

1960
Annual Report

BOARD OF PENSION COMMISSIONERS

**CITY OF LOS ANGELES
CALIFORNIA**



FOR THE FISCAL YEAR ENDED JUNE 30, 1960

with

**CHARTER AND ORDINANCE PROVISIONS
GOVERNING PENSION SYSTEM**

CITY OF LOS ANGELES



NORRIS POULSON
Mayor

LOS ANGELES CITY COUNCIL

EVERETT G. BURKHALTER
First District

C. LEMOINE BLANCHARD
Second District

PATRICK D. MCGEE*
Third District

HAROLD A. HENRY
Fourth District

ROSALIND WIENER WYMAN
Fifth District

L. E. TIMBERLAKE
Sixth District

JAMES C. CORMAN
Seventh District

GORDON R. HAHN
Eighth District

EDWARD R. ROYBAL
Ninth District

CHARLES NAVARRO
Tenth District

KARL L. RUNDBERG*
Eleventh District

RANSOM M. CALLICOTT
Twelfth District

JAMES HARVEY BROWN
Thirteenth District

JOHN C. HOLLAND*
Fourteenth District

JOHN S. GIBSON, JR.
Fifteenth District

*Member Police, Fire and Traffic Committee

BOARD OF PENSION COMMISSIONERS 1959-60 ANNUAL REPORT

December 20, 1960

To the Mayor and City Council
of the City of Los Angeles
Gentlemen:

Presented herewith is the annual report of the Board of Pension Commissioners for the fiscal year ended June 30, 1960, in accordance with the provisions of Section 64 of the City Charter. This report consists of financial statements, charter provisions and a narrative report from the Manager-Secretary, together with a report by a private firm of certified public accountants, and a report by a private firm of actuaries.

Your attention is directed to the Accountant's report wherein the auditors state that, because of the possible material effect of pending litigation, they are precluded from expressing an opinion with respect to the fairness with which the fund's balance sheet and operating statement reflect its true financial condition. However, the accountants do confirm that such statements have been prepared in conformity with generally accepted accounting principles, and on a basis consistent with that of the preceding year.

The report of the actuaries is also significant in reflecting an increase of more than 14 million dollars in total actuarial liabilities, while the unfunded portion thereof increased by more than 18 million dollars. Here again, the increases were brought about as the result of adverse court judgments, and by the asset losses sustained by the fund as a result of such judgments, and prior litigation.

Assets of the Fire and Police Pension Fund were further reduced during the fiscal year by more than 5 million dollars. A continuation of this condition is indicated for the ensuing fiscal year. However, looking further ahead, it may be anticipated that the fund will cease liquidation within the limits of present assets and thenceforward resume its growth. This prospect will depend entirely upon the outcome of present litigation in the courts.

Respectfully submitted,
BOARD OF PENSION COMMISSIONERS



President



JOE HERMAN
President



AL TERENCE
Vice-President



GEORGE W. JONES, M.D.



HARRIETT DAVENPORT



ARTHUR C. SCROGGS

November 21, 1960

Board of Pension Commissioners
Room 1108, City Hall
Los Angeles 12, California

Gentlemen:

There is presented herewith the Manager's annual report on the affairs and operations of the Department of Pensions for the fiscal year ended June 30, 1960. Incorporated in this report are the statements of assets, liabilities, operations, and fund capital obtained from the report of Peat, Marwick, Mitchell & Co., who were employed by the Board under contract to audit the financial position of the Department. In addition there is provided for the first time in this series of reports a summary report of the actuaries, Coates, Herfurth & England, who were also employed by the Board under contract to examine into the actuarial health of the Fire and Police Pension System as required by Section 186.1 of the City Charter.

FINANCIAL CONDITION

Later within this report there is set forth a detailed presentation of the litigation carried on during the year, and pending at the close of the fiscal year. Here however, it may be well to report the financial impact of litigation completed during the year, as well as the continuing financial problems resulting from previous adverse court rulings. Consideration must be given to the statement of the Auditors that, because of the litigation pending, with indeterminate but possibly heavy liabilities, they are not in a position to state that the balance sheet and related financial statements present fairly the financial position of the fund.

Further Retroactive Payments

In the fiscal year 1958-59 this System paid the judgment in the Abbott and related cases (\$8,000,000 in retroactive payments and \$450,000 per month increase in the pension roll) on the basis of basic pay rates of policemen and firemen. However, the pensioners appealed, and in the current fiscal year the courts ruled that fluctuating pensions must properly include longevity and merit pay rates. As a result, added retroactive payments totaling \$1,469,000 were made in April, 1960, while the pension roll was increased by \$54,000 per month.

Expenditures Running Ahead of Revenues

On April 7, 1959, the voters approved Charter amendments which returned this System to actuarial principles, and broadened investment provisions of the fund. However, in order to avoid an immediate major increase in the City's tax rate, provision was made for gradually increasing payments to be made on the System's unfunded liability. Under this program, it was stipulated that for the year just completed there would be no contribution to the unfunded liability; that for the 1960-61 fiscal year the City would contribute one-tenth of that ultimately required on this liability on an annual basis; and that in subsequent years, the amount would increase by one-tenth each year, until for the eleventh through the fiftieth year of the program, the full amount needed to fund this liability would be paid in each year.

Therefore, with no funds added for the unfunded liability this past fiscal year, and with new demands by virtue of the adverse court ruling, this System again operated at a loss. The deficit in operations amounted to \$5,256,015, which amount was made up from sales of bonds held in the System's investment portfolio. The net loss realized on the sale of bonds

amounts to approximately \$673,000. The deficit in operations compares with one of \$9,379,510 in the prior fiscal year.

Status of the Fund

At the close of the year, fund assets had receded to \$14,300,000 as compared with \$19,640,000 at this point last year, and \$29,958,000 on June 30, 1958. Estimates of future developments indicate the probability that fund assets will continue their decline to about \$6,000,000 during the fall months of 1962, before the provisions of the Charter amendments referred to above provide revenues in excess of expenditures, and begin to replenish the fund. These estimates, while taking into account some contingencies of the litigation in progress, are naturally subject to considerable revision in the light of actual experience.

Investment Law Use

Although the investment law amendments, adopted April 7, 1959, gave the System greater freedom in the making of investments, including authority to purchase common stock, no use was made of these provisions in this fiscal year. No income was available for permanent investment, and the Board determined that as a matter of policy no bond sales would be made in order to invest the proceeds in stocks. This determination was based on the condition that most bond sales could be made only at a net loss to the fund, while at the same time current stock yields were below bond yield levels for comparable investments. In addition, it was not believed to be prudent to enter into new long range commitments while there remained in process litigation that might require liquidation of all remaining assets.

ACTUARIAL CONDITIONS

The report of the actuaries is set forth in some detail later in this report, and need not be repeated here. It may suffice to advise that total actuarial liabilities of the System rose from \$445,497,757 as of 6-30-59 to \$459,681,700 as of 6-30-60. The valuation of the unfunded liabilities (the liabilities largely incurred between 1933 and 1959 when the System was not based on actuarial principles) rose from \$309,825,031 to \$328,557,727. In the instance of both sets of figures, the increase to a considerable degree is due to a court ruling that required fluctuating pension payments to include longevity and merit pay in the pension calculation.

Last year the actuarial valuation, completed as of June 30, 1959, found that costs of the unfunded liabilities, on a percentage of payroll basis, were lower than they had been estimated to be in 1957. This improvement was not continued in the present valuation because of the added liabilities determined in the litigation described above.

MEMBERSHIP

As of June 30, 1960, there were 3,052 firemen and 4,673 policemen as members of the system including members on leave of absence without pay, members on military leave and members on suspension. The following statement presents an analysis of the length of service of such members:

25-Year Members	Fire	Police	Total
Men with less than 5 years.....	694	848	1,542
With less than 10 years	426	550	976
With less than 20 years	1,564	2,985	4,549
With 20 years service and over	326	233	559
On Military Leave (eligibility dates not counted)	15	25	40
20-Year Members			
Men eligible to retire	27	32	59
TOTAL	3,052	4,673	7,725

Analysis of Membership

The following schedule presents an analysis of the changes in membership of both Fire and Police Departments during the last five fiscal years:

	1959-60	1958-59	1957-58	1956-57	1955-56
Total Membership July 1st	7,606	7,469	7,259	7,070	7,077
On Leave or Suspension	18	22	11	10	21
On Military Leave	49	50	52	53	71
Active Membership	7,539	7,397	7,196	7,007	6,985
Additions:					
New Appointments	372	395	457	399	242
Restorations	7*	4*	5*	4*	1
Returned from Leave or Suspension	169	127	120	136	107
Restored from Military Leave	10	10	10	16	16
Discontinued on Military Leave	10	4	1	1	16
	8,107	7,937	7,789	7,563	7,367
Withdrawals:					
Service retirements	70	70	51	50	69
Disability retirements	63	65	58	35	25
Resigned	92****	78	86	90**	110****
Discharged	18	28	36	23	33
Deaths	17	21	21***	16	13
Leaves or suspensions	168	123	131	137	96
Military leaves granted	11	13	9	16	14
Active Membership—June 30th	7,668	7,539	7,397	7,196	7,007
On Leave or Suspension	17	18	22	11	10
On Military Leave	40	49	50	52	53
Total Membership—June 30th	7,725	7,606	7,469	7,259	7,070

*Includes 2 disabilities granted after resignation and/or discharge 56-57; 3 in 57-58; 3 in 58-59 and 1 in 59-60.

**Includes 1 on military leave

***Includes 1 on military leave

****Includes 16 on military leave

*****Includes 10 on military leave

Appointed Fiscal Year 1959-1960

During the course of the year 378 members were appointed and became members of the system. 263 or 70% of such members were married at the date of entrance. Four of such members were re-appointees with an average age of 29. Two were restored from disability pension and were above the age of 30. Of the 378 original appointees the median age was 24, the mode 21 and the average was 25.

ELIGIBILITY

There were as of June 30, 1960, 618 members eligible to retire. Fifty-nine of these members were 20-year members and 559 were 25-year members. The following schedule shows the number of members eligible to retire at the end of each fiscal year as indicated:

	Fire	Police	Total
1943-1944	218	138	356
1944-1945	312	340	652
1945-1946	310	312	622
1946-1947	290	270	560

ELIGIBILITY—Continued	Fire	Police	Total
1947-1948	256	234	490
1948-1949	240	215	455
1949-1950	392	367	759
1950-1951	353	341	694
1951-1952	350	316	666
1952-1953	390	300	690
1953-1954	365	266	631
1954-1955	347	218	565
1955-1956	368	192	560
1956-1957	428	304	732
1957-1958	428	331	759
1958-1959	392	306	698
1959-1960	353	265	618

During the fiscal year 1960-1961, 266 twenty-five year members will become eligible if their service is continuous. 100 of these members are policemen and 166 are firemen.

Years of Service	20 Year Members		25 Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	2	---	2
21	---	---	9	12	21
22	---	---	27	39	66
23	---	---	75	92	167
24	---	---	44	9	53
25	---	---	25	2	27
26	---	---	5	3	8
27	---	---	42	13	55
28	---	---	17	5	22
29	---	---	8	5	13
30	---	---	23	17	40
31	---	---	39	13	52
32	---	---	6	19	25
33	1	---	4	4	9
34	4	9	---	---	13
35	9	13	---	---	22
36	8	5	---	---	13
37	2	3	---	---	5
38	---	1	---	---	1
39	2	---	---	---	2
44	---	1	---	---	1
45	1	---	---	---	1
TOTAL	27	32	326	233	618

Future Eligibility Problems

Looking ahead, the variability in numbers of active members who will become eligible year by year presents a special problem. In addition to the current total of 618 members eligible for retirement as of June 30, 1960, some 4,576 additional members will become eligible for retirement during the next ten years. In other words, by June 30, 1970, slightly in excess of two-thirds of the present total active force of firemen and policemen will have become eligible to retire. A major portion of this group (2,072) attain eligibility in the two fiscal years ending in 1967 and 1968 as the result of extremely heavy recruiting which took place after the close of World War II, twenty years earlier. The uneven nature of the eligibility highlights attendant problems that will accrue to the Fire and Police Departments in the matter of replacement of personnel who take retirement, and to this department in the processing and financing of extraordinarily heavy pension loads. While only a small percentage of those becoming eligible take their pensions in the initial year of eligibility, nevertheless, an increase in the pension rolls can be anticipated in years of higher than average eligibility.

MILITARY LEAVES

On June 30, 1959, there were 49 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1959-1960:

On Leave June 30, 1959	49
Granted during 1959-1960	11
	<u>60</u>
Restored—Now Active	10
Resigned on Military Leave	10
	<u>40</u>
On Leave June 30, 1960	40

All of the 40 members on military leave are twenty-five year members. Thirteen of these members have less than five years service and twenty-seven have more than five years service. It is noted that these members on military leave do not receive credit in the pension system for such service subsequent to June 25, 1955, but they are protected in seniority in the positions from which they were granted military leaves.

PENSION ROLL CHANGES

On July 1, 1959, 36 applications were pending. During the course of the fiscal year 227 additional petitions were received. Of the total 263 petitions, 208 were granted, 29 denied and 1 withdrawn, leaving 25 pending as of June 30, 1960. The details of the pensions granted and terminated during the course of the fiscal year period are as follows:

	20 Yr. Serv.	20-25 Years Serv.	Serv. Disa.	Non- Serv. Disa.	Serv. Widows	Non- Serv. Widows	Serv. Depts.	Non- Serv. Depts.	Total
Balance 7-1-59	1887	396	394	81	925	39	22	10	3754
Granted	25	45	56	7	60	7	4	4	208
Deaths	65	6	13	2	25	—	—	—	111
Remarriages	—	—	—	—	3	3	—	—	6
Majority	—	—	—	—	—	—	2	1	3
Restored to Duty	—	—	2	—	—	—	—	—	2
Increased	—	—	17*	—	1*	—	—	—	18*
Decreased	—	—	10*	—	8*	3*	—	—	21*
Denied	—	—	—	—	29*	—	—	—	29*
Withdrawn	1*	—	—	—	—	—	—	—	1*
	<u>1847</u>	<u>435</u>	<u>435</u>	<u>86</u>	<u>957</u>	<u>43</u>	<u>24</u>	<u>13</u>	<u>3840</u>

*Statistical—these figures do not affect Pension Roll.

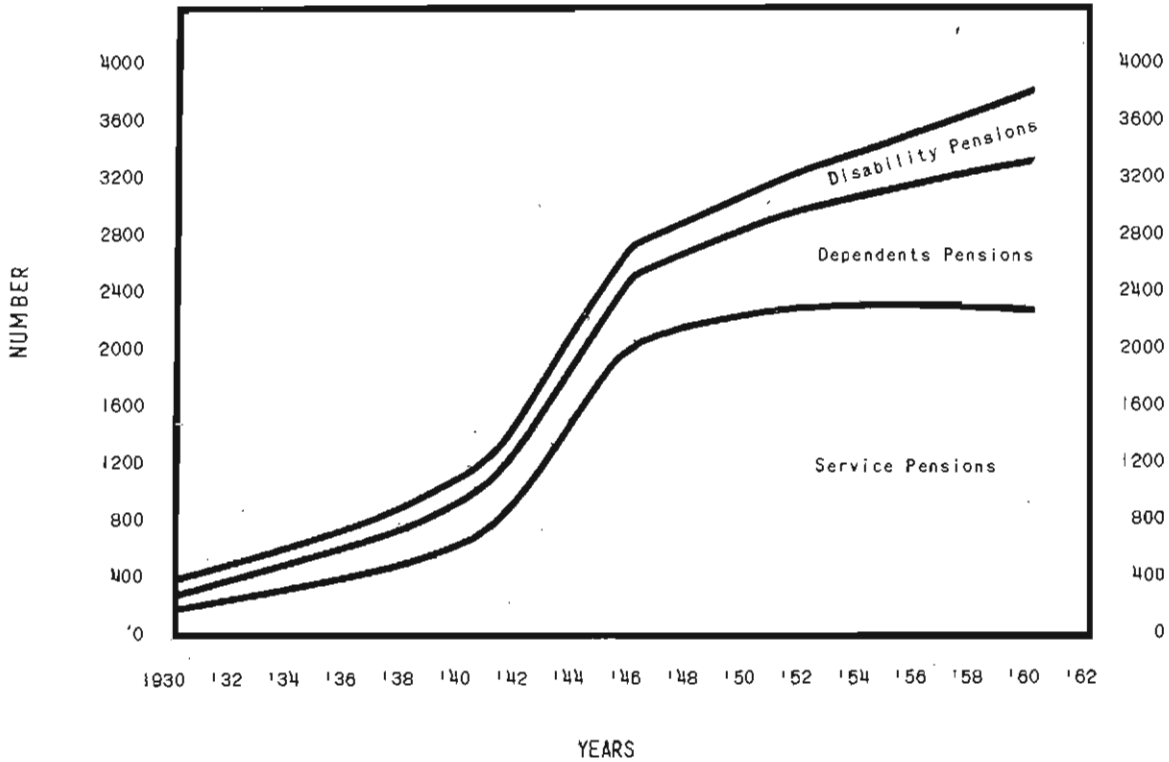
PENSIONS IN EFFECT—1930 TO DATE

The accompanying chart illustrates the changing relationship of the different classifications of pensions in effect at year end for each fiscal year, 1930 to date. The lower line on the chart traces the number of service pensions from year to year, while the intermediate line shows the additive effect of dependents pensions, principally widows. The top line records the total number of pensions, including the additive effect of disability pensions.

The outstanding feature illustrated by the chart is the great rise in service pensions that took place between 1940 and 1946, when some 1400 active members elected to take their pensions and enter industry during the war years. The total number of service pensions has been on a virtual plateau since 1950, and now is actually lower than the total on record in

1956. Although the chart shows that dependent pensions and disability pensions have been increasing at a relatively rapid rate for the past ten years, their number relative to the total distribution of pensions is just now reaching the same proportions that existed in 1940 before the rise in service pensions got under way.

NUMBER OF PENSIONS IN EFFECT
As Of June 30 Each Year



PENSIONS CLASSIFIED BY AMOUNTS

The following schedule shows the classification of pensions paid by number of pensioners in \$20.00 brackets up to the monthly amount of \$650.00 and also the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Minors	Dependents	Total
70- 89	---	2	8	---	1	11
90-109	13	11	94	1	---	119
110-129	100	25	59	2	---	186
130-149	87	48	27	11	---	173
150-169	74	31	35	2	---	142
170-189	60	56	28	5	---	149
190-209	73	53	24	3	---	153

PENSIONS CLASSIFIED BY AMOUNTS—Continued

Amounts	Service	Disability	Widows	Minors	Dependents	Total
210-229	62	29	17	2	---	110
230-249	37	14	16	3	---	70
250-269	33	19	15	---	---	67
270-289	24	16	16	---	---	56
290-309	23	22	12	---	---	57
310-329	702	26	312	4	2	1,046
330-349	231	29	134	---	---	394
350-369	96	29	1	---	---	126
370-389	177	34	142	1	---	354
390-409	104	34	2	---	---	140
410-429	128	8	3	---	---	139
430-449	31	15	---	---	---	46
450-469	63	9	---	---	---	72
470-489	29	4	32	---	---	65
490-509	55	3	---	---	---	58
510-529	6	---	---	---	---	6
530-549	9	2	---	---	---	11
550-569	6	1	---	---	---	7
570-589	2	---	14	---	---	16
590-609	4	---	---	---	---	4
610-629	22	---	---	---	---	22
630-649	2	---	3	---	---	5
650 or over	29	1	6	---	---	36
	<u>2,282</u>	<u>521</u>	<u>1,000</u>	<u>34</u>	<u>3</u>	<u>3,840</u>
Average Pension	324.00	262.85	285.13	191.08	237.47	304.34

The over-all average of \$304.34 compares with an average for the prior fiscal year of \$275.77. This increase is almost entirely the result of the increases received by those entitled to fluctuating pensions. The averages and numbers of fluctuating pensions is reported as follows:

	Service	Disability	Widows	Minors	Dependents	Total
Average Pensions	1,633	20	637	4	2	2,296
	372.85	324.19	351.42	328.56	312.25	366.35

The total of 2,296 fluctuating pensioners represent a net decrease of 28 during the fiscal year.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1960.

Ages	Service	Disability	Widows	Minors	Dependents	Total
0- 18	---	---	---	34	---	34
20- 25	---	---	2	---	---	2
25- 30	---	2	5	---	---	7
30- 35	---	20	9	---	---	29
35- 40	---	96	22	---	---	118
40- 45	---	87	18	---	---	105
45- 50	41	51	44	---	---	136
50- 55	98	65	100	---	---	263
55- 60	384	48	170	---	---	602
60- 65	833	82	205	---	---	1,120
65- 70	525	36	176	---	---	737
70- 75	279	19	121	---	---	419
75- 80	94	10	74	---	2	180
85- 90	8	1	12	---	---	21
90- 95	---	---	3	---	---	3
95-100	---	1	---	---	1	2
	<u>2,282</u>	<u>521</u>	<u>1,000</u>	<u>34</u>	<u>3</u>	<u>3,840</u>
Average Age	64	51	62	13	83	

SERVICE PENSIONS**Pensions Granted**

A total of seventy members of the Fire and Police Departments retired upon service pensions during the fiscal year ended June 30, 1960 as follows:

Fire

Floyd J. Adams	Roy U. Hill	Daniel L. Morse
Everett L. Bennett	Joe E. Horn	John Nelson
Clifford E. Bowen	Edward W. W. Jones	Leslie J. Nowack
Charles H. Bulkley	John A. Kayser	Charles N. Oliver
Oliver K. Carpenter	Herbert A. Krumsiek	George M. Oliver
Lawrence A. Cason	Ralph E. Lincoln	Joseph M. Quinn
Gerald J. Cronin	Joseph H. Lucas	Chester L. Rees
Raymond L. Delzell	Robert L. MacCollum	Earl W. Richardson
Bruce F. DeVall	Porter B. Marsh	Joseph A. Sanders
Brainard F. Gray	John M. Mathews	James E. Spainhower
Wayne J. Harris	William McGowan	John B. Wheeler
Harold L. Hilf	Herbert F. Moore	Eura E. White

Police

Victor F. Brown	Jesse W. Hoskins	William C. Shurley
Maurice E. Calfee	Don E. Houghton	Harry M. Swanson
Raleigh Coppage	James L. Liles	Walter Teubert
Eri R. Evans	Jesse E. Littlejohn	Loyd E. Tucker
Hugh H. Farnham	Arthur A. McBride	Earl Varco
Gilbert R. Gilmore	Philip J. McCarthy	Frank E. Walton
Cheryl M. Goodwin	Charles E. McNamara	Harry O. Warren
Donald W. Grant	John J. Minogue	James F. Whitney
Raymond L. Gray	Arnold H. Peirce	Emil C. Wiener
Lee P. Hale	Bruce W. Riley	Chester E. Wolfrum
Jerald R. Hardy	Steen W. Salsen	
Eugene J. Harlan	Lynn C. Slaten	

Pensions Discontinued

During the course of this fiscal year a total of seventy-one service pensions were discontinued on account of death. The following is a list of the names of those individuals:

Fire

William B. Allin	Frank D. Hayes	William A. McMullen
August H. Benson	William E. Hoffman	John N. Moffitt
Russell H. Biegel	Robert H. Johns	Francis Oliver
William J. Cammack	Clarence L. Johnson	Ottis C. O'Neal
George L. Cornwall	Hjalmer J. Johnson	Herman C. Pankonien
George W. Disler	Seth J. Johnson	Ray C. Snyder
William E. Epperson	Mark H. Knight	Clyde W. Stapp
Bennett W. Gafney	Andrew G. Lash	Joseph Stewart
Dewey R. Gail	Samuel L. Limes	Earl W. Sumner
James M. Gibson	James R. Lott	Gregory A. Watry
Theodore F. Harcourt	Frank O. Matthews	Preston E. Welch

Police

Arthur Adams	Clifford A. Gillan	Ben H. Montey
Edwin C. Anderson	Philip O. Goetting	Royal E. Munn
Harmon M. Aytes	William F. Hanes	Dalton R. Patton
Leon F. Baker	Roy A. Holden	Harold Paul
William M. Beard	J. B. Jackson	Howard J. Russell
Robert L. Berry	Louis C. Kilgore	Heber R. Skaggs
Lloyd J. Coffelt	James F. Martin	Roy L. Stevenson
Aldo Corsini	Freeman M. Maxwell	Lillian B. Toomey
Wilford Dawson	Stanford J. McCaleb	Bert E. Watson
Wm. A. Ellis	Louis L. McClary	Charles W. Wheeler
Marion F. Farris	Joseph H. McCoy	Roy Winters
Frank J. Gardner	Oddilla F. McGowen	Robert E. Wood
John G. Giebler	George N. Minnick	

These individuals were on the pension rolls an average of 15 years, although the range of life after retirement varied from a few weeks, to more than 30 years.

Service Retirements by Years

The total number of members who have retired upon service pension is presented by departments for the last twelve fiscal years in the following statements:

	F I R E		P O L I C E		Total
	20 Year	20-25 Year	20 Year	20-25 Year	
1948-1949	16	9	24	16	65
1949-1950	23	12	35	30	100
1950-1951	24	27	30	27	108
1951-1952	17	11	20	23	71
1952-1953	9	15	9	28	61
1953-1954	13	14	9	21	57
1954-1955	23	22	22	25	92
1955-1956	19	12	20	18	69
1956-1957	6	12	6	26	50
1957-1958	12	13	4	22	51
1958-1959	22	13	5	30	70
1959-1960	20	16	5	29	70

DISABILITY PENSIONS**Pensions Granted**

A total of sixty-three members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1960, as follows:

Fire

Jack E. Cox
Robert H. Ferguson
Robert D. Gallas
Gilbert Guthridge

Robert L. Howe
W. J. Langerman
Ivan B. Murry
Oren W. Neely

Roy B. Provence
John A. Ragan
F. G. Yates, Jr.

Police

Jack Allen
Charles M. Anderson
Oliver W. Andrews
Richard W. Babcock
Ruth J. Beck
Clifford W. Beckner
Louis N. Bounds
Benjamin S. Calkins
Jack W. Chaney
Edw. M. Christopher
Lindell W. Creasey
Jack R. Davis
DeBerry Beurette
William B. Donovan
Collins O. Frost
Joseph Garrisi
Donald L. Gillis
Harry O. Goldsmith

Walter M. Goodlow
Kenneth E. Gourley
Harry G. Greene
James R. Guier
Lloyd R. Henkel
George E. Heyboer
Donald C. Hinds
Andrew J. Hoak
Bill W. Hyder
Joseph V. Jackson
Gilbert W. Johnston
Johnnie W. Kingston
Howard Lamont
Charles Bowen Lay
Louis Malnar
Joseph J. Meyers
Jack M. Needham
John L. Nichols

Milton J. Olkein
Joseph C. Papsun
Lionel D. Pifer
Joel A. Powell
Philip W. Ray
Michael J. Reagan
Gordon C. Rogers
Conrad G. Sangren
Edward W. Sawyer
Fred S. Schott, Jr.
Myron M. Schwab
Robert H. Sears, Jr.
Edgar B. See
George E. Shannahan
Jean H. Stein
James T. Story

Pensions Discontinued

Seventeen disability pensions were discontinued on account of death or restoration to active duty from disability pension during the current fiscal year and the names of such individuals are listed as follows:

Fire

Edward C. Hines
Earl E. Tannehill
Percy W. Thompson

Leslie A. Watson
Ralph Watson

Police

Millerd G. Gaskell
Raymond D. Hawley
Leigh Held
Charles Knabe
Dick Mounger
Dwight H. Odell

Harold B. Perkins*
Cecil F. Phelps
Philip W. Ray
Charles G. Stropko*
Cecil M. Wisdom
Russell L. Young

*Restorations

Disability Retirements by Years

The total number of members retiring upon disability pension is represented by departments for the last twelve fiscal years in the following statements:

	F I R E		P O L I C E		Total
	Service	Non-Service	Service	Non-Service	
1948-1949	3	5	4	6	18
1949-1950	13	---	14	9	36
1950-1951	8	1	17	2	28
1951-1952	11	1	16	4	32
1952-1953	15	3	17	2	37
1953-1954	7	1	13	3	24
1954-1955	10	7	14	3	34
1955-1956	7	3	9	6	25
1956-1957	8	2	14	11	35
1957-1958	16	1	29	12	58
1958-1959	23	1	33	8	65
1959-1960	9	2	47	5	63

Analysis of Rates

There are 435 service connected disability pensions and 86 non-service connected disability pensions classified by rates in the following schedule as of June 30, 1960:

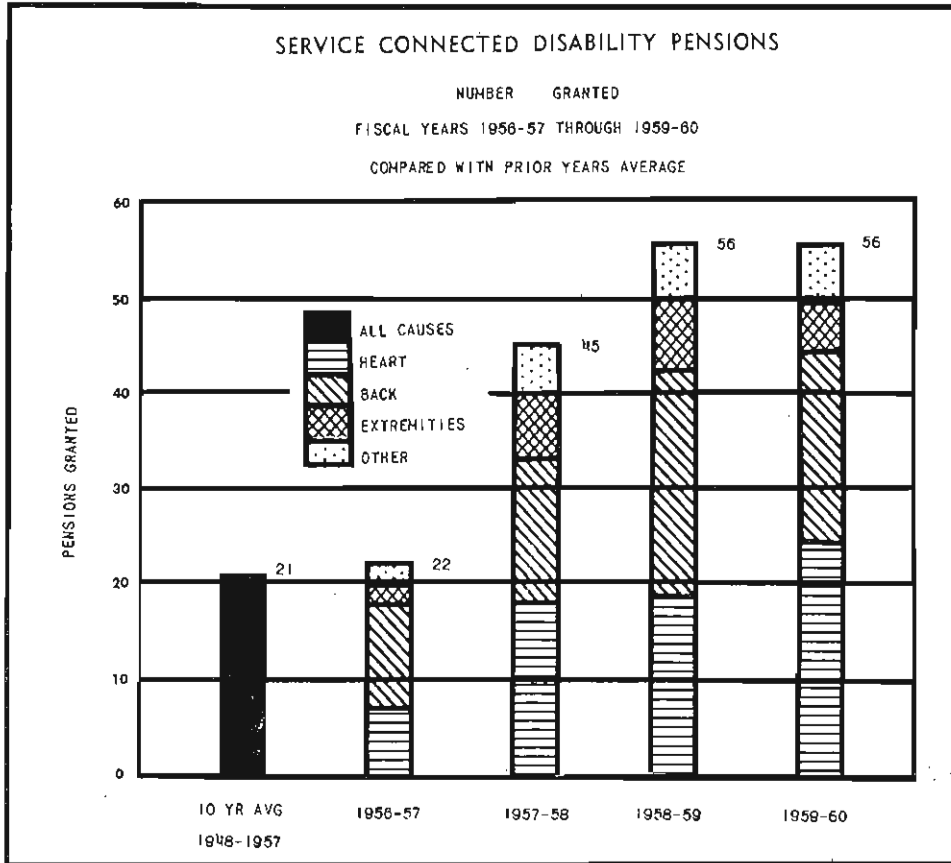
Rate	Fire	Police	Total
40%	24	64	88
50%	42	50	92
55%	14	22	36
57½%	1	---	1
60%	25	40	65
65%	56	103	159
66⅔%	1	---	1
70%	2	12	14
75%	11	32	43
80%	2	4	6
85%	2	4	6
90%	4	6	10
TOTAL	184	337	521

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	---	2	2
30-34	9	11	20
35-39	14	82	96
40-44	23	64	87
45-49	22	29	51
50-54	29	36	65
55-59	31	17	48
60-64	28	54	82
65-69	11	25	36
70-74	10	9	19
75-79	5	5	10
80-84	1	2	3
85-89	1	---	1
90-99	---	1	1
TOTAL	184	337	521
Average Age	54	49	51

High Liability Level Continues

The accompanying chart illustrates the continuance of the high level of service connected disability pensions arising under the System. The total number (56) is the same as last year. However, whereas last year the number from each of the contributing departments was roughly proportional to strength, this year 47 out of the 56 total were policemen. With respect to the kinds of disabilities suffered, heart cases increased, while back and extremity cases decreased relative to the experience a year earlier.



LITIGATION

ABBOTT)
ABNEY)
ADAMS) vs. City of Los Angeles, etc., et al.
BEHRNS)
MASON)

Prior to the beginning of the fiscal year, plaintiffs and defendants had appealed from certain portions of the judgments of the trial court. On February 19, 1960, the District Court of Appeal reversed said portions of the judgments and determined: (1) that those plaintiffs who had breaks in service, i.e., those who were appointed prior to July 1, 1925 but who resigned and were reappointed subsequent thereto, and those plaintiffs who were appointed on November 25, 1925, upon the consolidation of the City of Venice with the City of Los Angeles, are not entitled to fluctuating pensions; and (2) that longevity pay for the basic ranks and merit pay for the promotional ranks are each a part of the salary attached to the respective ranks for the purpose of calculating the fluctuating pensions of all plaintiffs other than those mentioned in (1). Plaintiffs' and defendants' petitions for rehearing were denied on March 17, 1960, their respective petitions for hearing in the Supreme Court were denied on April 13, 1960 and, therefore, the determinations above set forth are final and conclusive. Judgments thereafter entered in favor of plaintiffs entitled to fluctuating pensions for the accrued difference between the total amount which each had received, excluding longevity pay or merit pay, and the total amount which each should have received, including such pay, were paid and satisfactions filed of record.

ANDERSON)
CODY)
HOFFMAN)
JOHNSON) vs. City of Los Angeles, etc., et al.
MAUSER)
LANDEN)
MRAKICH)
PARSONS)

Prior to the beginning of the fiscal year, plaintiffs and defendants had appealed from certain portions of the judgments of the trial court and the issues of longevity pay and merit pay and the effect of one plaintiff's break in service were presented upon appeal. After said issues were finally determined by the District Court of Appeal in **ABBOTT**, the attorneys for the respective parties stipulated that the District Court of Appeal could forthwith enter an order affirming judgments as to longevity pay and merit pay, and modifying the judgment in **HOFFMAN** as to the one plaintiff who had a break in service, so that said judgments would conform to the determinations made in **ABBOTT**. Subsequently, the portions of the judgments in favor of plaintiffs which were calculated upon longevity pay and merit pay, the other portions having been paid prior to the beginning of the fiscal year, were paid and satisfactions filed of record.

ACKER)
AHRENS)
ARMSTRONG) vs. City of Los Angeles, etc., et al.
CASSELBERRY)
HENRY)

These cases, commenced prior to the fiscal year, were consolidated for pretrial conference and for trial. The pretrial conference was held on August 12, 1959, and the cases came on for trial on November 16, 1959. The

issues will not be stated at this point for they will be apparent from the statements hereinafter contained as to the court's determinations thereof.

In **Acker and Casselberry**, the court determined the issues of longevity pay and merit pay in accordance with the decision of the District Court of Appeal in **ABBOTT** and judgments were entered in favor of plaintiffs, who were already receiving fluctuating pensions, for the accrued difference between the total amount which each had received, excluding longevity pay or merit pay, and the total amount which each should have received, including such pay, from six months prior to the filing of their claims and not, as contended by them, from three years prior thereto. Said judgments were paid and satisfaction filed of record. The court also determined that the widow of each member plaintiff would, upon his death, be entitled to a fluctuating pension if married to him for at least one year prior to his death, as was provided prior to July 1, 1925, and that the change effective as of said date requiring the widow to be married for at least one year prior to the retirement of the member is invalid and unconstitutional as to plaintiffs. Defendants intend to appeal from this latter determination.

In **Henry**, neither longevity pay nor merit pay was an issue because the salary of the position held by plaintiff, who was not a regular fireman, was provided in a different salary ordinance containing no provision therefor. The court decided, in accordance with the decision of the District Court of Appeal in **Abbott**, that plaintiff, because he retired upon the basis of the highest salary then attached to his position, is entitled to have his fluctuating pension, which he was already receiving, calculated upon the highest salary now attached to the position and judgment was entered in his favor for the accrued difference between that which he had received and that which he should have received from three years prior to the filing of his complaint. Defendants paid only the portion applicable to the recovery of such difference from six months prior to the filing of his claim and a partial satisfaction was filed of record. Defendants intend to appeal from the portion of said judgment which holds that plaintiff is entitled to recover for a longer period than that for which defendants paid him and also from that portion which makes the same determination as to the pension rights of plaintiff's widow, upon his death, as was made in **Acker and Casselberry**.

In **Armstrong**, the determinations of the court are too numerous to explain in full. However, its major determinations are: that, as was decided by the District Court of Appeal in **Abbott**, plaintiffs who had breaks in service or who were appointed subsequent to July 1, 1925 upon the consolidation of the City of Venice or the City of Watts with the City of Los Angeles are not entitled to fluctuating pensions; that some of said plaintiffs are entitled to fixed pensions based upon the salary attached to the rank held one year prior to date of retirement should they be greater than those which they have been receiving; that some of said plaintiffs are entitled to fixed pensions based upon the salaries in effect at date of retirement for the average ranks held by them during the three years immediately preceding such date should they be greater than those which they have been receiving or those based upon the salary attached to the rank held one year prior to the date of retirement; that widows who are plaintiffs are entitled to fluctuating pensions and are not estopped from claiming the same because they applied for and accepted greater fixed pensions than 50% by reason of there being minor children of deceased members; that such widows were and are entitled to the additional benefits provided for minor children; and that the widow's basic pension of 50% fluctuates but that any additional percentage for minor children is upon a fixed basis. The money portion of the judgment entered before the end of the fiscal year was not paid by defendants who intend to appeal from all portions of the judgment which are adverse to them.

In **Ahrens**, the court determined: that plaintiffs are entitled to fluctuating pensions and are not estopped from claiming the same because they or the deceased husbands of the widows plaintiffs applied for and accepted greater fixed service-connected disability pensions than 50%; that the member plaintiffs were and are and the deceased husbands of the widows plaintiff were entitled to the additional disability benefits in excess of 50%; that the first 50% of such disability pensions fluctuates but that any additional percentage is upon a fixed basis; and that one such plaintiff was a member of the Police Department for the purposes of vested pension rights even though he, on July 1, 1925, had only an emergency appointment as a policeman rather than a permanent one. Defendants intend to appeal from all portions of the judgment which are adverse to them.

COTTAM vs. City of Los Angeles, etc., et al.

Prior to the beginning of the fiscal year, judgment was entered to the effect that plaintiff, whose widow's pension was terminated upon her remarriage, was entitled to reinstatement of her pension as a result of the annulment of such marriage. Defendants appealed and, as of the close of the fiscal year, had not filed their closing brief on appeal.

CLARK vs. City of Los Angeles, etc., et al.

In this case, commenced during this fiscal year, judgment was entered to the effect that plaintiff, whose widow's pension was terminated upon her remarriage, was entitled to reinstatement of her pension as a result of the annulment of such marriage. Defendants appealed and, as of the close of the fiscal year, plaintiff had not filed her reply brief to defendants' opening brief on appeal filed on May 31, 1960.

JAMES vs. City of Los Angeles, etc., et al.

In this case, commenced during this fiscal year, the facts are that plaintiff was married to the deceased member for many years before and after his retirement, that he divorced plaintiff and married another woman and that he then divorced his second wife and remarried plaintiff. Defendants contend that plaintiff is not eligible to a widow's pension because the marriage required by the charter provisions to be in existence for at least one year prior to the member's retirement must be a continuing one until his death and that plaintiff obtained no pension rights as a result of her remarriage to the member after his retirement. As of the close of the fiscal year the case was set for trial on September 28, 1960.

EATON vs. City of Los Angeles, etc., et al.

Plaintiffs in this proceeding were appointed subsequent to July 1, 1925 and prior to January 17, 1927. They seek fluctuating pensions on the ground that the change of July 1, 1925 from fluctuating to fixed pensions is invalid and unconstitutional as to them or, in the alternative, fixed pensions based upon the salary attached to the rank held one year prior to date of retirement should they be greater than those which they had been receiving. Pretrial conference was had on January 29, 1960, the case came on for trial on April 8, 1960, was submitted on April 21, 1960 and, as of the close of the fiscal year, was still under submission.

FARNELL vs. City of Los Angeles, etc., et al.

Plaintiffs in this case, commenced in 1957, seek a refund of salary deductions paid into the pension fund. The case, however, was not at issue as of the close of the fiscal year.

MORRIS vs. City of Los Angeles, etc., et al.

Plaintiff in this case, commenced in 1958, seeks a refund of salary deductions paid into the pension fund. The case, however, was not at issue as of the close of the fiscal year.

MAXWELL vs. City of Los Angeles, etc., et al.

Prior to the beginning of the fiscal year, defendants had appealed from the judgment of the trial court to the effect that plaintiff is entitled to a widow's pension because she was the putative wife of a deceased disability pensioner. Because of the extenuating facts and circumstances involved in the case, defendant's entered into a stipulation that the District Court of Appeal could modify the trial court's judgment in accordance with the modifications therein contained and, as modified, affirm the same and issue the remittitur forthwith. Said court made its order to such effect, filed December 16, 1959, thereafter issued the remittitur and, upon the advice of the City Attorney, the Board placed plaintiff upon the pension roll and paid her all accrued pension payments.

JONES vs. City of Los Angeles, etc., et al.

In this case, commenced during this fiscal year, plaintiff, a discharged policeman, seeks to compel defendants to pay him a disability pension, his application therefor having been denied by the Board prior to his bringing suit. As of the close of the fiscal year, the case had not been set for trial.

ATWELL)
BOWERS) vs. City of Los Angeles, etc., et al.
CASEY)

These cases were commenced during this fiscal year. The plaintiffs in **Atwell** are retired members who were appointed prior to July 1, 1925 and the plaintiffs in **Bowers** and **Casey** are widows of deceased members who were appointed prior thereto.

In **Atwell**, plaintiffs seek a declaratory judgment to the effect that, upon their deaths, their widows will be entitled to pensions if they were married to plaintiffs for at least one year prior to their deaths, as was provided prior to July 1, 1925, and the change effective as of said date requiring plaintiffs' widows to have been married for at least one year prior to the dates of plaintiffs retirements is invalid and unconstitutional as to them.

In **Bowers** and **Casey**, plaintiffs seek the same relief as prayed for by plaintiffs in **Atwell** and, in addition thereto, a declaration to the effect that they, all of whom were married to their deceased husbands after their retirements but for at least one year prior to their deaths, are entitled to pensions.

As of the close of the fiscal year, these cases, which were consolidated for pretrial conference had on April 14, 1960 and for trial, were set for trial on July 27, 1960.

MURDY vs. City of Los Angeles, etc., et al.

In this case, commenced during this fiscal year, plaintiffs seek a declaratory judgment to the effect that they are entitled, under the provisions of the Military and Veterans Code, to credit toward retirement for the time served by them in the armed forces during 1957 and 1958. Defendants con-

tend that the provisions of Section 17 of the City Charter are controlling and that plaintiffs are not thereunder entitled to such credit since their service in the armed forces was subsequent to June 25, 1955 and not during time of war. On April 1, 1960, the case was tried and submitted upon points and authorities to be filed. As of the close of the fiscal year, the case was still under submission.

OPINIONS

An opinion was written to the Board to the effect that a retired member's unverified letter request for a refund of contributions deducted from a lump sum payment made to him for earned but unused vacation is a claim therefor, but that he is not entitled thereto for he made the presentation thereof more than six months after the date the deduction was made, and that should a retired member file such a claim with the City Clerk or make presentation thereof to the Board within six months after the date of any such deduction, he would be entitled to a refund from the Department of Pensions.

Guardianships

Forty-one accountings were received and carefully examined, 1 return of sale of real property and petition for confirmation was received and 2 orders were received, 1 to remove the guardian and appoint a successor and 1 to release the minor to his parents, after having been in the custody of the juvenile court. In addition, the following petitions were received: 1 for authority to invest estate funds; 1 for an order authorizing the leasing of real property; 1 for the removal of the guardian and for appointment of a guardian ad litem; 1 for authority to pay the balance of the funeral bill of the minor's father out of estate funds; 1 for the allowance of a specific amount for education; and 4 for instructions and authority to expend funds for the care and support of the wards. 12 requests for special notice were prepared, served and filed. 4 guardianships of incompetents were discontinued, two on account of restoration to capacity and 2 on account of death, and 7 guardianships of incompetents and conservatees were added. 3 guardianships of minors were discontinued upon attaining majority and 8 guardianships of minors were added. At the close of the fiscal year, there were 63 active guardianships, 34 covering 54 minors and 29 covering incompetents.

OPERATIONS

The cash balance at June 30, 1960 was \$779,196 as compared with \$350,102 the previous year. This increase was occasioned by receipt of proceeds from bond sales on the last day of the fiscal year. The bond portfolio showed a decrease of \$5,686,000, with a total par value of \$13,354,000 and an appraised value of \$10,070,579. The decrease reflected the bond sales made to meet pension obligations, as well as a net loss on sales of \$673,953. Because of the continued sale of the better coupon bonds, average yield on the total portfolio was down to 3.06% from 3.19% the previous year.

Increased Use of Treasury Bills

During this past year frequent bond sales, together with relatively high short-term interest rates, permitted the increased use of temporary investment of system funds in U. S. Treasury Bills. During the year, a total of \$4,075,000 in Treasury Bills were purchased at an advantage to the fund of \$25,360. It may be noted that in the balance sheet for the fund in this report, Treasury Bills are segregated from permanent investments in order to identify the fact that such Bills are a secondary form of cash.

Review of Revenues and Expenditures

The listing of revenues under Exhibit 2 shows an increase of \$217,504 in tax monies, as a result of a slightly higher total payroll in the Fire and Police Departments subject to the pension levy for current service. Interest income declined because of the considerable liquidation in bonds, while the contributions of members increased because of somewhat greater number of personnel, and the pay increase to the active firemen and policemen effective September 6, 1959. Changes were minor in other revenue accounts.

Total pension costs for the year show a decline from \$19,114,421 to \$14,748,196. However, both figures are inclusive of large sums paid as retro-active judgments, as shown in footnote 5. Pensions calculated on a current pension roll basis actually increased from \$11,032,701 to \$13,266,368, partly because of an increase in number of pensioners, and partly because of the higher pensions payable as the result of court rulings as previously stated.

Administrative Costs

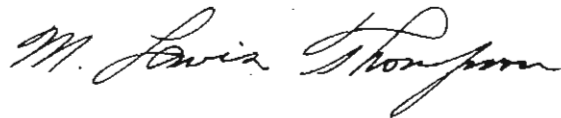
Administrative expense for the year increased approximately \$12,000, accounted for by new actuarial costs of \$5,000, and an increase in salary costs of \$8,000. Other administrative costs fluctuated within relatively narrow limits. Medical expenses continued at a high level because of the large number of disabled firemen and policemen being pensioned or undergoing review.

Surety Bonds

Thirteen individuals were employed in the Department including one Assistant City Attorney. Twelve employees were under bond as follows:

Position	Amount of Bond
Manager-Secretary	\$50,000
Chief Accountant	25,000
All others, each	5,000

Respectfully submitted,



Manager-Secretary

**CONDENSED
REPORT
ON THE
ACTUARIAL VALUATION
OF THE
FIRE AND POLICE PENSION SYSTEM
OF THE
CITY OF LOS ANGELES
AS OF
JUNE 30, 1960**

October 5, 1960

Board of Pension Commissioners
Fire and Police Pension System of
the City of Los Angeles
1108 City Hall
Los Angeles 12, California

Gentlemen:

We are pleased to transmit herewith our Report setting forth the results of the valuation of the Fire and Police Pension System of the City of Los Angeles as of June 30, 1960.

The valuation was based upon financial statements and employee data furnished by the Pension Department Office and we would like to express our appreciation for the splendid cooperation shown by the Pension Department Office staff in this work.

We will welcome the opportunity to discuss this Report with you at your convenience.

Respectfully submitted,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By /S/ Robert H. Little

RHLE:th

SECTION I INTRODUCTION

Under the terms of the contract between the City of Los Angeles and the firm of Coates, Herfurth & England dated July 1, 1960, we have undertaken an Actuarial Valuation of the Fire and Police Pension System as of June 30, 1960. We will set forth in this Report the results of this valuation.

The reader is referred to Article XVII of the Charter of the City of Los Angeles and to related Ordinances for a detailed statement of the provisions of the Fire and Police Pension System.

We would like to call attention to a significant change affecting the operation of the System which became effective since the Valuation that was made as of June 30, 1959. We refer to the Court decision in which it was ruled that longevity and merit pay was to be included in the basis for determining the amount of the fluctuating pensions. This ruling, which became effective May 1, 1960, necessitated a retroactive payment of approximately \$1,470,000 to the 2,283 pensioners affected by the ruling and increased the monthly pension roll by \$54,495.02.

We have been informed that there are several areas of controversy which have yet to be resolved by the Court. The current valuation, however, has been carried out on the basis of the issues that have already been decided by the Court. Future valuations of the System will take into consideration future rulings by the Court.

To provide a basis for our valuation of the System as of June 30, 1960, we were furnished with IBM punch cards containing the necessary information with respect to each individual who was an active policeman or fireman as of June 30, 1960 and for each individual who was retired as of June 30, 1960.

In addition to the data described above which refers to members of the System, we were furnished with an Accounting Balance Sheet setting forth the assets and liabilities of the System as of June 30, 1960. No physical audit of the assets shown in the balance sheet was made by us and our calculations are based upon the balance sheet as submitted.

We will set forth in the following Section II of this Report the results of the current valuation of the System, while in Section III we set forth our recommendations with respect to contributions that will be required from the City.

SECTION II RESULTS OF VALUATION

Our valuation of the Fire and Police Pension System as of June 30, 1960, was based upon the Accounting Balance Sheet furnished by the Pension Department Office. As indicated earlier in this Report, this statement of the assets of the System was accepted by us without audit.

The results of the Actuarial Valuation of the Fire and Police Pension System as of June 30, 1960, are shown on the Actuarial Balance Sheet. This valuation was carried out on the basis of the actuarial assumptions adopted as the result of the investigation that was made as of June 30, 1957, and, pursuant to the City Charter as amended; upon a 4% interest assumption. These actuarial assumptions are discussed in detail in our report to the Board of Pension Commissioners dated March 17, 1958.

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
ACTUARIAL BALANCE SHEET
As of June 30, 1960**

ASSETS

1. Assets from Accounting Balance Sheet.....		\$ 14,301,491
2. Present Value of Future Contributions by Members of 6% of Compensation.....		39,825,846
3. Present Value of Future Contributions by the City for:		
(a) Entry Age Cost (11.6% of Compensation)	\$ 76,996,636	
(b) Fifty Year Amortization of "Unfunded Liability"	328,557,727	405,554,363
4. Total Assets		<u>\$459,681,700</u>

LIABILITIES

5. Accounts Payable		\$ 1,895
6. Present Value of Present Pensions to Pensioners Now on Pension Roll:		
(a) Service	\$ 83,132,520	
(b) Disability	19,796,436	
(c) Dependents	38,103,492	\$141,032,448
7. Present Value of Prospective Pensions to Dependents of Present Pensioners:		
(a) Service	\$ 30,819,300	
(b) Disability	5,011,620	\$ 35,830,920
8. Present Value of Prospective Pensions to Presently Active Members:		
(a) Service	\$162,431,100	
(b) Disability	40,891,864	\$203,322,964
9. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service.....		17,910,042
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:		
(a) Service	\$ 47,330,143	
(b) Disability	13,400,373	60,730,516
11. Reserve for Investment Losses.....		852,915
12. Total Liabilities		<u>\$459,681,700</u>

The following comments may facilitate a review of the items shown on the Actuarial Balance Sheet:

Item 1 shows the assets on hand and was taken from the Accounting Balance Sheet.

Item 2 shows the present value of future "6% of compensation" contributions that will be received from the present members of the system.

Item 3 shows the present value of future contributions that will be received from the City and is broken down into that portion attributable to the City's share of the entry age cost and that portion attributable to the amortization of the Unfunded Liability of the System. You will note that the City's portion of the entry age cost is the same 11.6% of compensation referred to in our report on the valuation of the System as of June 30, 1957. This entry age rate will not change until there is a change in the actuarial assumptions or in the average age at which new members enter the System.

Items 6 through 10 show the actuarially computed liability for various classifications of members and dependents under the System. It will be noted that the total liability shown in Item 12 is approximately \$14,000,000 greater than it was as of June 30, 1959. A large portion of this increase can be attributed to the aforementioned Court ruling that was handed down effective May 1, 1960 which provided that longevity and merit pay would be included in the basis for determining the amount of the fluctuating pensions.

In keeping with our practice of not reflecting salary increases due to changing economic conditions, we have assumed that amounts now payable to present pensioners will continue throughout the remainder of the pensioner's lifetime. Future valuations of the System will take into account the increases in pensions as they occur.

SECTION III
RECOMMENDED CITY CONTRIBUTIONS

Section 186.2 of Article XVII of the Charter of the City of Los Angeles specifies that the City will make the following contributions to the Fund each year:

1. An amount equal to the City's share of a defined Entry Age Cost.
2. An amount equal to a percentage of the salaries of all members necessary to amortize the "Unfunded Liability" of the System over a 50 year period beginning with the fiscal year immediately succeeding the effective date of Section 186.2 (1959-1960), with no contribution during the first year (1959-1960); a contribution of one-tenth of the ultimate contribution rate for such amortization in the second year, and increasing thereafter by one-tenth (1/10) of such ultimate contribution rate each year so that in the 11th and all subsequent years the full amortization payment will be made.
3. An amount to provide for Administration Expense.

Pursuant to Subparagraphs 1 and 2 above, we recommend that the City contributions for the fiscal year commencing July 1, 1961, be as follows:

1. An Entry Age Contribution equal to 11.6% of the total payroll of members; plus
2. An amortization contribution equal to 6.8% of the total payroll of members. (The following schedule sets forth the amortization contribution developed by this valuation for each year in the amortization period.)

In our opinion, if these recommendations are adopted, the Fire and Police Pension System will be maintained on a sound actuarial basis in compliance with the Charter of the City of Los Angeles.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

CITY CONTRIBUTIONS TO AMORTIZE UNFUNDED LIABILITY
BASED UPON ACTUARIAL VALUATION MADE AS OF JUNE 30, 1960

Year of Amortization Program	Fiscal Year Beginning July	Contribution as Percentage of Members' Compensation
3	1961	6.8%
4	1962	10.2
5	1963	13.6
6	1964	17.0
7	1965	20.4
8	1966	23.8
9	1967	27.2
10	1968	30.6
11 through 50	1969 through 2008	34.0

PEAT, MARWICK, MITCHELL & CO.**Certified Public Accountants****629 South Spring Street****Los Angeles 14, Calif.****ACCOUNTANTS' REPORT**

To the Board of Pension Commissioners
of the City of Los Angeles:

We have examined the balance sheet of the City of Los Angeles Fire and Police Pension Fund as of June 30, 1960 and the related statements of operations and fund capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The reserve for pensions aggregating \$328,557,727 represents the present values of amounts required to pay pensions for service prior to June 30, 1959 as they mature and are presented in accordance with a report certified by Coates, Herfurth & England, the consulting actuary of the fund. This reserve was established as of June 30, 1959 to comply with an amendment to the Charter of the City of Los Angeles, effective May 6, 1959, which placed the fund on a reserve basis.

Legal actions pending at June 30, 1960 contesting the method of computing pensions of certain members or widows could, in the event of judgments in favor of the plaintiffs, result in material additional liabilities as more fully explained in Note 4 of notes to financial statements. It is not possible to estimate the liability existing at June 30, 1960 until such actions are adjudicated and a revised actuarial valuation is completed. No provision has been made therefor in the accounts.

The accompanying balance sheet of City of Los Angeles Fire and Police Pension Fund as of June 30, 1960 and the related statements of operations and fund capital have been prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. However, having regard to the possible material effect of the matters referred to in the preceding paragraph upon the financial position and results of operations of the Fund, we are precluded from expressing an opinion with respect to the fairness of the presentation until such matters have been resolved.

Peat, Marwick, Mitchell & Co.

Los Angeles, California
November 10, 1960

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND**

BALANCE SHEET
June 30, 1960
with comparative figures for 1959

EXHIBIT I

ASSETS

Cash and temporary investments:	June 30, 1960		June 30, 1959	
Deposits with Treasurer of the City of Los Angeles.....	\$ 779,505		\$ 350,102	
Cash revolving funds	325		325	
United States Treasury Bills— at cost (par value \$1,430,000)	1,423,626	2,203,456	\$ 350,427
Investments:				
Bond investments general— at par (value based on mar- ket quotations, \$10,070,579 and \$16,414,868, respectively)	\$ 11,924,000		\$ 19,040,000	
Street improvement bonds— at par	386		1,578	
Treasurer's deeds—at cost.....	657		657	
Trust deeds receivable—at cost	3,392		3,627	
Real property—at cost.....	18,991		18,731	
	\$ 11,947,426		\$ 19,064,593	
Bond Premiums, less discounts of \$44,838 and \$86,605, respectively	48,141	11,995,567	54,184	19,118,777
Accrued interest		102,468		170,871
		<u>\$ 14,301,491</u>		<u>\$ 19,640,075</u>

LIABILITIES

Accounts payable	\$ 1,895		\$ 2,966	
Deferred credits—prepaid pay- ments—street bonds				1,361
Reserve for pension at actuarial valuation (Note 1)		328,557,727		327,934,027
Fund Capital:				
Accumulated surplus (deficit) (Note 2)	(\$315,111,046)		(\$309,825,031)	
Reserve for investment losses (Note 3)	852,915	(314,258,131)	1,526,752	(308,298,279)
Contingent liabilities (Note 4).....		<u>\$ 14,301,491</u>		<u>\$ 19,640,075</u>

See accompanying notes to financial statements.

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND**

**STATEMENT OF OPERATIONS
Fiscal Year Ended June 30, 1960
with comparative figures for 1959**

EXHIBIT II

Revenue:	June 30, 1960	June 30, 1959
Taxes	\$ 6,301,170	\$ 6,083,666
Interest	546,769	676,055
Members' Contributions	3,300,677	3,032,073
Sales of Unclaimed Property	55,913	47,569
Donations	367	362
Miscellaneous	7,827	10,014
Revenues Available for Current Years' Expenditures.....	\$10,212,723	\$ 9,849,739
 Expenditures:		
Pensions Paid: (Note 5)		
Service	\$ 9,544,655	\$13,782,501
Disability	1,343,438	1,092,934
Widows	3,459,800	3,883,492
Minors	52,648	41,985
Dependents	9,287	10,342
Non-Service:		
Disability	187,035	174,181
Widows	122,693	105,541
Minors	28,640	23,445
	\$14,748,196	\$19,114,421
Administrative Expenses	126,842	14,875,038
Excess of Expenditures Over Revenues	\$ 4,662,315	\$ 9,379,510
Additional Reserve Requirements Due to Increase in Actuarial Liabilities..	623,700	-----
Deficit for the Year	\$ 5,286,015	\$ 9,379,510

See accompanying notes to financial statements.

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND**

**STATEMENT OF FUND CAPITAL
Fiscal Year Ended June 30, 1960
with comparative figures for 1959**

EXHIBIT III

	June 30, 1960			June 30, 1959		
	Accumulated Surplus (Deficit)	Reserve for Investment Losses	TOTAL	Accumulated Surplus (Deficit)	Reserve for Investment Losses	TOTAL
Balance as of Beginning of Period.....	(\$309,825,031)	\$1,526,752	(\$308,298,279)	\$ 20,898,506	\$2,468,039	\$ 23,366,545
Add:						
Prior Years' Provision for Estimated Unpaid Pensions—Paid During Year....	-----	-----	-----	6,590,000	-----	6,590,000
	(309,825,031)	1,526,752	(308,298,279)	27,488,506	2,468,039	29,956,545
Deduct:						
Deficit for the Year.....	5,286,015	-----	5,286,015	9,379,510	-----	9,379,510
Net Loss on Disposition of Investments....	-----	673,837	673,837	-----	941,287	941,287
Provision for Future Pensions at Actuarial Valuation (Note 1).....	-----	-----	-----	327,934,027	-----	327,934,027
Balance at End of Period.....	<u>(\$315,111,046)</u>	<u>\$ 852,915</u>	<u>(\$314,258,131)</u>	<u>(\$309,825,031)</u>	<u>\$1,526,752</u>	<u>(\$308,298,279)</u>

See accompanying notes to financial statements.

City of Los Angeles
FIRE AND POLICE PENSION FUND

Notes to Financial Statements

June 30, 1960

- (1) The Charter of the City of Los Angeles as amended, effective May 6, 1959, provides that the Fire and Police Pension Fund be maintained on a reserve basis which shall be determined in accordance with accepted actuarial methods. Accordingly, the reserve for pensions has been adjusted to the liability as determined by the actuarial valuation as of June 30, 1960. Such liability represents computed amounts which, with additions from future contributions to be received to cover current service costs and with interest on fund investments compounded annually at a certain assumed rate, are calculated to be sufficient to meet the pension obligations. The valuation was determined on the basis of the actuarial assumptions adopted as a result of the actuarial investigation that was made as of June 30, 1957 and upon a 4% interest assumption. The assumed rate of interest was established by the Board of Pension Commissioners, with the advice of the investment counselor, based on the experience and prospective earnings on the investments of the fund.
- (2) The accumulated deficit, \$315,111,046, is the unfunded actuarial liability of the pension system and in accordance with the City Charter as amended is to be amortized over fifty years, beginning July 1, 1959, through contributions to be made by the City. The Charter further stipulates "a ten-year modification program whereby there will be no contribution on account of such amortization during the first year; a contribution of one-tenth of the ultimate contribution for such amortization in the second year, and increasing thereafter by one-tenth of such ultimate contribution each year so that in the eleventh and all subsequent years the full amortization payment will be made."
- (3) The reserve for investment losses is comprised substantially of the net gains realized from investment transactions consummated after June 30, 1940. It is the accounting policy of the fund not to provide for the fluctuation in market value of bonds as such investments are usually held to maturity and if so held they should be substantially redeemed at par.

Subsequent to June 30, 1960, bond investments of \$1,870,00 par value were sold at a net loss of \$340,110 to provide funds for pension payments and it is anticipated that further bond sales may be required.

- (4) There were a number of legal actions pending at June 30, 1960 contesting the method of computing pensions of certain members or widows.

The amount of additional liability at June 30, 1960 is indeterminable with the exception of three legal actions relating to widows' pensions under which, in the opinion of counsel for the fund, the possible, but not probable, ultimate liability is \$117,000. As to the other pending actions it is possible that material additional liabilities would be incurred should judgments be entered in favor of plaintiffs. The extent of such additional contingent liabilities cannot at present be reasonably determined until further data is secured, however, in the opinion of management, payments required thereby could exceed the present assets of the fund. Should present bond market conditions prevail at

that time the liquidation of investments to pay such liabilities would also result in losses substantially in excess of the reserve for investment losses. In addition, a revised actuarial valuation would require a very material increase to the reserve for pensions.

Pending completion of the legal actions and final determination of the liability, if any, no provision has been made therefor in the accounts.

- (5) Expenditures for regular monthly pension payments increased as compared with the preceding year, however the decrease in retroactive pension payments resulting from court decisions caused a decrease in total pension expenditures. The expenditures for regular and retroactive pension payments during the year ended June 30, 1960, with comparative figures for 1959, were as follows:

Regular monthly pension payments:	1959-60	1958-59
Service	\$ 8,418,892	\$ 7,154,273
Disability	1,337,972	1,083,854
Widows	3,112,477	2,446,760
Minors	50,670	37,310
Dependents	7,989	7,337
Non-service	338,368	303,167
	<u>13,266,368</u>	<u>11,032,701</u>
 Retroactive pension payments:		
Service	1,125,763	6,628,228
Disability	5,466	9,080
Widows	347,323	1,436,732
Minors	1,978	4,675
Dependents	1,298	3,005
	<u>1,481,828</u>	<u>8,081,720</u>
	<u>\$14,748,196</u>	<u>\$19,114,421</u>

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND**

ADMINISTRATIVE EXPENSE COMPARED

SCHEDULE 1

OPERATING EXPENSE	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54
Salaries	\$ 88,515	\$ 80,441	\$76,044	\$70,382	\$69,086	\$63,499	\$62,152
Communications	761	982	714	592	633	621	550
Insurance and Bond Premiums	424	383	358	417	515	284	1,302
Office Equipment	937	1,253	1,341	610	246	603	555
Office Supplies	865	968	776	756	772	494	467
Printing and Binding	1,471	1,564	1,156	1,123	1,063	1,030	1,052
Traveling	1,372	669	600	401	216	43	269
Contractual Services	5,114	6,995	3,315	3,000	3,000	3,000	3,000
Field Equipment	250	412	200	150	20	29	185
Maintenance and Repairs	-----	150	123	75	14	17	20
Petroleum Products	153	212	152	150	62	87	-----
Transportation	292	84	25	7	72	14	85
Annual Audit	1,500	1,750	1,002	934	950	795	766
Governmental Meetings	-----	-----	29	-----	-----	-----	-----
Litigation	2,039	3,691	209	888	831	620	481
Mailing Service	470	665	338	151	290	295	229
Medical Services	13,456	12,480	8,766	6,883	7,207	6,924	6,966
Miscellaneous	9	-----	9	52	-----	8	310
Actuarial Investigation	5,000	-----	-----	-----	636	-----	-----
Equipment, Furniture and Fixtures	4,214	2,129	2,378	1,012	1,757	186	1,576
	<u>\$126,842</u>	<u>\$114,828</u>	<u>\$97,535</u>	<u>\$87,583</u>	<u>\$87,370</u>	<u>\$78,549</u>	<u>\$79,965</u>

CITY OF LOS ANGELES
STATEMENT OF CASH RECEIPTS AND SOURCES THEREOF
 Fiscal Years 1953-54 to 1959-60 Compared

SCHEDULE 2

	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54
Total Receipts and Revenue	\$19,357,700	\$21,149,506	\$11,900,388	\$9,655,119	\$8,962,055	\$11,467,307	\$8,036,760
DEDUCT							
Revenue (Exhibit II)	\$10,212,723	\$ 9,849,739	\$ 9,256,227	\$8,457,475	\$7,660,035	\$ 7,324,860	\$6,866,355
ADJUSTMENTS							
Accrued Interest	68,404	83,827	9,195*	115,252*	58,093	23,995*	18,114*
Prepaid Interest			16,552	20,567	23,600	20,790	9,028
Bond Premiums Amortized	16,696*	11,268*	7,245*	657	25,637	7,427	5,554
Miscellaneous	488	3,920	305*	383	6,742	241	2,226
TOTAL REVENUE RECEIPTS.....	\$10,264,919	\$ 9,926,218	\$ 9,256,034	\$8,363,830	\$7,774,107	\$ 7,329,323	\$6,865,049
CAPITAL RECEIPTS	\$ 9,092,781	\$11,223,288	\$ 2,644,354	\$1,291,289	\$1,187,948	\$ 4,137,984	\$1,171,711
ANALYSIS CAPITAL RECEIPTS							
Bond Investments	\$ 9,090,799	\$11,217,981	\$ 2,635,000	\$1,285,350	\$1,169,000	\$ 4,129,156	\$1,150,859
Street Improvement Bonds	1,192	2,331	3,209	3,649	6,630	4,671	8,501
Real Property	555	1,526	1,960	106	1,955	750	2,715
Trust Deed Installments	235	1,379	3,585	2,184	10,363	3,407	9,636
Miscellaneous		71	600				
	\$ 9,092,781	\$11,223,288	\$ 2,644,354	\$1,291,289	\$1,187,948	\$ 4,137,984	\$1,171,711

*Deductions

CITY OF LOS ANGELES
STATEMENT OF CASH DISBURSEMENTS AND OBJECTIVES THEREOF
Fiscal Years 1953-54 to 1959-60 Compared

SCHEDULE 3

	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54
Total Disbursements.....	\$18,928,297	\$21,225,873	\$11,785,230	\$10,549,243	\$9,743,681	\$10,401,440	\$8,855,922
DEDUCT							
Expenditures (Exhibit II)	\$14,875,038	\$19,229,249	\$ 6,870,081	\$ 6,544,225	\$6,304,857	\$ 5,995,430	\$5,700,324
ADJUSTMENTS							
Prepaid Interest			16,552	20,567	23,600	20,790	9,028
Expense Abatements	3,028	3,896	42	345	895	56	2,248
Accounts Payable	1,895*	2,967*	852*	819*	362*	217*	327*
Interest Earned	18,985*	7,110*	3,867*	1,747*	20,674	1,198*	2,119*
Miscellaneous	1,739	734	361	177	206	114	4,689
TOTAL OPERATING DEDUCTIONS	\$14,858,925	\$19,223,802	\$ 6,882,317	\$ 6,562,748	\$6,349,870	\$ 6,014,975	\$5,713,843
CAPITAL OPERATIONS	\$ 4,069,372	\$ 2,002,071	\$ 4,902,913	\$ 3,986,495	\$3,393,811	\$ 4,386,465	\$3,142,079
ANALYSIS—BOND OPERATIONS							
Bond Investments	\$ 4,068,626	\$ 2,000,000	\$ 4,902,369	\$ 3,986,250	\$3,393,200	\$ 4,385,980	\$3,141,885
Real Property	699	1,930	433	22	104	87	94
Unapplied Charges Investments	47	141	111	223	507	398	100
TOTALS	\$ 4,069,372	\$ 2,002,071	\$ 4,902,913	\$ 3,986,495	\$3,393,811	\$ 4,386,465	\$3,142,079

*Deductions

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
STATEMENT OF OPERATIONS COMPARED
Fiscal Years 1953-54 to 1959-60**

SCHEDULE 4

REVENUES	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54
Taxes	\$ 6,301,170	\$ 6,083,666	\$5,514,475	\$5,052,812	\$4,680,767	\$4,420,757	\$4,184,617
Interest	546,769	676,055	847,969	737,261	669,184	616,513	563,509
Rental of Property							150
Members Contributions	3,300,677	3,032,073	2,845,139	2,599,947	2,293,139	2,247,588	2,100,587
Sales of Unclaimed Property	55,913	47,569	45,499	66,351	16,197	38,945	16,793
Bonus	5	14	26	35	110	35	161
Donations	367	362	343	435	352	757	101
Miscellaneous	7,822	10,000	2,776	634	286	266	437
TOTAL REVENUES Available for Current Years' Expenditures	\$10,212,723	\$ 9,849,739	\$9,256,227	\$8,457,475	\$7,660,035	\$7,324,861	\$6,866,355
EXPENDITURES							
Pensions Paid							
Service	\$ 9,544,655	\$13,782,501	\$4,219,932	\$4,161,635	\$4,096,813	\$3,909,343	\$3,787,430
Disability	1,343,438	1,092,934	875,570	750,143	712,129	681,389	612,099
Widows	3,459,800	3,883,492	1,380,813	1,294,678	1,197,976	1,141,720	1,062,308
Minors	52,648	41,985	37,476	35,049	34,618	38,549	31,310
Dependents	9,287	10,342	4,841	6,339	7,010	7,010	8,025
Non-Service							
Disability	187,035	174,181	149,320	126,255	100,380	81,925	67,867
Widows	122,693	105,541	84,872	65,506	54,649	46,358	43,089
Minors	28,640	23,445	19,722	17,037	13,912	10,587	8,230
TOTAL PENSIONS	\$14,748,196	\$19,114,421	\$6,772,546	\$6,456,642	\$6,217,487	\$5,916,881	\$5,620,358
Administrative Expense	\$ 126,842	\$ 114,828	\$ 97,535	\$ 87,583	\$ 87,370	\$ 78,549	\$ 79,966
TOTAL EXPENDITURES	\$14,875,038	\$19,229,249	\$6,870,081	\$6,544,225	\$6,304,857	\$5,995,430	\$5,700,324
	\$ 4,662,315	\$ 9,379,510	\$2,386,146*	\$1,913,250*	\$1,355,178*	\$1,329,431*	\$1,166,031*
Additional Reserve Requirements Due to Increase in Actuarial Liabilities.....	623,700						
EXCESS OF EXPENDITURES OVER REVENUES	\$ 5,286,015	\$ 9,379,510	\$2,386,146*	\$1,913,250*	\$1,355,178*	\$1,329,431*	\$1,166,031*
*EXCESS OF REVENUES OVER EXPENDITURES							

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
BOND DISTRIBUTION**

June 30, 1960

SCHEDULE 5

UNITED STATES GOVERNMENT	Rate	Maturity	Par Value	
Federal Land Bank	3½	1971	\$300,000	\$
Federal Land Bank	4½	1972	400,000	
Federal National Mortgage Assn.	4¾	1965	150,000	
U. S. Treasury	2½	1967/62	500,000	
U. S. Treasury	2½	1968/63	400,000	
U. S. Treasury	2½	1969/64	50,000	
U. S. Treasury	3¼	1983/78	200,000	
U. S. Treasury Bills		7/28/60	700,000	
U. S. Treasury Bills		8/25/60	730,000	
Average Yield 3.17*			3,430,000	

CORPORATES

Aluminum Co. of America	3	1979	\$300,000
American Telephone & Telegraph....	2¾	1975	100,000
American Telephone & Telegraph....	2¾	1980	200,000
Baltimore Gas & Electric	2⅞	1981	150,000
California Oregon Power	3½	1974	100,000
Central Illinois Light	2⅝	1979	100,000
Consolidated Edison	3	1979	150,000
Consumers Power	3	1984	80,000
Deere & Co.	3½	1977	300,000
Deere & Co.	2¾	1965	25,000
Delaware Power & Light	2⅞	1979	150,000
Detroit Edison	2¾	1985	200,000
Diamond Gardner	4	1983	210,000
Duquesne Light	2¾	1977	200,000
General Motors Acceptance	3⅝	1975	200,000
General Motors Acceptance	2¾	1964	400,000
Illinois Bell Telephone	2¾	1981	150,000
Illinois Power	2⅞	1979	100,000
Inland Steel	3½	1981	300,000
Long Island Lighting	3¼	1972	100,000
Metropolitan Edison	2¾	1980	200,000
Michigan Bell Telephone	3⅞	1988	200,000
Mountain States Telephone	2⅝	1986	100,000
National Steel	3⅞	1982	250,000
New Jersey Bell Telephone	3⅞	1988	250,000
New York State Electric & Gas.....	3¼	1984	200,000
New York Telephone	3	1989	200,000
Norfolk & Western R. R.	3⅞	1964	50,000
Norfolk & Western R. R.	3⅞	1965	50,000
Norfolk & Western R. R.	3⅞	1966	100,000
Norfolk & Western R. R.	3⅞	1970	200,000
Norfolk & Western R. R.	3⅞	1971	100,000
Norfolk & Western R. R.	4½	1965	80,000
Northern States Power (Minn.).....	2¾	1975	200,000
Ohio Edison	2⅞	1980	100,000
Owens Illinois Glass	3¾	1988	65,000
Pacific Gas & Electric	3	1979	140,000
Pacific Gas & Electric	3	1983	30,000
Pacific Great Eastern Ry.	4¾	1982	200,000
Pacific Telephone & Telegraph	3½	1983	150,000

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
BOND DISTRIBUTION**

June 30, 1960

SCHEDULE 5

CORPORATES—(Continued)	Rate	Maturity	Par Value	
Pennsylvania Power & Light	3	1975	\$150,000	\$
Pennsylvania Salt Mfg.	3.45	1981	200,000	
Phillips Petroleum	2¾	1964	100,000	
Potomac Electric Power	2⅞	1984	200,000	
Potomac Electric Power	2¾	1985	100,000	
Public Service Electric & Gas	2¾	1980	100,000	
Public Service Indiana	3	1979	100,000	
San Diego Gas & Electric	2⅞	1984	100,000	
Shell Union Oil Co.	2½	1971	400,000	
Southern Bell Telephone	3	1979	150,000	
Southwestern Bell Telephone	3⅛	1983	100,000	
Southwestern Public Service	3.20	1979	44,000	
Standard Oil New Jersey	2¾	1974	500,000	
Union Oil California	2¾	1974	400,000	
Union Pacific R. R.	2⅞	1976	500,000	
Virginia Electric & Power	3	1978	100,000	
Average Yield 3.04			9,624,000	
MISCELLANEOUS				
Government of Canada	2¾	1974	\$200,000	\$
International Bank	3½	1969	100,000	
Average Yield 3.02			300,000	
			\$13,354,000	
Book Value			\$11,972,141	
Appraised Value			10,070,579	
Average Yield	3.06			

*U. S. Treasury Bills (\$1,430,000) not included in yield calculations.

CHARTER AND ORDINANCE PROVISIONS GOVERNING PENSION SYSTEM

ARTICLE XVII DEPARTMENT OF PENSIONS

Sections 180 and 186 of the Charter of The City of Los Angeles are amended and Sections 186.1 and 186.2 are added thereto, to read:

Sec. 180. The Board of Pension Commissioners shall administer the fire and police pension system of the City, and have exclusive control of the administration and investment of the fire and police pension fund which is hereinafter created and established; provided, however, that any money in such fund shall be kept on deposit in the City Treasury or be invested as herein provided. In making investment of moneys in said fund and in continuing to hold property in which such moneys are invested, the board shall exercise the same degree of judgment, care, good faith, reasonable prudence, discretion and intelligence as is required of a trustee by the provisions of Subdivisions (1) and (2) of Section 2261 of the California Civil Code, as amended to November 4, 1958 but not subsequent thereto. The board may invest not more than thirty-five percent of the fund in equity-type securities, such as common and preferred stocks but not limited thereto, determined on a cost basis, and sixty-five percent or more of the fund in debt-type securities, such as bonds and debentures but not limited thereto, determined on a cost basis. The board shall retain competent investment counsel to guide it in its investments and such counsel shall be a member in good standing of the Investment Counsel Association of America or a similar association with equivalent standards of membership.

The board shall also in its investments be governed by the following standards:

Equity-type Securities — Common

To be eligible, stocks shall be registered on a national securities exchange and as provided in the Federal Securities Exchange Act, any amendment thereto or any subsequent legislation in place thereof, except for stocks of banks which are members of the Federal Deposit Insurance Corporation or any successor thereof, life insurance companies, and fire or casualty insurance companies. Further, any stock to be eligible shall have paid dividends for not less than five consecutive years next preceding the date of investment. Not more than two percent of the fund, determined on a cost basis, shall be invested in the common stock of a single corporation nor shall the total number of shares held in any single corporation exceed five percent of the issued and outstanding common shares of such corporation.

Equity-type Securities — Preferred

To be eligible, the issuing corporation, for a period of not less than three years next preceding the date of investment, shall have had net income, before fixed charges and taxes on income, equal to at least one and one-half times the sum of the average annual fixed charges plus preferred dividend requirements for such period (as used herein, fixed charges shall mean interest on funded or unfunded debt, amortization of debt discount and expense, and expense and rentals for leased property and, in

the case of consolidated earnings statements of parent and subsidiary corporations shall include all fixed charges and preferred dividend requirements, if any such stock be held by others than the consolidated companies, of the subsidiaries); the issuing corporation shall not have defaulted in the payment of the principal or interest on any of its bonds or other evidence of indebtedness at any time during five years prior to the date of investment and, at the date of investment, shall not be in arrears in the payment of preferred stock dividends.

Debt-type Securities

To be eligible, such securities shall at the date of investment be rated, either provisionally or finally, within the three highest classifications established by at least two standard rating services, or be legal for investment by savings banks or pension and retirement funds under the provisions of the Financial Code of the State of California.

The board may adopt rules and regulations, and may change or amend the same, with respect to its investment policies which, however, shall be subject to the above limitations and not inconsistent with the provisions of this section. Such bonds or other securities purchased as aforesaid shall be placed in the custody of the Treasurer, who is hereby directed to act as a depository for such bonds and securities. All interest and earnings from such investments shall accrue and be deposited to the credit of the fire and police pension fund.

Sec. 181. Any member of the Fire or Police Department who shall have served in such department for twenty years or more in the aggregate in any capacity or rank whatever, on his request, or by order of the board, if it be deemed for the good of the department, shall be retired from further service in such department, and such member shall thereafter during his lifetime, be paid in equal monthly installments from said fund a pension as follows: for twenty years' aggregate service, forty per cent (40%) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the date of his retirement; and an additional two per cent (2%) of such average rate of salary for each year over twenty and less than twenty-five years in the aggregate served by such member before retirement; for twenty-five years' aggregate service, fifty per cent (50%) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the date of his retirement; and an additional one and two-thirds per cent ($1\frac{2}{3}\%$) of such average rate of salary for each year over twenty-five and less than thirty-five years in the aggregate served by such member before retirement; for thirty-five years or more aggregate service, two-thirds ($\frac{2}{3}$) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the date of his retirement. Provided, further, however, that any such member of the Fire or Police Department who shall have become a member of such department prior to January 17, 1927, who shall have served in such department for thirty years in the aggregate in any capacity or rank whatever, shall, on his request, or by order of the board, if it be deemed for the good of the department, be retired from further service in such department, and he shall thereafter, during his lifetime, be paid in equal monthly installments from said fund a pension equal to two-thirds ($\frac{2}{3}$) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the date of his retirement. Provided, that after twenty years' aggregate service, on request of such member who shall have become a member of such department prior to January 17, 1927, or by the board for the good of the department, such member shall be retired and paid in equal monthly

installments from said fund a limited pension as follows: For twenty years' aggregate service, fifty per cent (50%) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the date of his retirement; and an additional one and two-thirds per cent (1 2/3%) of such average rate of salary for each year over twenty years and less than thirty years in the aggregate served by such member before retirement.

In computing the aggregate period of service of a member of the Fire or Police Department for the purposes of this section, there shall be included the period or periods of time, if any, while such member was on disability retirement pursuant to the provisions of Sections 182 or 182¼ of this charter.

The provisions of this section are subject to the further conditions set forth in Section 181½ of this charter.

Sec. 181½. The limitations of the amount of maximum pension payable pursuant to Section 181 of this Article shall apply uniformly to all members of the Fire and Police Departments.

Sec. 182. Whenever any member of the Fire or Police Department shall become so physically or mentally disabled by reason of bodily injuries received in, or by reason of sickness caused by the discharge of the duties of such person in such department as to render necessary his retirement from active service, the board shall order and direct that such member be retired from further service in such department; and thereafter such member so retired shall, during his lifetime, be paid from said pension fund a pension in an amount to be determined by the said board, but which pension shall be equal to not less than fifty per cent (50%), nor more than ninety per cent (90%), of the salary attached to the rank or position held by him in such department at the date of such retirement order. Such pension shall be paid in equal monthly installments. Provided, however, that any pension granted to any member of the Fire or Police Department for disability or sickness, as provided for in this section, shall cease when the disability or sickness ceases and such member shall, subject to civil service and other provisions of this charter governing the appointment of city employees, have been restored to active duty in such department of which such person was a member at the time of retirement to the same rank or position which such person held at said time. Provided, further, that the Board of Pension Commissioners shall have the power to hear and determine all matters pertaining to the granting and termination of any pension award as provided for in this section. Said board shall make its findings in writing, based upon the report of at least three regularly licensed, practicing physicians, and such other evidence concerning such disability as it may have before it. Said board shall determine the degree of disability and such determination shall govern the amount of pension to be awarded to such disabled member as hereinabove provided; and provided, further, that upon the written request of any such retired member, or upon its own motion, said board shall have the power, at any time prior to the restoration of such retired member to active service, to consider new evidence pertaining to the case of any such retired member, and to increase or decrease the amount of such pension award to be thereafter paid.

Sec. 182¼. Any member of the Fire or Police Department who shall have served in such department for five years or more in the aggregate from the date of his last appointment to such department and who has become physically or mentally incapacitated by reason of injuries or sickness other than injuries received or sickness caused by the discharge of the duties of such person in such department, and who is incapable as a

result thereof from performing his duties, shall be retired upon written application of such person or of any person acting in his behalf or of the head of the department in which such member is employed.

The board shall cause such member to be examined by and a written report thereon rendered by three regularly licensed, practicing physicians selected by said board, and shall hear such other evidence relating to such disability of such member as may be presented to said board. If, upon considering the report of such physicians and such other evidence as shall have been presented to it, said board finds that said member has become physically or mentally incapacitated by reason of the injuries or sickness other than injuries received or sickness caused by the discharge of the duties of such member in such department, and he is incapable as a result thereof of performing his duties, and if said board finds that such disability was not due to or caused by the moral turpitude of such member, he shall be retired from further service in such department, and thereafter such member so retired shall, during his lifetime, be paid from said pension fund a pension in an amount equal to forty per cent (40%) of the highest salary (exclusive of any amount payable by reason of assignment to special duty) attached to the rank of policeman or fireman at the date of such retirement order. Such pension shall be paid in equal monthly installments. Provided, however, that any pension granted to any member of the Fire or Police Department for disability or sickness as provided in this section shall cease when the disability or sickness ceases, and such member shall, subject to civil service and other provisions of this charter governing the employment of city employees, have been restored to active duty in such department of which such person was a member at the time of retirement to the same rank or position which such person held at said time. Provided, further, that the Board of Pension Commissioners shall have the power to hear and determine all matters pertaining to the granting and termination of any pension award as provided for in this section.

This section shall be applicable only where a member is not entitled to a disability pension under the provisions of Section 182.

Sec. 182½. If at any time any member of the Fire or of the Police Department or the widow, child or children, or dependent parent or parents of any such member, or any other person hereafter entitled under the provisions of this article to pension benefits, shall be granted, because of the sickness, injury or death of such member, any compensation or award, under any general law providing for compensation or indemnity in case of the sickness, injury or death arising out of the performance of duty of such member, then and in that event any payments made pursuant to the provisions of this article to such member or to such widow, child or children, dependent parent or parents or other person, shall be construed to be and shall be payments of such compensation or award under such general law, and any payments made under the provisions of this article shall be first applied to payment of such compensation or award and any balance of such payments made pursuant to the provisions of this article shall be deemed to be pension payments; and it is hereby provided that the pension provided for in this article for such member or such widow, child or children, dependent parent or parents, or such other person in case of any such award under such general law, shall be reduced in amount to the difference between the amount of pension provided for in this article, and the total amount of such compensation or award granted and paid under such general law until the total amount awarded under such general law shall have been fully paid.

After payment of the total amount of such compensation or award granted under such general law the payments herein provided for shall continue as pension benefits subject to the provisions of this article.

Sec. 183. Whenever any member of the Fire or Police Department shall die as a result of any injury received during the performance of his duty, or from sickness caused by the discharge of such duty, or after retirement, or while eligible to retirement from such department on account of years of service, then an annual pension shall be paid in equal monthly installments to his widow, or child or children, or dependent parent or parents, in an amount equal to one-half ($\frac{1}{2}$) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the time of his death or the date of his retirement from active duty in such department. Said pension shall be paid to the widow during her lifetime or until she remarries, and thereafter a pension shall be paid in equal monthly installments, in an amount equal to one-half ($\frac{1}{2}$) of the average monthly rate of salary assigned to the ranks or positions held by such member during the three years immediately preceding the time of his death or the date of his retirement from active duty in such department to the legally appointed guardian of the child or children of such deceased member until such child or children shall have attained the age of eighteen years, or to his child or children should there be no widow until such child or children shall have attained the age of eighteen years, or to his dependent parent or parents during their lifetime or during such dependence, should there be no widow or child. Provided, however, that during the lifetime of such widow or until she shall remarry, an additional amount shall be paid to such widow for each child during the lifetime of such child, or until such child shall have married or reached the age of eighteen years, as follows: For one child, twenty-five per cent (25%) of the pension allowed as hereinabove set forth; for two children, forty per cent (40%) of such pension; and for three or more children, fifty per cent (50%) of such pension. Provided, further, however, that no widow of a pensioner shall be entitled to a pension unless she shall have been married to such deceased pensioner at least one year prior to the date of his retirement; and provided, further, that no widow of a member of the Fire or Police Department eligible for retirement from such department, who dies from causes other than those arising out of or from the performance of his duties, shall be entitled to a pension unless she shall have been married to such deceased member for at least one year prior to the date of his death, and provided, further, that if such widow, child or children shall marry, then the pension paid to the person so marrying shall cease, and provided, further, that should the dependency of such parent or parents terminate, then the pension paid to such dependent parent or parents shall cease. Provided, however, that the pension payable hereunder to the widow, child or children or dependent parent or parents of a member of the Fire or Police Department who became a member of such department on or subsequent to January 17, 1927, who, after retirement on account of years of service, but having served less than twenty-five years in the aggregate prior to the time of such retirement, or who, while eligible to retirement from such department on account of years of service, but prior to having served twenty-five years in the aggregate shall die from causes other than those arising out of or from the performance of his duties, shall not exceed the amount of the pension which such retired member was receiving at the time of his death or which such member eligible for retirement would have been eligible to receive at the date of his death under the provisions of Section 181 and 181 $\frac{1}{2}$ of this charter, and the additional amount payable to such widow on account of children pursuant to the provisions of this section shall be the applicable percentage hereinabove set forth of a pension in such maximum amount.

Sec. 183 $\frac{1}{2}$. Whenever any member of the Fire or Police Department (other than a member retired on account of years of service or a member

eligible to retirement on account of years of service, but including a member retired on account of disability pursuant to the provisions of Section 182 $\frac{1}{4}$ of this charter) who shall have served in such department for five years or more in the aggregate from the date of his last appointment to such department, shall die from causes other than those arising out of or from the performance of his duties, then an annual pension shall be paid in equal monthly installments to his widow, or child or children, or dependent parent or parents, in an amount equal to forty per cent (40%) of the highest salary (exclusive of any amount payable by reason of assignment to special duty) attached to the rank of policeman or fireman at the date of such member's death. Said pension shall be paid to the widow during her lifetime or until she remarries, and thereafter a pension in the same amount shall be paid in equal monthly installments to the legally appointed guardian of the child or children of such deceased member until such child or children shall have attained the age of eighteen years, or to his child or children should there be no widow until such child or children shall have attained the age of eighteen years, or to his dependent parent or parents during their lifetime or during such dependence, should there be no widow or child, provided, however, that during the lifetime of such widow or until she shall remarry, an additional amount shall be paid to such widow for each child during the lifetime of such child, or until such child shall have married or reached the age of eighteen years, as follows: for one child, twenty-five per cent (25%) of the pension allowed as hereinabove set forth; for two children, forty per cent (40%) of such pension; and for three or more children, fifty per cent (50%) of such pension. Provided, further, however, that no widow shall be entitled to a pension pursuant to the provisions of this section unless she shall have been married to such deceased member for at least one year prior to the date of his death.

And provided further, that no widow of a member who shall die while on disability retirement pursuant to the provisions of Section 182 $\frac{1}{4}$ of this charter shall be entitled to a pension pursuant to the provisions of this section unless she shall have been married to such deceased member for at least one year prior to the date of his retirement.

Sec. 184. That all pensions granted in accordance with the provisions of Section 181, 182, 182 $\frac{1}{4}$, 183 and 183 $\frac{1}{2}$ hereof shall remain in full force and effect for the period granted, and any increase or decrease of salaries of active members of the Fire and Police Departments shall not in anywise affect the amount of the pensions to be paid to retired members of such departments, or to any other person pensioned pursuant to the provisions of this article, nor shall the amount of such pensions be changed for any other reason, except as otherwise specifically provided in this article.

Sec. 185. For the purpose of the provisions contained herein, the Fire Department shall consist of all persons duly and regularly appointed in the Fire Department under civil service rules and regulations to perform the duties of a regular fireman in the City of Los Angeles, under whatever designation they may be described in any salary or departmental ordinance providing compensation for said Fire Department; and the Police Department shall consist of all members of such Police Department appointed under civil service rules and regulations and sworn in, as provided by law, to perform the duties of a regular police officer of the City of Los Angeles, under whatever designation that they may be described in any salary or departmental ordinance providing compensation for the members of said Police Department. The provisions as herein in this charter contained shall apply to all members of the Fire and Police Departments as in this section defined, and to all members of said departments who have been heretofore granted pensions.

Sec. 186. For the purpose of providing for the payment of pensions, the expense of said Department of Pensions, and maintaining a reserve for said purposes henceforth, a fund is hereby created, to be known as the fire and police pension fund, which shall consist of all moneys heretofore paid into and all moneys, property and investments now in the fire and police pension fund, and all moneys hereafter paid into said fund in accordance with the provisions of this charter.

In addition to the receipts from taxes levied pursuant to the provisions of Section 186.2 and the deductions from the salaries of the members of the Fire and Police Departments as provided for in Section 186½ hereof, there shall be paid into said fire and police pension fund the following moneys, to wit:

- (a) All interest and earnings from the investment of said funds;
- (b) All contributions and donations to the Fire and Police Departments for services by any member or members thereof, except amounts of money donated to provide for any medal or permanent competitive award;
- (c) All fines imposed upon members of the Fire and Police Departments for violations of rules and regulations of said departments;
- (d) All proceeds from the sale of unclaimed property.

Sec. 186.1. Said fire and police pension fund shall be maintained on a reserve basis which, for the purpose of this article, shall mean one which provides for the accumulation and maintenance of a fund which will at all times be equal to the difference between the present value of the obligations assumed and the present value of the money to be received for paying such obligations, where such present values are estimated in accordance with accepted actuarial methods and on the basis of an assumed rate of interest and the mathematical probabilities of the occurrence of such contingencies as affect both the payment of the assumed obligations and the receipt of money with which they are to be paid in accordance with the provisions of Sections 186.2 and 186½.

The Board of Pension Commissioners shall, as soon as practicable after the effective date of this section, secure an actuarial valuation showing the cost of maintaining said fire and police pension system and fund on such reserve basis and shall at intervals of not to exceed five years thereafter, cause to be made an actuarial investigation including, but not limited to, the mortality, service and compensation experience of the members and beneficiaries and shall further cause to be made annually an actuarial valuation of the assets and liabilities of said fund.

The assumed rate of interest with respect to the first actuarial valuation shall be four percent per annum. Thereafter, the board shall from time to time, with the advice of the investment counselor, establish such rate as in its judgment seems proper in the light of the experience and prospective earnings on the investments of the fund.

Said board shall retain a consulting actuary for the purpose of making the necessary actuarial studies and reports on the required investigations and valuations and shall keep in convenient form such data as may be necessary for said purposes. Such actuary shall be a Fellow in good standing of the Society of Actuaries or have equivalent membership status in a similar organization with equivalent standards of membership.

With the advice of the consulting actuary and the investment counselor, the board shall, for the purpose of the actuarial valuations, provide

by rule for the manner and the extent to which any unrealized profits or losses in the equity-type investments of the fund shall be taken into account. [Added, 1959.]

Sec. 186.2. Said board shall annually prepare and transmit to the Mayor, Council and Controller a budget setting forth the estimated cost of maintaining said pension fund, which said budget shall include therein separate items as follows:

(1) A sum equal to that percentage of the salaries of all members of said pension system shown in the last rendered actuarial valuation to be required to cover the entry age cost to be paid by the City on account of new entrants into the system, said entry age cost being defined as the level percentage of compensation of new entrants which must be paid into the fund from their date of entry in order to provide the benefits under the system, less the contributions to be made by such new entrants during the period of their membership as provided in Section 186½; provided, however, that should the board be unable or deem it to be impracticable to obtain, subsequent to the effective date of this section, an actuarial valuation in time for it to prepare and transmit a budget based thereon, as hereinabove provided, for the fiscal year 1959-1960, then, and in that event, the board shall include in the budget for said fiscal year a sum equal to 11.6 percent of the estimated total payrolls of the Fire and Police Departments for those members of said departments included within the pension provisions of this article for said fiscal year.

(2) A sum equal to that percentage of the salaries of all members of said pension system shown in the last rendered actuarial valuation to be required to amortize the unfunded liabilities of the system; said unfunded liabilities being defined as the present value of all of the assumed obligations of the system, less the present value of the future contributions to be made by the City under the preceding subsection and by the members under Section 186½, plus the assets of the pension fund. The amortization period shall be fifty years beginning with the fiscal year immediately succeeding the effective date of this section, with a ten-year modification program whereby there will be no contribution on account of such amortization during the first year; a contribution of one-tenth of the ultimate contribution for such amortization in the second year, and increasing thereafter by one-tenth of such ultimate contribution each year so that in the eleventh and all subsequent years the full amortization payment will be made.

(3) Administration expense.

For the purpose of providing funds to meet the budget of said fire and police pension fund the Council or Controller shall annually levy, in addition to all other taxes levied by the City, a tax clearly sufficient to provide the total amount of all items in said budget.

Sec. 186½. Each member of the Fire and of the Police Department included within the pension provisions of this article shall contribute to said fire and police pension fund in the manner as hereinafter in this section provided.

The administrative head of each such department shall cause to be shown on each and every payroll of said department a deduction of six per cent (6%) of the amount of salary, as shown on each such payroll, of each such member whose name appears thereon, and shall certify to the Controller on each such payroll the amount to be deducted from the compensation of each such member whose name appears thereon, and shall cause to be drawn a payroll check in favor of the Board of Pension

Commissioners for the total amount of deduction shown on each payroll of such department, and said board shall deposit said payroll check to the credit of the fire and police pension fund. It shall be the duty of the administrative head of each department to cause to be furnished a copy of each and every such payroll hereinbefore mentioned to the said Board of Pension Commissioners.

Each member shall be deemed to consent and agree to each deduction made as provided for herein, and the payment of each payroll check to such member shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the services rendered by such member during the period covered by such payroll, except such claims as such member may have to the benefits provided for in this article.

Sec. 188. The positions of general manager of the department and of secretary to the board may be consolidated, in the discretion of the board.

ORDINANCE No. 95,021

An ordinance amending Ordinance No. 67,778 by amending Sections 1 and 2 thereof.

The People of the City of Los Angeles do ordain as follows:

Section 1. Sections 1 and 2 of Ordinance No. 67,778 entitled "An ordinance providing for the issuance of a certificate of service to members of the Fire Department and Police Department who have conformed with the pension provisions of the Charter of the City of Los Angeles," approved September 20, 1930, are amended to read as follows:

Section 1. Definition "Member." The term "member" of the Fire Department as used herein shall refer to, mean and include all persons duly and regularly appointed in the Fire Department under civil service rules and regulations to perform the duties of a regular fireman of the City of Los Angeles and all persons, other than regular firemen, who were so appointed in said Department under such rules and regulations and who became members of the Fire and Police Pension System of the City of Los Angeles prior to June 16, 1947, whose duty it is to prevent or extinguish fires in the City of Los Angeles, under whatever designation they may be described in any salary or departmental ordinance providing compensation for said Fire Department; and the term "member" of the Police Department as used herein shall refer to, mean and include all persons duly and regularly appointed in the Police Department under civil service rules and regulations and sworn in, as provided by law, to perform the duties of a regular police officer of the City of Los Angeles, under whatever designation they may be described in any salary or departmental ordinance providing compensation for said Police Department.

The provisions herein in this ordinance contained shall apply to all members of the Fire Department or Police Department as in this section defined.

Section 2. As soon as possible, and in any event within five (5) days after a member of the Fire Department or Police Department shall have served in such department the aggregate number of years entitling him to retirement as provided in Section 181 of the Charter of the City of Los Angeles, regardless of whether such aggregate number of years of service shall have been completed prior or shall be completed subsequent to the effective date of this ordinance, there shall be issued to each such member

a certificate showing the total number of years served by such member in such department, which certificate shall be irrevocable and shall serve as evidence of such service; provided, however, that if such member shall continue in the service of such department thereafter, such certificate shall be continuing in effect, and each year, and/or portion or portions of a year, thereafter served by such member in such department shall be added to such certificate and made part thereof the same and as fully as if said additional period or periods of service were actually entered thereon.

It shall be, and is hereby made the duty of the Board of Pension Commissioners to sign and issue such certificate to such member affected by the provisions of this section.

Section 3. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, at its meeting of June 9, 1949.

WALTER C. PETERSON,
City Clerk.

By A. M. Morris, Deputy.

Approved this 15th day of June, 1949.

FLETCHER BOWRON,
Mayor.