673	$54,089,104	3.7%
Total active vested members	184	193	-4.7%
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	153	141	8.5%
Average age at retirement	45.6	45.4	N/A
Average age	51.6	50.6	N/A
Average monthly benefit (includes July COLA)	$4,287	$4,132	3.8%
Disabled members:			
Number in pay status	41	41	0.0%
Average age at retirement	42.1	42.1	N/A
Average age	50.8	49.8	N/A
Average monthly benefit (includes July COLA)	$4,442	$4,334	2.5%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	49.6	48.6	N/A
Average monthly benefit (includes July COLA)	$7,661	$7,676	-0.2%

EXHIBIT A

Table of Plan Coverage

v. Tier 5 (without Harbor Port Police)

Category	Year Ended June 30 2012	2011	Change From Prior Year
Active members in valuation:			
Number	11,538	11,872	-2.8%
Average age	41.4	40.7	N/A
Average service	14.4	13.7	N/A
Projected total payroll	$1,166,080,092	$1,180,624,084	-1.2%
Projected average payroll	$101,064	$99,446	1.6%
Account balances	$1,349,183,921	$1,273,509,243	5.9%
Total active vested members	3,403	3,558	-4.4%
Vested terminated members:			
Number	8	7	14.3%
Average age	47.9	48.1	N/A
Average monthly benefit at age 50	$3,939	$3,131	25.8%
Retired members:			
Number in pay status	2,361	2,133	10.7%
Average age at retirement	54.5	54.7	N/A
Average age	62.5	62.0	N/A
Average monthly benefit (includes July COLA)	$7,262	$7,146	1.6%
Disabled members:			
Number in pay status	105	95	10.5%
Average age at retirement	43.6	43.6	N/A
Average age	48.7	48.1	N/A
Average monthly benefit (includes July COLA)	$4,577	$4,464	2.5%
Beneficiaries:			
Number in pay status	110	102	7.8%
Average age	55.2	54.1	N/A
Average monthly benefit (includes July COLA)	$5,585	$5,586	0.0%

EXHIBIT A

Table of Plan Coverage

vi. Tier 6 (without Harbor Port Police)

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	354	0	N/A
Average age	26.8	N/A	N/A
Average service	0.2	N/A	N/A
Projected total payroll	$17,494,367	N/A	N/A
Projected average payroll	$49,419	N/A	N/A
Account balances	$383,108	N/A	N/A
Total active vested members	0	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	0	0	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
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

EXHIBIT A

Table of Plan Coverage

vii. Harbor Port Police (Tier 5)

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	111	111	0.0%
Average age	37.7	36.7	N/A
Average service	8.0	7.0	N/A
Projected total payroll	$10,897,354	$10,473,326	4.0%
Projected average payroll	$98,174	$94,354	4.0%
Account balances	$5,594,758	$4,950,841	13.0%
Total active vested members	9	9	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	4	3	33.3%
Average age at retirement	53.8	55.1	N/A
Average age	56.5	57.4	N/A
Average monthly benefit (includes July COLA)	$5,342	$5,970	-10.5%
Disabled members:			
Number in pay status	2	2	0.0%
Average age at retirement	40.1	40.1	N/A
Average age	47.1	46.1	N/A
Average monthly benefit (includes July COLA)	$4,780	$4,682	2.1%
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

EXHIBIT A

Table of Plan Coverage

viii. Harbor Port Police (Tier 6)

Category	Year Ended June 30 2012	Year Ended June 30 2011	Change From Prior Year
Active members in valuation:			
Number	1	0	N/A
Average age	33.1	N/A	N/A
Average service	0.9	N/A	N/A
Projected total payroll	$80,550	N/A	N/A
Projected average payroll	$80,550	N/A	N/A
Account balances	$7,999	N/A	N/A
Total active vested members	0	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	0	0	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
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

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
Total

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	240	240	- -	- -	- -	- -	- -	- -	- -	- -
	$56,251	$56,251	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,519	1,212	307	- -	- -	- -	- -	- -	- -	- -
	79,302	76,179	$91,633	- -	- -	- -	- -	- -	- -	- -
30 - 34	1,934	703	1,061	170	- -	- -	- -	- -	- -	- -
	89,932	81,352	93,869	$100,837	- -	- -	- -	- -	- -	- -
35 - 39	2,188	262	668	933	325	- -	- -	- -	- -	- -
	97,023	81,751	93,835	100,853	$104,893	- -	- -	- -	- -	- -
40 - 44	2,479	105	283	729	1,120	240	2	- -	- -	- -
	102,952	78,916	94,681	100,884	106,685	$111,954	$118,064	- -	- -	- -
45 - 49	2,348	38	84	240	589	1,172	222	3	- -	- -
	109,382	82,942	93,387	101,157	106,035	113,062	118,151	$120,790	- -	- -
50 - 54	1,790	8	16	71	185	538	605	363	4	- -
	114,404	82,466	94,521	102,756	105,002	112,207	115,642	124,209	$117,760	- -
55 - 59	740	2	2	15	46	120	223	274	58	- -
	117,435	72,954	95,314	103,698	101,393	111,071	114,978	122,732	133,596	- -
60 - 64	144	- -	- -	2	12	10	33	51	36	- -
	114,391	- -	- -	102,012	104,086	109,750	110,302	117,495	119,154	- -
65 - 69	12	- -	- -	2	1	2	5	1	- -	1
	110,767	- -	- -	103,022	111,034	124,458	107,220	96,480	- -	$130,637
70 & over	2	- -	- -	- -	- -	1	- -	- -	1	- -
	103,757	- -	- -	- -	- -	96,480	- -	- -	111,034	- -
Total	13,396	2,570	2,421	2,162	2,278	2,083	1,090	692	99	1
	$100,173	$76,530	$93,660	$100,981	$106,006	$112,586	$115,821	$123,074	$127,477	$130,637

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
i. Tier 1

		Years of Service								
Age	**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	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
ii. Tier 2

		Years of Service								
Age	**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	44	--	--	--	--	--	--	43	1	--
	$127,869	--	--	--	--	--	--	$128,441	$103,279	--
55 - 59	34	--	--	--	--	--	--	30	4	--
	127,181	--	--	--	--	--	--	126,314	133,686	--
60 - 64	8	--	--	--	--	--	--	3	5	--
	111,435	--	--	--	--	--	--	106,232	114,557	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	1	--	--	--	--	--	--	--	1	--
	111,034	--	--	--	--	--	--	--	111,034	--
Total	87	--	--	--	--	--	--	76	11	--
	$125,896	--	--	--	--	--	--	$126,725	$120,168	--

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
iii. Tier 3

		Years of Service								
Age	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	112	- -	1	37	74	- -	- -	- -	- -	- -
	$101,370	- -	$93,895	$101,599	$101,357	- -	- -	- -	- -	- -
40 - 44	314	- -	- -	54	231	29	- -	- -	- -	- -
	102,594	- -	- -	98,054	103,283	$105,558	- -	- -	- -	- -
45 - 49	291	1	2	22	122	135	9	- -	- -	- -
	104,660	$65,619	87,844	97,786	103,566	107,267	$105,250	- -	- -	- -
50 - 54	127	- -	- -	11	45	52	19	- -	- -	- -
	105,297	- -	- -	113,389	101,479	105,670	108,632	- -	- -	- -
55 - 59	58	- -	- -	6	21	22	9	- -	- -	- -
	104,615	- -	- -	101,188	99,960	108,615	107,983	- -	- -	- -
60 - 64	13	- -	- -	1	9	2	1	- -	- -	- -
	107,536	- -	- -	102,012	105,729	118,916	106,561	- -	- -	- -
65 - 69	6	- -	- -	2	1	1	2	- -	- -	- -
	110,412	- -	- -	103,022	111,034	137,881	103,757	- -	- -	- -
70 & over	1	- -	- -	- -	- -	1	- -	- -	- -	- -
	96,480	- -	- -	- -	- -	96,480	- -	- -	- -	- -
Total	922	1	3	133	503	242	40	- -	- -	- -
	$103,710	$65,619	$89,861	$100,510	$102,827	$107,020	$107,429	- -	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
iv. Tier 4

		Years of Service								
Age	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	34	- -	- -	34	- -	- -	- -	- -	- -	- -
	$96,770	- -	- -	$96,770	- -	- -	- -	- -	- -	- -
35 - 39	106	- -	3	99	4	- -	- -	- -	- -	- -
	98,419	- -	$99,221	98,200	$103,262	- -	- -	- -	- -	- -
40 - 44	56	- -	1	31	10	14	- -	- -	- -	- -
	103,026	- -	95,428	96,911	107,480	$113,927	- -	- -	- -	- -
45 - 49	116	- -	3	9	1	73	30	- -	- -	- -
	112,582	- -	105,805	96,572	98,411	112,999	$117,520	- -	- -	- -
50 - 54	66	- -	1	3	- -	2	42	18	- -	- -
	116,478	- -	105,805	104,824	- -	106,464	112,680	$128,986	- -	- -
55 - 59	5	- -	- -	- -	- -	- -	2	3	- -	- -
	109,659	- -	- -	- -	- -	- -	112,296	107,901	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	383	- -	8	176	15	89	74	21	- -	- -
	$106,495	- -	$102,039	$97,726	$105,751	$112,998	$114,632	$125,974	- -	- -

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
v. Tier 5 (without Harbor Port Police)

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	100	100	- -	- -	- -	- -	- -	- -	- -	- -
	$66,845	$66,845	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,356	1,052	304	- -	- -	- -	- -	- -	- -	- -
	82,506	79,863	$91,651	- -	- -	- -	- -	- -	- -	- -
30 - 34	1,813	635	1,042	136	- -	- -	- -	- -	- -	- -
	90,717	83,242	93,818	$101,854	- -	- -	- -	- -	- -	- -
35 - 39	1,935	239	653	796	247	- -	- -	- -	- -	- -
	97,038	82,955	93,816	101,134	$105,978	- -	- -	- -	- -	- -
40 - 44	2,095	98	279	640	879	197	2	- -	- -	- -
	103,135	79,870	94,645	101,299	107,570	$112,755	$118,064	- -	- -	- -
45 - 49	1,926	32	78	203	465	964	181	3	- -	- -
	109,927	82,150	92,822	101,612	106,650	113,878	118,731	$120,790	- -	- -
50 - 54	1,547	6	15	56	139	483	543	302	3	- -
	114,714	80,594	93,769	100,768	105,996	112,861	116,158	123,321	$122,586	- -
55 - 59	639	2	2	8	25	97	210	241	54	- -
	118,009	72,954	95,314	102,861	102,597	111,746	114,834	122,470	133,590	- -
60 - 64	121	- -	- -	1	3	8	32	47	30	- -
	115,339	- -	- -	102,012	99,158	107,459	110,419	118,312	120,093	- -
65 - 69	6	- -	- -	- -	- -	1	3	1	- -	1
	111,123	- -	- -	- -	- -	111,034	109,528	96,480	- -	$130,637
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	11,538	2,164	2,373	1,840	1,758	1,750	971	594	87	1
	$101,064	$80,624	$93,606	$101,294	$106,893	$113,322	$116,146	$122,522	$128,556	$130,637

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
vi. Tier 6 (without Harbor Port Police)

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	140	140	--	--	--	--	--	--	--	--
	$48,684	$48,684	--	--	--	--	--	--	--	--
25 - 29	149	149	--	--	--	--	--	--	--	--
	49,402	49,402	--	--	--	--	--	--	--	--
30 - 34	43	43	--	--	--	--	--	--	--	--
	50,140	50,140	--	--	--	--	--	--	--	--
35 - 39	14	14	--	--	--	--	--	--	--	--
	54,689	54,689	--	--	--	--	--	--	--	--
40 - 44	4	4	--	--	--	--	--	--	--	--
	48,644	48,644	--	--	--	--	--	--	--	--
45 - 49	3	3	--	--	--	--	--	--	--	--
	51,656	51,656	--	--	--	--	--	--	--	--
50 - 54	1	1	--	--	--	--	--	--	--	--
	46,532	46,532	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	354	354	--	--	--	--	--	--	--	--
	$49,419	$49,419	--	--	--	--	--	--	--	--

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
vii. Harbor Port Police (Tier 5)

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	14	11	3	--	--	--	--	--	--	--
	$87,219	$86,501	$89,853	--	--	--	--	--	--	--
30 - 34	43	24	19	--	--	--	--	--	--	--
	91,446	87,322	96,655	--	--	--	--	--	--	--
35 - 39	21	9	11	1	--	--	--	--	--	--
	93,660	91,891	93,432	$112,089	--	--	--	--	--	--
40 - 44	10	3	3	4	--	--	--	--	--	--
	97,128	88,089	97,722	103,463	--	--	--	--	--	--
45 - 49	12	2	1	6	1	--	2	--	--	--
	119,892	151,217	111,264	104,993	$128,711	--	$133,170	--	--	--
50 - 54	5	1	--	1	1	1	1	--	--	--
	117,344	129,628	--	90,888	125,456	$147,711	93,036	--	--	--
55 - 59	4	--	--	1	--	1	2	--	--	--
	138,415	--	--	125,456	--	99,568	164,318	--	--	--
60 - 64	2	--	--	--	--	--	--	1	1	--
	113,432	--	--	--	--	--	--	$112,894	$113,970	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	111	50	37	13	2	2	5	1	1	--
	$98,174	$91,412	$95,627	$105,557	$127,084	$123,640	$137,602	$112,894	$113,970	--

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2012
By Age and Years of Service
viii. Harbor Port Police (Tier 6)

		Years of Service								
Age	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	1	1	--	--	--	--	--	--	--	--
	$80,550	$80,550	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	1	1	--	--	--	--	--	--	--	--
	$80,550	$80,550	--	--	--	--	--	--	--	--

EXHIBIT C

Reconciliation of Member Data

	Active Members *	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2011	13,432	59	2,234**	7,770**	2,388	25,883
New members	359	N/A	N/A	N/A	140	499
Terminations – with vested rights	-9	9	0	0	0	0
Retirements	-281	-7	N/A	288	N/A	0
New disabilities	-9	0	10	-1	N/A	0
Died with or without beneficiary	-10	0	-61	-229	-153	-453
Refund of member contributions	-87	0	0	0	0	-87
Rehired	1	-1	0	0	N/A	0
Certain period expired	N/A	N/A	0	0	-7	-7
Data adjustments	0	2	0	2	-1	3
Number as of June 30, 2012	13,396	62	2,183	7,830	2,367	25,838

* *Includes DROP members*

** *Includes 13 new retirees during the period July 1, 2011 to July 14, 2011*

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, 2012		Year Ended June 30, 2011	
Contribution income:				
Employer contributions	$444,565,284		$388,773,459	
Employee contributions	120,099,124		105,471,264	
Net contribution income		$564,664,408		$494,244,723
Investment income:				
Interest, dividends and other income	$717,830,011		$908,922,544	
Recognition of capital appreciation	-331,120,612		-274,002,668	
Less investment and administrative fees	-66,308,731		-66,508,832	
Net investment income		320,400,668		568,411,044
Total income available for benefits		$885,065,076		$1,062,655,767
Less benefit payments		-$926,349,506		-$878,952,809
Change in reserve for future benefits		-$41,284,430		$183,702,958

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Cash equivalents		$6,035,672		$5,373,537
Accounts receivable:				
Accrued interest and dividends	$48,403,624		$48,270,211	
Contributions	5,144,476		4,196,667	
Due from brokers	134,347,236		19,299,002	
Total accounts receivable		187,895,336		71,765,880
Investments:				
Equities	$8,159,789,338		$8,417,166,846	
Fixed income investments	4,950,895,821		5,353,379,824	
Real estate	1,238,053,578		1,116,820,806	
Total investments at market value		14,348,738,737		14,887,367,476
Total assets		$14,542,669,745		$14,964,506,893
Less accounts payable:				
Accounts payable and benefits in process	-$26,005,492		-$21,027,725	
Due to brokers	-177,103,395		-304,894,567	
Mortgage payable	-207,490,130		-238,375,552	
Total accounts payable		-$410,599,017		-$564,297,844
Net assets at market value		$14,132,070,728		$14,400,209,049*
Net assets at actuarial value		$15,179,275,167		$15,220,559,597
Net assets at valuation value (retirement benefits)		$14,251,913,532		$14,337,669,409

* *Based on unaudited market value of assets. Subsequent to the June 30, 2011 valuation, the market value of assets was changed to $14,405,391,068.*

EXHIBIT F

Development of the Fund Through June 30, 2012 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
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
2011	388,773,459	105,471,264	568,411,044	878,952,809	15,220,559,597
2012	444,565,284	120,099,124	320,400,668	926,349,506	15,179,275,167

(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.*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2012

1.	Unfunded actuarial accrued liability at beginning of year	$2,278,806,857
2.	Total normal cost at beginning of year	385,690,664
3.	Actual employer and member contributions	-441,692,557
4.	Interest	177,959,705
5.	Expected unfunded actuarial accrued liability[(1)]: (1) + (2) + (3) + (4)	2,400,764,669
6	Actuarial (gain)/loss due to all changes:	
	(a) Investment loss	802,393,983
	(b) Salary increases less than expected	-277,758,910
	(c) COLA increases less than expected for retirees	-108,995,547
	(d) Other experience gain[(2)]	-37,484,543
	(e) Total changes	378,154,983
7.	Unfunded actuarial accrued liability at end of year: (5) + (6e)	$2,778,919,652

(1) *Includes a contribution loss of about $119 million due to one-year delay in implementation of the contribution rates determined in the June 30, 2011 valuation.*

(2) *Includes a gain of about $19 million from more than expected deaths among retirees.*

EXHIBIT H
Table of Amortization Bases

Tier 1

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment(1)
Unfunded Actuarial Accrued Liability	07/01/2012	$194,689,608	25	$16,566,492
Total		$194,689,608		$16,566,492

Tier 2

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment(2)
Unfunded Actuarial Accrued Liability	07/01/2012	-$682,186,166	25	-$39,428,827
Experience Loss	07/01/2009	50,762,992	12	5,039,932
Experience Loss	07/01/2010	204,643,225	13	19,045,457
Assumption Change	07/01/2010	1,501,445	25	86,780
Experience Loss	07/01/2011	200,647,218	14	17,606,867
Assumption Change	07/01/2011	350,327,991	25	20,248,170
Experience Loss	07/01/2012	238,453,071	20	16,023,958
Total		$364,149,775		$38,622,337

(1) *Level dollar amortization.*

(2) *Level percentage of payroll amortization.*

EXHIBIT H
Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Assumption Change	07/01/1989	-$12,054,713	7	-$1,897,299
Plan Amendment	07/01/1990	224,862	8	31,461
Assumption Change	07/01/1990	-5,051,315	8	-706,751
Assumption Change	07/01/1992	2,174,363	10	251,140
Assumption Change	07/01/1995	-19,857,855	13	-1,848,104
Plan Amendment	07/01/1996	2,835,657	14	248,830
Asset Method Change	07/01/1996	-18,330,510	14	-1,608,509
Experience Gain	07/01/1998	-4,372,559	1	-4,372,559
Plan Amendment	07/01/1998	5,749,292	16	455,023
Assumption Change	07/01/1998	9,669,676	16	765,299
Experience Gain	07/01/1999	-13,035,320	2	-6,625,263
Experience Gain	07/01/2000	-22,041,634	3	-7,591,121
Plan Amendment	07/01/2000	1,024,306	18	74,251
Experience Gain	07/01/2001	-21,951,688	4	-5,762,671
Assumption Change	07/01/2001	-31,881,653	19	-2,222,173
Experience Loss	07/01/2002	69,262,437	5	14,782,120
Experience Loss	07/01/2003	105,706,758	6	19,103,553
Experience Loss	07/01/2004	7,623,460	7	1,199,861
Assumption Change	07/01/2004	-9,857,261	22	-620,051
Experience Loss	07/01/2005	17,375,567	8	2,431,089
Assumption Change	07/01/2005	31,190,535	23	1,904,055
Experience Loss	07/01/2006	13,911,217	9	1,757,560
Assumption Change	07/01/2006	32,893,698	24	1,952,263
Experience Gain	07/01/2007	-21,210,460	16	-1,678,685

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Assumption Change	07/01/2007	-5,547,500	25	-320,633
Experience Gain	07/01/2008	-17,587,883	13	-1,636,845
Assumption Change	07/01/2008	8,712,096	26	491,107
Experience Loss	07/01/2009	9,648,807	12	957,968
Experience Loss	07/01/2010	2,082,451	13	193,807
Assumption Change	07/01/2010	27,114,951	28	1,459,875
Plan Amendment [2]	07/01/2011	-18,438	29	-972
Experience Loss	07/01/2011	1,082,197	14	94,963
Assumption Change	07/01/2011	26,152,561	29	1,378,616
Experience Loss	07/01/2012	10,983,184	20	738,066
Total		$182,619,287		$13,379,271

(1) *Level percentage of payroll amortization.*

(2) *Gain due to new retirees from non-DROP status and new DROP members during 7/1/2011 – 7/14/2011.*

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Assumption Change	07/01/1989	-$4,724,756	7	-$743,632
Plan Amendment	07/01/1990	88,134	8	12,331
Assumption Change	07/01/1990	-1,979,825	8	-277,006
Assumption Change	07/01/1992	852,225	10	98,432
Assumption Change	07/01/1995	-7,783,139	13	-724,351
Plan Amendment	07/01/1996	1,111,416	14	97,527
Asset Method Change	07/01/1996	-7,184,510	14	-630,443
Experience Gain	07/01/1998	-1,713,793	1	-1,713,793
Plan Amendment	07/01/1998	2,253,394	16	178,343
Assumption Change	07/01/1998	3,789,960	16	299,953
Experience Gain	07/01/1999	-5,109,098	2	-2,596,723
Experience Gain	07/01/2000	-8,639,057	3	-2,975,284
Plan Amendment	07/01/2000	399,132	18	28,933
Experience Gain	07/01/2001	-5,075,615	4	-1,332,430
Assumption Change	07/01/2001	-5,336,174	19	-371,935
Experience Loss	07/01/2002	11,669,978	5	2,490,629
Experience Loss	07/01/2003	41,598,165	6	7,517,710
Experience Loss	07/01/2004	7,655,829	7	1,204,956
Assumption Change	07/01/2004	-5,916,326	22	-372,154
Experience Loss	07/01/2005	10,651,229	8	1,490,258
Assumption Change	07/01/2005	16,060,383	23	980,421
Experience Loss	07/01/2006	5,143,337	9	649,815
Assumption Change	07/01/2006	16,325,414	24	968,924
Experience Gain	07/01/2007	-9,043,941	16	-715,775
Assumption Change	07/01/2007	-3,327,630	25	-192,330

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Experience Gain	07/01/2008	-4,258,898	13	-396,361
Assumption Change	07/01/2008	11,493,341	26	647,888
Experience Loss	07/01/2009	11,326,733	12	1,124,559
Experience Loss	07/01/2010	4,655,293	13	433,252
Assumption Change	07/01/2010	13,504,676	28	727,095
Plan Amendment [2]	07/01/2011	1,515,507	29	79,889
Experience Loss	07/01/2011	5,796,948	14	508,684
Assumption Change	07/01/2011	13,032,139	29	686,981
Experience Loss	07/01/2012	9,377,426	20	630,160
Total		$118,207,899		$7,814,523

[1] *Level percentage of payroll amortization.*

[2] *Loss due to new retirees from non-DROP status and new DROP members during 7/1/2011 – 7/14/2011.*

EXHIBIT H
Table of Amortization Bases (Continued)

Tier 5 and Tier 6 (without Harbor Port Police)

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Original Base	07/01/2002	-$174,572,745	20	-$11,731,224
Experience Gain	07/01/2003	-219,146,499	6	-39,604,627
Experience Loss	07/01/2004	80,350,408	7	12,646,402
Assumption Change	07/01/2004	-274,398,074	22	-17,260,450
Experience Loss	07/01/2005	194,500,480	8	27,213,384
Assumption Change	07/01/2005	481,824,712	23	29,413,432
Experience Loss	07/01/2006	54,309,272	9	6,861,498
Assumption Change	07/01/2006	326,679,949	24	19,388,673
Experience Gain	07/01/2007	-203,628,018	16	-16,115,977
Assumption Change	07/01/2007	-78,631,253	25	-4,544,710
Experience Gain	07/01/2008	-76,376,645	13	-7,108,118
Assumption Change	07/01/2008	339,039,479	26	19,111,899
Experience Loss	07/01/2009	339,342,453	12	33,691,134
Experience Loss	07/01/2010	201,586,218	13	18,760,952
Assumption Change	07/01/2010	289,607,510	28	15,592,530
Plan Amendment [2]	07/01/2011	5,817,848	29	306,684
Experience Loss	07/01/2011	123,700,092	14	10,854,728
Assumption Change	07/01/2011	249,954,840	29	13,176,210
Experience Loss	07/01/2012	248,617,082	20	16,706,976
Total		$1,908,577,111		$127,359,396

[1] *Level percentage of payroll amortization.*

[2] *Loss due to new retirees from non-DROP status and new DROP members during 7/1/2011 – 7/14/2011.*

EXHIBIT H
Table of Amortization Bases (Continued)

Harbor Port Police (Tier 5 and Tier 6)

Type	Date Established	Outstanding Balance	Years Remaining	Annual Payment[1]
Experience Gain	07/01/2008	-$162,593	13	-$15,132
Assumption Change	07/01/2008	137,096	26	7,728
Experience Loss	07/01/2009	6,257,871	12	621,304
Experience Loss	07/01/2010	1,692,286	13	157,495
Assumption Change	07/01/2010	1,088,488	28	58,604
Plan Amendment [2]	07/01/2011	42,108	29	2,220
Experience Gain	07/01/2011	-442,159	14	-38,800
Assumption Change	07/01/2011	751,036	29	39,590
Experience Loss	07/01/2012	1,311,840	20	88,155
Total		$10,675,972		$921,164

[1] *Level percentage of payroll amortization.*

[2] *Loss due to new retirees from non-DROP status and new DROP members during 7/1/2011 – 7/14/2011.*

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 $200,000 for 2012 and $205,000 for 2013. 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.

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.

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.

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 2,367 beneficiaries in pay status)		12,380
2.	Members inactive during year ended June 30, 2012 with vested rights		62
3.	Members active during the year ended June 30, 2012		13,396
	Fully vested	4,601	
	Not vested	8,795	

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

	Assets		
1.	Valuation value of retirement assets ($14,132,070,728 at market value[1] as reported by LAFPP and $15,179,275,167 at actuarial value[1])		$14,251,913,532
2.	Present value of future normal costs		
	Employee	$1,328,202,583	
	Employer	2,759,453,773	
	Total		$4,087,656,356
3.	Unfunded actuarial accrued liability		2,778,919,652
4.	Present value of current and future assets		$21,118,489,540
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$9,572,237,580	
	Inactive members with vested rights	20,796,788	
	Active members	11,525,455,172	
	Total		$21,118,489,540

[1] *Includes all assets for Retirement and Health Subsidy Benefits.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results [1]

The determination of the recommended contribution is as follows:

1.	Total normal cost	$387,161,523
2.	Expected employee contributions	-127,343,851
3.	Employer normal cost: (1) + (2)	$259,817,672
4.	Payment on projected unfunded actuarial accrued liability	204,663,183
5.	Total recommended contribution: (3) + (4), payable beginning of year	$464,480,855
6.	Total recommended contribution: adjusted for July 15 payment	$465,927,708
7.	Total recommended contribution: adjusted for biweekly payment	$482,143,657
8.	Projected payroll	$1,341,913,740
9.	Item 5 as a percentage of projected payroll: (5) ÷ (8)	34.61%
10.	Item 6 as a percentage of projected payroll: (6) ÷ (8)	34.72%
11.	Item 7 as a percentage of projected payroll: (7) ÷ (8)	35.93%

[1] *Before adjustments to phase in over three years the City contributions rate impact of new actuarial assumptions adopted in the June 30, 2011 valuation.*

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
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%
2012	321,593,433	321,593,433	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.*

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)
06/30/2007	$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%
06/30/2011	14,337,669	16,616,476	2,278,807	86.3%	1,343,963	169.6%
06/30/2012	14,251,913	17,030,833	2,778,920	83.7%	1,341,914	207.1%

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tiers 2, 3 and 4, level percent of payroll amortization with multiple layers is used as a percent of TOTAL valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer (i.e., City or Harbor Port Police). Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 25 years. Plan changes are amortized over 15 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 5.25% to 12.25% based on 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.

Plan membership:	
Retired members and beneficiaries receiving benefits	12,380
Terminated members entitled to, but not yet receiving benefits	62
Active members	13,396
Total	25,838

** See Exhibit V for these increases.*

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, 2010 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 four years for members.

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

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

The tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality, based on a review of mortality experience as of the measurement date.

Termination Rates Before Retirement:

Pre-Retirement Mortality:

	Rate (%)	
	Mortality	
Age	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.05	0.03
40	0.08	0.05
45	0.11	0.08
50	0.16	0.12
55	0.24	0.19
60	0.42	0.31

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

Termination Rates Before Retirement (continued):

Rate (%)		
Disability*		
Age	**Fire**	**Police**
20	0.02	0.02
25	0.02	0.03
30	0.03	0.05
35	0.06	0.11
40	0.15	0.29
45	0.26	0.46
50	0.42	0.56
55	1.40	1.08
60	4.40	1.46

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

Termination Rates Before Retirement (continued):

	Rate (%) Withdrawal (< 5 Years of Service)	
Service	**Fire**	**Police**
0 - 1	8.00	8.00
1 - 2	3.00	4.00
2 – 3	2.00	3.00
3 – 4	1.00	3.00
4 – 5	1.00	2.50

	Rate (%) Vested Termination (5+ Years of Service) *	
Age	**Fire**	**Police**
20	1.50	2.50
25	1.50	2.50
30	1.20	2.20
35	0.70	1.70
40	0.41	1.20
45	0.20	0.82
50	0.04	0.28
55	0.00	0.00
60	0.00	0.00

* *No vested termination is assumed after a member is eligible for retirement.*

Retirement Rates:

Age	Fire: Tiers 2&4	Fire: Tiers 3&5	Fire: Tier 6	Police: Tiers 2&4	Police: Tiers 3&5	Police: Tier 6
	Rate(%)					
41	1.00%	0.00%	0.00%	8.00%	0.00%	0.00%
42	1.00	0.00	0.00	8.00	0.00	0.00
43	1.00	0.00	0.00	10.00	0.00	0.00
44	1.00	0.00	0.00	10.00	0.00	0.00
45	1.00	0.00	0.00	10.00	0.00	0.00
46	1.00	0.00	0.00	8.00	0.00	0.00
47	1.00	0.00	0.00	8.00	0.00	0.00
48	2.00	0.00	0.00	8.00	0.00	0.00
49	2.00	0.00	0.00	8.00	0.00	0.00
50	3.00	5.00	3.00	8.00	10.00	8.00
51	3.00	5.00	3.00	10.00	10.00	10.00
52	4.00	5.00	4.00	10.00	10.00	10.00
53	5.00	5.00	5.00	15.00	10.00	15.00
54	5.00	8.00	5.00	15.00	13.00	15.00
55	10.00	10.00	10.00	20.00	16.00	18.00
56	15.00	12.00	12.00	20.00	18.00	18.00
57	15.00	15.00	15.00	20.00	22.00	22.00
58	15.00	18.00	18.00	25.00	25.00	25.00
59	15.00	20.00	20.00	25.00	30.00	30.00
60	20.00	25.00	25.00	25.00	30.00	30.00
61	20.00	30.00	30.00	25.00	30.00	30.00
62	20.00	30.00	30.00	25.00	30.00	30.00
63	25.00	35.00	35.00	30.00	30.00	30.00
64	30.00	40.00	40.00	40.00	30.00	30.00
65	100.00	100.00	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 95% DROP utilization rate if they also satisfy the requirements for participating in the DROP. Members are assumed to remain in the DROP for 5 years.

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 Vesteds:	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 6.
Member Contribution and Matching Account Crediting Rate:	5.00%
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 years of service.	
Years of Service	**Additional Salary Increase**
0	8.00%
1	7.00%
2	4.50%
3	4.00%
4	3.50%
5	3.20%
6	2.75%
7	2.50%
8	2.25%
9	2.25%
10	2.00%
11 or more	1.00%

Service Connected Disability Benefits:

Years of Service	Benefit
Less than 20	55% of Final Average Salary
20 – 30	65% of Final Average Salary
More than 30	75% of Final Average Salary

Nonservice Connected Disability Benefits: 40% of Final Average Salary

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, with Normal Cost determined as if the current benefit accrual rate had always been in effect ("replacement life").
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 changes in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate twenty year periods as a level percentage of payroll. Any changes in Surplus or Unfunded Actuarial Accrued Liability from plan amendments are amortized over separate fifteen year periods as a level percentage of payroll. Any changes in Surplus or Unfunded Actuarial Accrued Liability from plan assumption changes are amortized over separate twenty-five 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 Tiers 2, 3 and 4, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll as a percent of total valuation payroll from the respective employer (i.e., the City or Harbor Port Police). For Tiers 5 and 6, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll as a percent of combined payroll for these tiers from the respective employer (i.e., City or Harbor Port Police).
Changes in Assumptions	There were no changes in actuarial assumptions since the prior valuation.

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 and Tier 6, 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

Tier 2 (§ 1408)

Age & Service Requirement 20 years of service

Amount

Years of Service	Benefit
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

Years of Service	Benefit
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

Years of Service	Benefit
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

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

Tier 6 (§ 1704)

Age & Service Requirement Age 50 and 20 years of service

Amount

Years of Service	Benefit
20	40% of Final Average Salary
21 to 25	Additional 3% of Final Average Salary for years 21 through 25
26 to 30	Additional 4% of Final Average Salary for years 26 through 30
31+	Additional 5% of Final Average Salary per year over 30, to a maximum of 90% of Final Average Salary

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
Tier 6:	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

Tier 6 (§ 1702) Monthly average salary actually received during any 24 consecutive months of service

Cost of Living Adjustment (COLA):	
Tier 1, 2 (§ 1328, § 1422)	Commencing July 1 based on changes to Los Angeles area consumer price index.
Tier 3, 4 (§ 1516, § 1616)	Commencing July 1 based on changes to Los Angeles area consumer price index to a maximum of 3% per year. COLA is prorated in the first year of retirement.
Tier 5, 6 (§ 4.2016, § 1716)	Commencing July 1 based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked. COLA is prorated in the first year of retirement.
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.
Tier 5 (§ 4.2008, § 4.2008.5)	If former Tier 2 member, see Tier 2. Otherwise, see Tier 3.
Tier 6 (§ 1708)	
Service Retirement	Pension equal to 70% 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 80% of the Final Average Salary. Otherwise, a pension equal to 80% of the pension received by the deceased Member immediately preceding the date of death.
Nonservice Connected Disability	Pension equal to 70% of the pension received by the deceased Member.

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.
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	80% of service retirement Member would have received, not to exceed 40% of the Member's Final Average Salary.
Service Connected	
Service Requirement	None.
Amount	75% of the Member's Final Average Salary.

Nonservice Connected	
Service Requirement	5 years of service.
Amount	30% 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).
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 members who are not former Tier 2, 40% of the Member's 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 members who are not former Tier 2, 30% 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).
Tier 6 (§ 1708)	
Service Connected	
Service Requirement	None.
Amount	80% of the Member's Final Average Salary.

Nonservice Connected	
Service Requirement	5 years of service.
Amount	50% 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 two-year average monthly salary times years of completed service (not to exceed 6 years).

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, 6 (§ 1506, § 1606, § 4.2006, § 1706)

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.

Deferred Withdrawal Retirement Benefit (Vested):

Tier 3 (§ 1504)

Age & Service Requirement	Age 50 with 10 years of service.
Amount	See Tier 3 Service Retirement.

Tier 5, Tier 6 (§ 4.2004, § 1704)

Age & Service Requirement	Age 50 and 20 years of service.
Amount	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 and Tier 6. Members not in Tier 6 may pay a 2% contribution on their base salary retroactive to August 15, 2011 for a period of 25 years or until retired from the Plan to avoid a freeze on their retiree health subsidy.

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.
Tier 6 (§ 1714)	Normal contribution rate of 9%, plus 2% additional contributions to support funding of retiree health benefits. The additional 2% contributions shall not be required for members with more than 25 years of service.

Changes in Plan Provisions:	There have been no changes in plan provisions 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, 2012 In accordance with GASB Statements No. 43 and No. 45

SEGAL

SEGAL

THE SEGAL COMPANY
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November 8, 2012

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 90012-4203

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2012 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, 2012, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. The census information and financial information on which our calculations were based was prepared by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Patrick Twomey, ASA, MAAA and Thomas Bergman, MAAA.

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 valution 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

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

TXB/kek

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PURPOSE

This report presents the results of our actuarial valuation of retiree health benefits offered by the City of Los Angeles Fire and Police Pension Plan as of June 30, 2012. 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 decreased from 10.96% of payroll ($147.4 million) to 10.77% of payroll ($144.5 million), assuming contributions are made by the City on July 15. The decrease in the recommended contribution amount is due mainly to the lower, updated medical trend assumptions. A reconciliation of the employer's rate, if made at the beginning of the year, is provided in Exhibit H.
- 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 increased from 34.5% to 37.1% in this valuation. On a market value of asset basis, the funded ratio has increased from 32.7% to 34.6%. The unfunded actuarial accrued liability (UAAL) has decreased from $1,675 million to $1,572 million. A reconciliation of the change in the UAAL is provided in Section 2, Chart 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 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 funding method used to develop the (ARC) is the Entry Age Normal method, 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.
- 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.
- On September 1, 2011, the Board elected to phase in the impact of new actuarial assumptions on the City's retirement and health plan contributions determined in the June 30, 2011 valuation over a three-year period, beginning with the 2012-2013 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2013-2014 are contained in this report. In a separate letter, we provide the second year of the "phased-in" contribution rates for Fiscal Year 2013-2014.
- As indicated in Section 3, Exhibit G of this report, the total unrecognized investment loss as of June 30, 2012 is $1,047.2 million for the assets for Retirement and

Health Subsidy Benefits. For comparison purposes, the total unrecognized investment loss as of June 30, 2011 was $820.4 million. 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 $1,047.2 million represent 7.4% of the market value of assets as of June 30, 2012. Unless offset by future investment gains, or other favorable experience, the recognition of the $1,047.2 million market losses is expected to have an 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 37.11% to 34.55%.
  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable throughout the fiscal year) would increase from 11.14% to 11.47% of payroll.

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

SUMMARY OF VALUATION RESULTS

	June 30, 2012	June 30, 2011
Actuarial Accrued Liability (AAL)	$2,499,288,516	$2,557,606,524
Actuarial Value of Assets	927,361,635	882,890,188
Unfunded Actuarial Accrued Liability	1,571,926,881	1,674,716,336
Funded Ratio on Actuarial Value of Assets	37.11%	34.52%
Market Value of Assets	$863,383,796	$835,304,589
Funded Ratio on Market Value of Assets	34.55%	32.66%
Annual Required Contribution (ARC) for coming year*		
Normal cost (beginning of year)	$51,143,080	$49,369,035**
Amortization of the unfunded actuarial accrued liability	92,894,318	97,512,556**
Total Annual Required Contribution at beginning of year	$144,037,398	$146,881,591**
ARC as a percentage of pay at beginning of year	10.73%	10.93%**
Adjustment for timing (payable throughout the year)	5,477,306	5,585,462**
Total Annual Required Contribution, including adjustment for timing	149,514,704	152,467,053**
ARC as a percentage of pay (payable throughout the year)	11.14%	11.34%**
Total Annual Required Contribution (payable July 15)	$144,486,073	$147,355,896**
ARC as a percentage of pay (payable July 15)	10.77%	10.96%**
Covered payroll	$1,341,913,739	$1,343,963,356
Total Participants	25,227	25,241
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (payable end of fiscal year)	$155,200,296	$158,264,914
Interest on Net OPEB Obligations	9,844,356	7,700,361
ARC Adjustments	-8,123,225	-6,187,819
Total Annual OPEB Cost	$156,921,427	$159,777,456
AOC as percentage of pay	11.69%	11.89%

* *The contribution rates are before adjustments to phase in over three years the City contribution rate impact due to the new actuarial assumptions adopted for the June 30, 2011 valuation.*

*** Before reflecting payroll for the June 30, 2012 valuation.*

November 8, 2012

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the City of Los Angeles Fire and Police Pension Plan's other postemployment benefit program as of June 30, 2012, 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 LAFPP and reliance on participant, premium, claims and expense data provided by LAFPP. The Segal Company has not audited the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, has reviewed 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, and/or 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.

Thomas Bergman

Thomas Bergman, MAAA, EA
Assistant Actuary

Peter Ty

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

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, 2012	**June 30, 2011**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,468,570,880	$1,506,696,305
Current active members	1,549,642,635	1,563,302,360
Total	$3,018,213,515	$3,069,998,665

	June 30, 2012	**June 30, 2011**
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	$927,361,635	$882,890,188
2. Present value of future normal costs	518,924,999	512,392,141
3. Unfunded actuarial accrued liability	1,571,926,881	1,674,716,336
4. Present value of current and future assets	$3,018,213,515	$3,069,998,665
Liabilities		
5. Actuarial Present Value of total Projected Benefits	$3,018,213,515	$3,069,998,665

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 accrued liability from last year to this year.

CHART 2

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

	June 30, 2012	June 30, 2011
Participant Category		
Current retirees, beneficiaries, and dependents	$1,468,570,880	$1,506,696,305
Current active members	1,030,717,636	1,050,910,219
Total actuarial accrued liability	$2,499,288,516	$2,557,606,524
Unfunded Actuarial Accrued Liability		
Actuarial accrued liability	$2,499,288,516	$2,557,606,524
Actuarial value of assets	927,361,635	882,890,188
Unfunded actuarial accrued liability	$1,571,926,881	$1,674,716,336
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2012		
1. Unfunded actuarial accrued liability at beginning of year		$1,674,716,336
2. Normal cost from prior valuation		49,369,035
3. Employer contributions		122,971,851
4. Interest on prior year UAAL, normal cost and contributions		124,483,394
5. Expected unfunded actuarial accrued liability (1 + 2 – 3 + 4)		1,725,596,914
6. Change due to actuarial investment loss		58,574,750
7. Change due to health and starting cost assumption changes		-169,966,091
8. Change due to miscellaneous demographic gains		-42,278,692
9. Unfunded actuarial accrued liability at end of year		1,571,926,881

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. The City of Los Angeles Fire and Police Pension Plan has elected to amortize the unfunded actuarial accrued liability using the following rules:

On September 6, 2012, the Board adopted the following amortization policy for bases established after June 30, 2011:

Type of Base	Amortization Period (Closed)
Actuarial Gains or Losses*	20
Assumption or Method Changes	25
Plan Amendments	15
ERIPs	5
Actuarial Surplus	30

* *Retiree health assumption changes in this valuation are treated as gains and losses and amortized over 20 years.*

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Period	Initial Amount	Current Balance	Years Remaining	Annual Payment
Tier 1[(1)]	06/30/2006	30	$24,466,082	$25,922,650	24	$2,237,548
Tier 1[(3)]	06/30/2012	20	-3,862,723	-3,862,723	20	-358,363
Tier 2[(2)]	06/30/2006	30	653,100,516	906,263,099	24	53,787,319
Tier 2[(4)]	06/30/2012	20	-78,975,844	-78,975,844	20	-5,307,147
Tier 3[(2)]	06/30/2006	30	48,141,902	69,190,834	24	4,106,522
Tier 3[(4)]	06/30/2012	20	-4,428,062	-4,428,062	20	-297,564
Tier 4[(2)]	06/30/2006	30	28,161,779	50,132,430	24	2,975,393
Tier 4[(4)]	06/30/2012	20	-3,240,833	-3,240,833	20	-217,783
Tier 5 - Non-Harbor[(2)]	06/30/2006	30	263,534,994	645,334,105	24	38,301,009
Tier 5 & 6 - Non-Harbor[(4)]	06/30/2012	20	-36,520,953	-36,520,953	20	-2,454,194
Tier 5 - Harbor	06/30/2007	29	512,651	2,593,955	24	153,953
Tier 5 & 6 - Harbor[(4)]	06/30/2012	20	-481,777	-481,777	20	-32,375
Total				$1,571,926,881		$92,894,318

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

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

(3) *Gain/loss base, level dollar schedule.*

(4) *Gain/loss base, level percent of pay schedule.*

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 payments are based on 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)

	Determined as of June 30			
Cost Element	**2012***		**2011***	
	Amount	**Percentage of Compensation**	**Amount**	**Percentage of Compensation**
1. Normal cost	$51,143,080	3.81%	$49,369,035	3.67%
2. Amortization of the unfunded actuarial accrued liability	92,894,318	6.92%	97,512,556	7.26%
3. Total Annual Required Contribution at beginning of year	144,037,398	10.73%	$146,881,591	10.93%
4. Adjustment for timing (payable throughout the year)	5,477,306	0.41%	5,585,462	0.41%
5. Total Annual Required Contribution (payable throughout the year)	149,514,704	11.14%	$152,467,053	11.34%
6. Adjustment for timing (payable July 15)	$448,675	0.04%	474,305	0.03%
7. Total Annual Required Contribution (payable July 15)	$144,486,073	10.77%	$147,355,896	10.96%
8. Total Compensation	$1,341,913,739		$1,343,963,356	

* *June 30, 2011 and 2012 contribution rates are before adjustments to phase in over three years the City contribution rate impact due to the new actuarial assumptions adopted for the June 30, 2011 valuation.*

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 2012 Amount	 2011 Amount
1.	Annual Required Contribution (payable at end of fiscal year)	$155,200,296	$158,264,914
2.	Interest on Beginning of Year Net OPEB Obligation (NOO)	9,844,356	7,700,361
3.	ARC adjustment	-8,123,225	-6,187,819
4.	Annual OPEB Cost	$156,921,427	$159,777,456
5.	AOC as percentage of pay	11.69%	11.89%
6.	Total compensation	$1,341,913,739	$1,343,963,356

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
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
2011	111,681,208[(2)]	111,681,208[(2)]	100.00
2012	122,971,851[(2)]	122,971,851[(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
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
2011	173,645,281	119,975,864	69.09
2012	159,777,456	132,105,073	82.68

(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) *Payable as of July 15.*

(3) *Shown with interest to end of year.*

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)]
06/30/2007	$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%
06/30/2011	882,890	2,557,607	1,674,716	34.52%	1,343,963	124.61%
06/30/2012	927,362	2,499,289	1,571,927	37.11%	1,341,914	117.14%

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
07/01/2010	172,841,037[3]	3,654,571	-2,850,327	173,645,281	119,975,864	53,669,417	99,351,560
07/01/2011	158,264,914[3]	7,700,361	-6,187,819	159,777,456	132,105,073	27,672,383	127,023,943

(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.*

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

EXHIBIT A

Summary of Participant Data

	June 30, 2012	June 30, 2011
Retirees[1]		
Number of non-disabled retirees	7,830	7,770
Number of disabled retirees	1,780	1,829
Total Number of retirees	9,610	9,599
Average age of retirees	69.1	68.9
Number of spouses/domestic partners of retirees receiving subsidy	5,945	5,866
Average age of spouses/domestic partners of retirees receiving subsidy	65.9	65.9
Surviving Spouses[1]		
Number	2,221	2,210
Average age	77.8	77.9
Active Participants		
Number	13,396	13,432
Average age	41.5	41.1
Average years of service	14.5	14.2

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

EXHIBIT B

Allocation of ARC by Tier

		June 30, 2012				June 30, 2011	
Tier 1 Members		Amount	% of Payroll			Amount	% of Payroll
1	Employer normal cost	$0	N/A			$0	N/A
2	Actuarial accrued liability	17,912,459				22,062,858	
3	Valuation value of assets	-4,147,468				-4,232,834	
4	Unfunded actuarial accrued liability	22,059,927				26,295,692	
5	Amortization of unfunded accrued liability	1,879,185	N/A			2,237,548	N/A
6	Total recommended contribution, beginning of year	1,879,185	N/A			2,237,548	N/A
7	Total recommended contribution, July 15	1,885,039	N/A			2,244,773	N/A
8	Total recommended contribution, biweekly	1,950,645	N/A			2,322,635	N/A
9	Projected payroll used for developing normal cost rate	N/A				N/A	

		June 30, 2012				June 30, 2011	
		New Payroll Base to Amortize UAAL[1]		*Old Payroll Base to Amortize UAAL*[2]			
Tier 2 Members		Amount	% of Payroll	Amount	% of Payroll	Amount[3]	% of Payroll
1	Employer normal cost	$377,371	3.45%	$377,371	3.45%	$372,303	3.40%
2	Actuarial accrued liability	910,399,074		910,399,074		993,247,035	
3	Valuation value of assets	83,111,819		83,111,819		100,573,043	
4	Unfunded actuarial accrued liability	827,287,255		827,287,255		892,673,992	
5	Amortization of unfunded accrued liability	48,480,172	3.64%	48,480,172	3.61%	51,515,866	3.84%
6	Total recommended contribution, beginning of year	48,857,543	N/A	48,857,543	N/A	51,888,169	N/A
7	Total recommended contribution, July 15	49,009,734	N/A	49,009,734	N/A	52,168,161	N/A
8	Total recommended contribution, biweekly	50,715,448	N/A	50,715,448	N/A	53,977,655	N/A
9	Projected payroll used for developing normal cost rate	10,952,917		10,952,917		N/A	

(1) *UAAL rate is calculated using the City's total payroll of $1,330,935,836.*
(2) *UAAL rate is calculated using the Plan's total payroll (including Harbor).*
(3) *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B
Allocation of ARC by Tier (Continued)

		June 30, 2012				June 30, 2011	
		New Payroll Base to Amortize UAAL(1)		*Old Payroll Base to Amortize UAAL*(2)			
Tier 3 Members		Amount	% of Payroll	Amount	% of Payroll	Amount(3)	% of Payroll
1	Employer normal cost	$3,979,988	4.16%	$3,979,988	4.16%	$3,738,171	3.91%
2	Actuarial accrued liability	121,265,503		121,265,503		118,126,450	
3	Valuation value of assets	56,502,731		56,502,731		49,973,109	
4	Unfunded actuarial accrued liability	64,762,772		64,762,772		68,153,341	
5	Amortization of unfunded accrued liability	3,808,958	0.29%	3,808,958	3.99%	3,903,902	4.08%
6	Total recommended contribution, payable July 1	7,788,946	N/A	7,788,946	8.15%	7,642,073	7.99%
7	Total recommended contribution, payable July 15	7,813,208	N/A	7,813,208	8.17%	7,666,751	8.02%
8	Total recommended contribution, payable biweekly	8,085,136	N/A	8,085,136	8.46%	7,932,679	8.30%
9	Projected payroll used for developing normal cost rate	95,621,046		95,621,046		N/A	

		June 30, 2012				June 30, 2011	
		New Payroll Base to Amortize UAAL(1)		*Old Payroll Base to Amortize UAAL*(2)			
Tier 4 Members		Amount	% of Payroll	Amount	% of Payroll	Amount(3)	% of Payroll
1	Employer normal cost	$1,517,928	3.72%	$1,517,928	3.72%	$1,435,518	3.52%
2	Actuarial accrued liability	71,157,622		71,157,622		70,026,264	
3	Valuation value of assets	24,266,025		24,266,025		20,645,553	
4	Unfunded actuarial accrued liability	46,891,597		46,891,597		49,380,711	
5	Amortization of unfunded accrued liability	2,757,610	0.21%	$2,757,610	6.76%	2,764,410	6.78%
6	Total recommended contribution, payable July 1	4,275,538	N/A	$4,275,538	10.48%	4,199,928	10.30%
7	Total recommended contribution, payable July 15	4,288,856	N/A	4,288,856	10.52%	4,213,490	10.33%
8	Total recommended contribution, payable biweekly	4,438,124	N/A	4,438,124	10.88%	4,359,639	10.69%
9	Projected payroll used for developing normal cost rate	40,787,414		40,787,414		N/A	

(1) *UAAL rate is calculated using the City's total payroll of $1,330,935,836.*
(2) *UAAL rate is calculated using the payroll from the respective tier only.*
(3) *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B

Allocation of ARC by Tier (Continued)

Tier 5 Members (without Harbor Port Police)		June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 Amount[1]	June 30, 2011 % of Payroll
1	Employer normal cost	$44,478,188	3.81%		$42,636,283	3.66%
2	Actuarial accrued liability	(Tiers 5 and 6 are combined. See table below)			1,348,701,315	
3	Valuation value of assets				713,043,775	
4	Unfunded actuarial accrued liability				635,657,540	
5	Amortization of unfunded accrued liability	35,316,965	3.03%		36,286,986	3.11%
6	Total recommended contribution, payable July 1	79,795,153	6.84%		78,923,269	6.77%
7	Total recommended contribution, payable July 15	80,043,714	6.87%		79,178,125	6.79%
8	Total recommended contribution, payable biweekly	82,829,521	7.10%		$81,924,482	7.03%
9	Projected payroll used for developing normal cost rate	1,166,080,092			N/A	

Tier 6 Members (without Harbor Port Police)		June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 Amount[1]	June 30, 2011 % of Payroll
1	Employer normal cost	$277,991	1.59%		$960,441	5.49%
2	Actuarial accrued liability	(Tiers 5 and 6 are combined. See table below)			0	
3	Valuation value of assets				0	
4	Unfunded actuarial accrued liability				0	
5	Amortization of unfunded accrued liability	529,850	3.03%		544,075	3.11%
6	Total recommended contribution, payable July 1	807,841	4.62%		1,504,516	8.60%
7	Total recommended contribution, payable July 15	810,358	4.63%		1,509,764	8.63%
8	Total recommended contribution, payable biweekly	838,561	4.79%		1,562,247	8.93%
9	Projected payroll used for developing normal cost rate	17,494,367			N/A	

[1] *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B
Allocation of ARC by Tier (Continued)

		June 30, 2012			
		Tier 5	*Tier 6*	*Combined Tiers 5 and 6*	
Combined Tiers 5 and 6 UAAL Contribution Rate Calculations for the City				Amount	% of Payroll
2	Actuarial accrued liability	$1,372,964,288	$0	$1,372,964,288	
3	Valuation value of assets			764,151,136	
4	Unfunded actuarial accrued liability			608,813,152	
5	Amortization of unfunded accrued liability			35,846,815	3.03%
	Projected payroll used for developing combined UAAL rate	1,166,080,092	17,494,367	1,183,574,459	

		June 30, 2012			June 30, 2011	
All Tiers Combined (without Harbor Port Police)		Amount	% of Payroll		Amount[1]	% of Payroll
1	Employer normal cost	$50,631,466	3.80%		$49,142,716	3.69%
2	Actuarial accrued liability	2,493,698,946			2,552,163,922	
3	Valuation value of assets	923,884,243			880,002,646	
4	Unfunded actuarial accrued liability	1,569,814,703			1,672,161,276	
5	Amortization of unfunded accrued liability	92,772,740	6.97%		97,252,787	7.31%
6	Total recommended contribution, payable July 1	143,404,206	10.77%		146,395,503	11.00%
7	Total recommended contribution, payable July 15	143,850,909	10.81%		146,981,064	11.04%
8	Total recommended contribution, payable biweekly	148,857,434	11.18%		152,079,337	11.43%
9	Projected payroll used for developing normal cost rate	1,330,935,836			N/A	

[1] *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B

Allocation of ARC by Tier (Continued)

Harbor Port Police Tier 5		June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 Amount[1]	June 30, 2011 % of Payroll
1	Employer normal cost	$510,490	4.68%		$480,577	4.41%
2	Actuarial accrued liability	(Tiers 5 and 6 are combined. See table below)			5,442,602	
3	Valuation value of assets				2,887,542	
4	Unfunded actuarial accrued liability				2,555,060	
5	Amortization of unfunded accrued liability	120,686	1.11%		153,649	1.41%
6	Total recommended contribution, payable July 1	631,176	5.79%		634,226	5.82%
7	Total recommended contribution, payable July 15	633,142	5.81%		636,405	5.84%
8	Total recommended contribution, payable biweekly	655,178	6.01%		658,200	6.04%
9	Projected payroll used for developing normal cost rate	$10,897,354			N/A	

Harbor Port Police Tier 6		June 30, 2012 Amount	June 30, 2012 % of Payroll		June 30, 2011 Amount[1]	June 30, 2011 % of Payroll
1	Employer normal cost	$1,124	1.40%		$4,422	5.49%
2	Actuarial accrued liability	(Tiers 5 and 6 are combined. See table below)			0	
3	Valuation value of assets				0	
4	Unfunded actuarial accrued liability				0	
5	Amortization of unfunded accrued liability	892	1.11%		1,136	1.41%
6	Total recommended contribution, payable July 1	2,016	2.51%		$5,558	6.90%
7	Total recommended contribution, payable July 15	2,022	2.51%		5,574	6.92%
8	Total recommended contribution, payable biweekly	2,093	2.60%		$5,767	7.16%
9	Projected payroll used for developing normal cost rate	$80,550			N/A	

[1] *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B

Allocation of ARC by Tier (Continued)

		June 30, 2012			
		Tier 5	Tier 6	Combined Tiers 5 and 6	
Combined Tiers 5 and 6 UAAL Contribution Rate Calculations for Harbor Port Police				Amount	% of Payroll
2	Actuarial accrued liability	$5,589,570	$0	$5,589,570	
3	Valuation value of assets			3,477,392	
4	Unfunded actuarial accrued liability			2,112,178	
5	Amortization of unfunded accrued liability			121,578	1.11%
	Projected payroll used for developing combined UAAL rate	10,897,354	80,550	10,977,904	

		June 30, 2012		June 30, 2011	
Harbor Port Police Combined (Tiers 5 and 6)		Amount	% of Payroll	Amount[1]	% of Payroll
1	Employer normal cost	$511,614	4.66%	$484,999	4.42%
2	Actuarial accrued liability	5,589,570		$5,442,602	
3	Valuation value of assets	3,477,392		$2,887,542	
4	Unfunded actuarial accrued liability	2,112,178		$2,555,060	
5	Amortization of unfunded accrued liability	121,578	1.11%	154,785	1.41%
6	Total recommended contribution, payable July 1	633,192	5.77%	$639,784	5.83%
7	Total recommended contribution, payable July 15	635,164	5.79%	641,979	5.85%
8	Total recommended contribution, payable biweekly	657,270	5.99%	663,967	6.05%
9	Projected payroll used for developing normal cost rate	10,977,904		N/A	

(1) *Amounts are revised to reflect payroll as of June 30, 2012.*

Exhibit B
Allocation of ARC by Tier (Continued)

		June 30, 2012			June 30, 2011	
All Tiers Combined		Amount	% of Payroll		Amount[1]	% of Payroll
1	Employer normal cost	$51,143,080	3.81%		$49,627,715	3.70%
2	Actuarial accrued liability	2,499,288,516			2,557,606,524	
3	Valuation value of assets	927,361,635			882,890,188	
4	Unfunded actuarial accrued liability	1,571,926,881			1,674,716,336	
5	Amortization of unfunded accrued liability	92,894,318	6.92%		97,407,572	7.26%
6	Total recommended contribution, payable July 1	144,037,398	10.73%		147,035,287	10.96%
7	Total recommended contribution, payable July 15	144,486,073	10.77%		147,623,043	11.00%
8	Total recommended contribution, payable biweekly	149,514,704	11.14%		152,743,304	11.38%
9	Projected payroll used for developing normal cost rate	$1,341,913,740			N/A	

[1] *Amounts are revised to reflect payroll as of June 30, 2012, and are different than amounts shown on page 3.*

Note: The June 30, 2011 amounts and percentage of payroll rates provided on this page have been recalculated based on payroll composition for each tier as of June 30, 2012 and are different from the amounts shown in the June 30, 2011 column of page 3.

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
2013	15,871	370	16,241	$94,975,565	$2,639,272	$97,614,837
2014	15,616	800	16,416	99,786,520	6,142,044	105,928,564
2015	15,361	1,285	16,646	104,786,145	10,558,548	115,344,693
2016	15,059	1,828	16,887	109,554,285	15,999,585	125,553,870
2017	14,708	2,403	17,111	113,743,876	22,327,669	136,071,545
2018	14,332	3,033	17,365	117,470,203	29,694,868	147,165,071
2019	13,915	3,714	17,629	120,358,637	38,075,297	158,433,934
2020	13,487	4,392	17,879	122,667,526	46,931,124	169,598,650
2021	13,057	5,069	18,126	124,505,529	56,169,394	180,674,923
2022	12,618	5,768	18,386	126,217,091	66,104,216	192,321,307

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

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, 2012		Year Ended June 30, 2011	
Contribution income:				
Employer contributions	$444,565,284		$388,773,459	
Employee contributions	120,099,124		105,471,264	
Net contribution income		$564,664,408		$494,244,723
Investment income:				
Interest, dividends and other income	$717,830,011		$908,922,544	
Recognition of capital appreciation	-331,120,612		-274,002,668	
Less investment and administrative fees	-66,308,731		-66,508,832	
Net investment income		320,400,668		568,411,044
Total income available for benefits		$885,065,076		$1,062,655,767
Less benefit payments		-$926,349,506		-$878,952,809
Change in reserve for future benefits		-$41,284,430		$183,702,958

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2012		Year Ended June 30, 2011	
Cash equivalents		$6,035,672		$5,373,537
Accounts receivable:				
Accrued interest and dividends	$48,403,624		$48,270,211	
Contributions	5,144,476		4,196,667	
Due from brokers	134,347,236		19,299,002	
Total accounts receivable		187,895,336		71,765,880
Investments:				
Equities	$8,159,789,338		$8,417,166,846	
Fixed income investments	4,950,895,821		5,353,379,824	
Real estate	1,238,053,578		1,116,820,806	
Total investments at market value		14,348,738,737		14,887,367,476
Total assets		$14,542,669,745		$14,964,506,893
Less accounts payable:				
Accounts payable and benefits in process	-$26,005,492		-$21,027,725	
Due to brokers	-177,103,395		-304,894,567	
Mortgage payable	-207,490,130		-238,375,552	
Total accounts payable		-$410,599,017		-$564,297,844
Net assets at market value		$14,132,070,728		$14,400,209,049*
Net assets at actuarial value		$15,179,275,167		$15,220,559,597
Net assets at valuation value (retirement benefits)		$14,251,913,532		$14,337,669,409

** Based on unaudited market value of assets. Subsequent to the June 30, 2011 valuation, the market value of assets was changed to $14,405,391,068.*

EXHIBIT F

Development of the Fund Through June 30, 2012 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
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
2011	388,773,459	105,471,264	568,411,044	878,952,809	15,220,559,597
2012	444,565,284	120,099,124	320,400,668	926,349,506	15,179,275,167

[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.*

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

Determination of Actuarial Value of Assets for All Retirement and Health Subsidy Benefits

	Original Amount	Percent Not Recognized[2]	Amount Not Recognized	
1. Market value of assets (for Retirement and Health Subsidy Benefits)				$14,132,070,728
2. Calculation of unrecognized return[1]				
(a) Year ended June 30, 2012	-$1,024,245,456	85.71%	-$877,924,679	
(b) Year ended June 30, 2011	1,641,626,618	71.43%	1,172,590,440	
(c) Year ended June 30, 2010	737,173,630	57.14%	421,242,076	
(d) Year ended June 30, 2009	-4,113,928,646	42.86%	-1,763,112,276	
(e) Year ended June 30, 2008	-2,015,976,509	0.00%	0	
(f) Total unrecognized return				-1,047,204,439
3. Preliminary actuarial value: (1) - (2f)				15,179,275,167
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				$15,179,275,167
6. Actuarial value as a percentage of market value: (5) ÷ (1)				107.4%
7. Market value of health assets				$863,383,796
8. Valuation value of health assets: (5) ÷ (1) x (7)				$927,361,635
9. Deferred return recognized in each of the next 6 years (for Retirement and Health Subsidy Benefits):				
(a) Amount recognized on June 30, 2012				-$394,196,265
(b) Amount recognized on June 30, 2013				-394,196,265
(c) Amount recognized on June 30, 2014				-394,196,265
(d) Amount recognized on June 30, 2015				193,507,827
(e) Amount recognized on June 30, 2016				88,197,308
(f) Amount recognized on June 30, 2017				-146,320,779
(g) Subtotal (may not total exactly due to rounding)				-$1,047,204,439

(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.*

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

EXHIBIT H

Reconciliation of Recommended Contribution from June 30, 2011 to June 30, 2012

Recommended Contribution as of June 30, 2011**	10.93%*
Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.32%
Effect of contributions less than recommended, from one-year delay between valuation and rate implementation	0.11%
Effect of combined investment loss and demographic gain	0.07%
Effect of new trend and per capita costs	-0.93%
Effect of miscellaneous factors including change in active population composition	0.23%
Recommended Contribution as of June 30, 2012**	10.73%

* *Based on contributions at beginning of year.*

** *Before adjustments to phase in over three years the impact of new actuarial assumptions adopted for the June 30, 2011 valuation.*

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2012
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Closed amortization periods. On September 6, 2012, the Board adopted the following amortization policy:

Type of Base	Amortization Period (Closed)
Actuarial Gains or Losses[1]	20
Assumption or Method Changes	25
Plan Amendments	15
ERIPs	5
Actuarial Surplus	30

Remaining amortization periods	As of June 30, 2012: 24 years for bases established prior to June 30, 2012 20 years for bases established on June 30, 2012
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	8.5% in 2012-2013, then decreasing by 0.5% for each year for seven years until it reaches an ultimate rate of 5%.
• Dental	5.00%
• Medicare Part B Premium	The 2013-2014 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.

(1) *Retiree health assumption changes are treated as gains and losses and amortized over 20 years.*

Actuarial assumptions (continued):

• Medical Subsidy Trend	For employees not subject to freeze: ▪ 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, 2012 (e.g. Police Blue Cross), increase with medical trend. ▪ For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2012 (e.g. Police Blue Cross), increase with lesser of 7% or medical trend.

Plan membership:	June 30, 2012[(2)]	June 30, 2011[(2)]
Current retirees and beneficiaries	11,831	11,809
Current active participants	13,396	13,432
Total	25,227	25,241

(2) *Includes all eligible retirees and surviving spouses/domestic partners whether or not they are receiving a subsidy.*

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, 2010 and the Economic Assumptions Study of June 30, 2010.

Data: Detailed census data and financial data for postemployment benefits were provided by the City of Los Angeles Fire and Police Pension Plan.

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	Assumption for Future Retirees Over 65
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 & B.

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.

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development – Not Subject to Retiree Medical Freeze:

Future retirees under age 65 are assumed, upon retirement, to elect carriers in the percentages and corresponding premiums and subsidies as noted in the table below. Current retirees and current eligible survivors under age 65 are assumed to continue to cover themselves (and their spouse or domestic partner) – but all children are assumed to age out at the valuation date.

2012 – 2013 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Assumed Election Percent	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Fire										
Fire Medical	75	$964.78	$1,174.23	$964.78	$1,252.04	$1,174.23	$1,174.23	$487.07	$593.62	$487.07
Fire Kaiser	15	$569.06	$1,174.23	$569.06	$1,128.12	$1,174.23	$1,128.12	$569.06	$593.62	$569.06
Fire Blue Cross	5	$923.33	$1,174.23	$923.33	$1,476.15	$1,174.23	$1,174.23	$923.33	$593.62	$593.62
Fire California Care	5	$623.13	$1,174.23	$623.13	$1,090.57	$1,174.23	$1,090.57	$623.13	$593.62	$593.62
Police										
Blue Cross PPO	65	$934.49	$1,174.23	$934.49	$1,623.49	$1,174.23	$1,174.23	$934.49	$593.62	$593.62
California Care	15	$549.76	$1,174.23	$549.76	$1,043.79	$1,174.23	$1,043.79	$549.76	$593.62	$549.76
Police Kaiser	20	$516.81	$1,174.23	$516.81	$1,023.51	$1,174.23	$1,023.51	$516.81	$593.62	$516.81

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

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development – Not Subject to Retiree Medical Freeze:

Future retirees and current retirees under age 65 are assumed, upon reaching age 65, to elect carriers in the percentages and corresponding premiums and subsidies as noted in the table below. Current retirees and current eligible survivors over age 65 are assumed to continue to cover themselves (and their spouse or domestic partner) – but all children are assumed to age out at the valuation date.

2012 – 2013 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	Assumed Election Percent	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Fire										
Fire Medical	90	$481.35	$423.45	$423.45	$757.56	$699.66	$699.66	$416.81	$423.45	$416.81
Fire Kaiser	10	$382.83	$423.45	$382.83	$755.66	$755.66	$755.66	$382.83	$423.45	$382.83
Fire Blue Cross	0	$658.71	$423.45	$423.45	$1,186.54	$924.35	$924.35	$658.71	$423.45	$423.45
Fire California Care	0	$390.72	$423.45	$390.72	$764.30	$764.30	$764.30	$390.72	$423.45	$390.72
Police										
Blue Cross PPO	75	$524.80	$423.45	$423.45	$971.38	$870.03	$870.03	$524.80	$423.45	$423.45
California Care	10	$404.76	$423.45	$404.76	$823.06	$823.06	$823.06	$404.76	$423.45	$404.76
Police Kaiser	15	$223.03	$423.45	$223.03	$441.05	$441.05	$441.05	$223.03	$423.45	$223.03

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

Per Capita Cost Development – Subject to Retiree Medical Subsidy Freeze:

Members who are subject to the retiree medical subsidy freeze will have monthly health insurance subsidy maximums fixed at the levels in effect July 1, 2011, as shown in the table below:

	Single Party	Married/With Domestic Partner	Eligible Survivor
Under 65 – All Plans	$1,097.41	$1,097.41	$595.60
Over 65			
Fire Medical	$449.86	$735.50	$389.62
Fire Kaiser	$380.06	$750.12	$380.06
Fire Blue Cross	$480.41	$841.72	$480.41
Fire California Care	$390.72	$764.30	$390.72
Police Blue Cross PPO	$480.41	$873.02	$480.41
Police California Care	$391.76	$792.27	$391.76
Police Kaiser	$226.50	$447.98	$226.50

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, 2010 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 four years for members.

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

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

The tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality, based on a review of mortality experience as of the measurement date.

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement:

Pre-Retirement Mortality:

	Rate (%)	
	Mortality	
Age	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.05	0.03
40	0.08	0.05
45	0.11	0.08
50	0.16	0.12
55	0.24	0.19
60	0.42	0.31

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

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

Service	Rate (%) Withdrawal (< 5 Years of Service) Fire	Police
0 - 1	8.00	8.00
1 - 2	3.00	4.00
2 – 3	2.00	3.00
3 – 4	1.00	3.00
4 – 5	1.00	2.50

Age	Rate (%) Vested Termination (5+ Years of Service) * Fire	Police
20	1.50	2.50
25	1.50	2.50
30	1.20	2.20
35	0.70	1.70
40	0.41	1.20
45	0.20	0.82
50	0.04	0.28
55	0.00	0.00
60	0.00	0.00

* *No vested termination is assumed after a member is eligible for retirement.*

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Retirement Rates:

	Rate(%)					
	Fire			Police		
Age	Tiers 2&4	Tiers 3&5	Tier 6	Tiers 2&4	Tiers 3&5	Tier 6
41	1.00%	0.00%	0.00%	8.00%	0.00%	0.00%
42	1.00	0.00	0.00	8.00	0.00	0.00
43	1.00	0.00	0.00	10.00	0.00	0.00
44	1.00	0.00	0.00	10.00	0.00	0.00
45	1.00	0.00	0.00	10.00	0.00	0.00
46	1.00	0.00	0.00	8.00	0.00	0.00
47	1.00	0.00	0.00	8.00	0.00	0.00
48	2.00	0.00	0.00	8.00	0.00	0.00
49	2.00	0.00	0.00	8.00	0.00	0.00
50	3.00	5.00	3.00	8.00	10.00	8.00
51	3.00	5.00	3.00	10.00	10.00	10.00
52	4.00	5.00	4.00	10.00	10.00	10.00
53	5.00	5.00	5.00	15.00	10.00	15.00
54	5.00	8.00	5.00	15.00	13.00	15.00
55	10.00	10.00	10.00	20.00	16.00	18.00
56	15.00	12.00	12.00	20.00	18.00	18.00
57	15.00	15.00	15.00	20.00	22.00	22.00
58	15.00	18.00	18.00	25.00	25.00	25.00
59	15.00	20.00	20.00	25.00	30.00	30.00
60	20.00	25.00	25.00	25.00	30.00	30.00
61	20.00	30.00	30.00	25.00	30.00	30.00
62	20.00	30.00	30.00	25.00	30.00	30.00
63	25.00	35.00	35.00	30.00	30.00	30.00
64	30.00	40.00	40.00	40.00	30.00	30.00
65	100.00	100.00	100.00	100.00	100.00	100.00

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

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.

Years of Service	Additional Salary Increase
0	8.00%
1	7.00%
2	4.50%
3	4.00%
4	3.50%
5	3.20%
6	2.75%
7	2.50%
8	2.25%
9	2.25%
10	2.00%
11+	1.00%

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Measurement Date: June 30, 2012

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.

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.

On September 6, 2012, the Board adopted the following amortization policy:

Type of Base	Amortization Period (Closed)
Actuarial Gains or Losses[1]	20
Assumption or Method Changes	25
Plan Amendments	15
ERIPs	5
Actuarial Surplus	30

(1) *Retiree health assumption changes are treated as gains and losses and amortized over 20 years.*

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, 2012 through June 30, 2013).

The fiscal year trend rates are the following:

Fiscal Year	Trend (applied to calculate following year premium)
2012-2013	8.50%
2013-2014	8.00%
2014-2015	7.50%
2015-2016	7.00%
2016-2017	6.50%
2017-2018	6.00%
2018-2019	5.50%
2019 & later	5.00%

Dental Premium Trend — 5.00% for all years

Medicare Part B Premium Trend — The 2013-2014 and all subsequent fiscal year premiums are assumed to 5% greater than the prior year premium.

Health Care Reform: As previously directed by LAFPP, we have not reflected in the current valuation the impact of potential excise tax imposed by the Patient Protection and Affordable Care Act (PPACA), and the Health Care and Education Reconciliation Act (HCERA), which were signed into law in March of 2010. We understand that FASB requires the disclosure of the tax liability for single employer and non-governmental plans. GASB has not yet offered any guidance on how to comply with this legislation for disclosure purposes and they do not always follow the FASB lead.

In particular, it is our understanding that beginning in 2018, the legislation will impose a 40 percent excise tax on the cost of health plans above a certain threshold. It is our further understanding that the thresholds in 2018 for non-Medicare retirees aged 55 through 64 are $11,850 for single coverage and $30,950 for family coverage as specified in the Health Care Reform. For all other retirees the thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. PPACA allows the higher thresholds also to be used for any member "who participates in a plan sponsored by an employer the majority of whose employees covered by the plan are engaged in a high-risk profession or employed to repair or install electrical or telecommunication lines."

The thresholds in 2019 are indexed and for the purpose of this valuation, they are assumed to increase by 4.50% (i.e., 1% over the assumed 3.5% CPI assumption used in the retirement valuation) over those in 2018. After 2019, the thresholds are assumed to increase by 3.50% (assumed CPI inflation) per year.

Expected annual rate of increase in the Board's health subsidy amount: For employees not subject to freeze, we 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 32,
- For Medicare retirees with single party premium, increase with medical trend as shown on page 32,
- For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2012 (e.g, Fire Medical), increase with medical trend as shown on page 32, and
- For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2012 (e.g., Police Blue Cross), increase with lesser of 7% or medical trend.

Subsidy Freeze:

The retiree health benefits program was changed to freeze the medical subsidy for non-retired members not enrolled in the DROP as of July 14, 2011 who did not begin to contribute an additional 2% of employee contributions to the Pension Plan.

- The frozen subsidy is different for Medicare and non-Medicare retirees.
- The freeze applies to the medical subsidy limits in effect for the 2011/2012 plan year.
- The freeze does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

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. The amortization policy was updated.

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, 2012, maximum is $1,174.23 per month. For surviving spouse or domestic partner, the maximum subsidy is $593.62 per month.
Increase in Subsidy	For employees not subject to freeze, the Board's health subsidy amount may increase at lesser of 7% or medical trend as shown on page 32.
Dependent Portion	Difference between Basic Subsidy maximum amount and single-party premium.

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, 2012, the single coverage maximum subsidy for retirees and surviving spouse or domestic partner is $423.45. The multi-person coverage maximum subsidy is $924.35 and depends on the carrier elected.

For employees not subject to freeze, the Board’s health subsidy amount may:

- For Medicare retirees with single party premium, increase with medical trend as shown on page 32,
- For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2012 (e.g, Fire Medical), increase with medical trend as shown on page 32, and
- For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2012 (e.g., Police Blue Cross), increase with lesser of 7% or medical trend as shown on page 32.

EXHIBIT III

Summary of Plan (continued)

SUBSIDY FREEZE: The retiree health benefits program was recently changed to freeze the medical subsidy for non-retired members not enrolled in the DROP as of July 14, 2011 who did not begin to contribute an additional 2% of employee contributions to the Pension Plan.

- The frozen subsidy is different for Medicare and non-Medicare retirees.
- The freeze applies to the medical subsidy limits at the 2011/2012 plan year.
- The freeze does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

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/D only subsidy, whichever is greater, providing such subsidy does not exceed the civilian retiree dependent subsidy.

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 ($99.90 for calendar year 2012, for all eligible retirees and beneficiaries).

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, 2012, maximum is $44.14 per month.

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

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.

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valution. 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.

Net OPEB Obligation (NOO):	The NOO is the cumulative difference between the annual OPEB cost 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.
Annual OPEB Cost (AOC):	Annual OPEB cost is the measure required by GASB 45 of a sole or agent employer's "cost" of participating in an OPEB plan. When an employer has no net OPEB obligation, annual OPEB cost is equal to the ARC. When a net OPEB obligation has a liability (positive) balance, annual OPEB cost is equal to (a) the ARC, plus (b) one year's interest on the beginning balance of the net OPEB obligation, less (c) an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of the past contribution deficiencies. When a net OPEB obligation has an asset (negative) balance, the interest adjustment should be deducted from and the ARC adjustment should be added to the ARC, to determine annual OPEB cost.
ARC Adjustment:	The ARC adjustment is an amortization payment based on the prior year NOO. The purpose of the interest and ARC adjustments is to avoid "double-counting" annual OPEB cost and liabilities. Without the adjustments, annual OPEB cost and the net OPEB obligation (liability) would be overstated by the portion of the amortization amount previously recognized in annual OPEB cost. With the adjustments, annual OPEB cost should be approximately equal to the ARC that would have been charged if all prior ARCs had been paid in full, plus one year's interest on the net OPEB obligation.
Employer Contributions:	For the purposes of GASB 43/45, an employer has contributed to an OPEB plan if the employer has (a) provided benefits directly to retired plan members or their beneficiaries, (b) paid insurance premiums to insure the payment of benefits, or (c) irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

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 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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