

1962
Annual Report
BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES
CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1962

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CITY OF LOS ANGELES



SAMUEL WM. YORTY
Mayor

LOS ANGELES CITY COUNCIL

EVERETT G. BURKHALTER
First District

C. LEMOINE BLANCHARD*
Second District

TOM SHEPARD
Third District

HAROLD A. HENRY
Fourth District

ROSALIND WIENER WYMAN
Fifth District

L. E. TIMBERLAKE
Sixth District

ERNANI BERNARDI
Seventh District

GORDON R. HAHN
Eighth District

EDWARD R. ROYBAL
Ninth District

JOE HOLLINGSWORTH
Tenth District

KARL L. RUNDBERG*
Eleventh District

JOHN P. CASSIDY
Twelfth District

JAMES HARVEY BROWN
Thirteenth District

JOHN C. HOLLAND*
Fourteenth District

JOHN S. GIBSON, JR.
Fifteenth District

*Member Police, Fire and Civil Defense Committee

BOARD OF PENSION COMMISSIONERS 1961-62 ANNUAL REPORT

December 12, 1962

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, 1962, and submitted in accordance with the provisions of Section 64 of the City Charter. It consists of financial statements, a narrative report from the Manager-Secretary, and the findings of the actuaries and auditors.

You will note that the pension fund was further depleted during the report year by more than \$2,000,000 and that some further decrease is expected in the following year, because of increased pension costs resulting from new court decisions, and the fact that the funding program adopted by a vote of the people in 1959 does not yet provide revenues in excess of expenditures.

During the year this Board has aggressively attacked the problems facing this pension system. It has taken steps to tighten its review of the increasing disability pension load through the addition of a full-time investigator to the administrative staff, the verbatim recording of all testimony before the Board, and the swearing in of witnesses. The Board has employed new investment counsel to formulate a more aggressive investment program, in anticipation of the period ahead when the pension fund will resume its growth. It has created standing committees to review special problem areas affecting the System, and at year's end was actively engaged in a review of possible Charter amendments to improve the System.

Respectfully submitted,
BOARD OF PENSION COMMISSIONERS

John W. Givens
President

JWG:tt



JOHN W. GIVENS
President



HAROLD E. LEVITT
Vice-President



LEO J. ADELSTEIN, M.D.



VINCENT M. BURKE



ARTHUR C. ELDRÉD

November 20, 1962

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, 1962. Incorporated in this report are the statements of assets, liabilities and operations obtained from the report of Peat, Marwick, Mitchell & Co., who are employed by the Board under contract to audit the financial position of the Department. In addition there is provided 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

This System continued to operate on a deficit basis during the past year, with a further loss in net assets of approximately \$2,345,000, and a net asset total at fiscal year end of \$8,756,463. This loss took place in spite of an increase in revenues of \$4,181,000, because of continued increase in normal pension expenditures and heavy retroactive payments required as the result of new court decisions reported on in greater detail below.

The increase in normal pension payments during the past year amounted to \$2,275,649. In addition approximately \$1,870,340 was paid out for retroactive claims. With total income not matching total expenditure, it was necessary to liquidate bonds from the portfolio to meet requirements.

Further Bond Liquidation

During the year a total of \$4,115,000 par value of portfolio bonds were sold, with a net loss on such liquidation of \$124,628 and a realized net of \$3,990,372. These funds were utilized to meet necessary pension expenditures during the fiscal year, and to carry forward in short-term securities for pension expenditures required in the "dry period" of low tax receipts during July through November of the succeeding fiscal year.

The Road Ahead

In last year's report it was estimated that the decline in fund assets would continue to approximately the \$4,000,000 level before the drain from adverse court decisions, and the increase in normal pension expenditure, would be balanced by the step-up funding in the 50-year amortization program approved by the voters in 1959. Reassessment at this time does not give reason to change the estimated low point in assets of the fund. November, 1963 should see this low point passed, and subsequent years should see resumption of growth in the Fire and Police Pension Fund.

The step-up funding program provides that each year the City's contribution to the unfunded liability shall increase by one-tenth of that ultimately required, until 1969-1970 when the full annual amount is reached, and shall thereafter continue at that level through the remaining 39 years of the amortization period.

Major Litigation Decided

On May 17, 1962 the California State Supreme Court rejected petitions for review of five groups of major pension cases affecting this system, and thereby affirmed the decisions of the Appellate Court handed down March 14, 1962. Detailed comment on these cases is set forth in the discussion of

litigation beginning on page 13 of this report. At this point it is desirable merely to note that the most serious threat incorporated in these suits concerned estoppel and trust fund doctrines, application of which would have permitted successful litigants to evade the statute of limitations and the claims provisions of the City Charter. These doctrines were rejected by the courts, and instead the courts reaffirmed the charter claims provisions and other limitations statutes restricting retroactive amounts that might be claimed.

While the retroactive cost in the decisions on these five groups of cases amounted to approximately \$3,332,000, and the monthly pension roll was increased \$58,000, nevertheless the decisions eliminated the threat of possible retroactive cost of \$35,000,000 and estimated future cost of \$270,000,000.

Even with the completion of this major group of cases, there remains a number of suits against this pension system which will require considerable litigation over the next several years. However, it is not anticipated that the same degree of threat exists in the total possible liabilities of these actions as compared with those just completed.

In addition to this litigation where the City was a party, the Board employed private counsel to participate in the cases of Adler and Bouslog vs. the City of Pasadena on Amicus Curiae basis, because that suit also embraced a facet of the "trust fund doctrine," and would be heard by the State Supreme Court in advance of the City cases. On May 15, 1962 the State Supreme Court ruled on the Adler and Bouslog cases and as a part of its ruling rejected the plaintiffs contentions for application of the "trust fund doctrine."

ACTUARIAL STATUS

Section 186.1 of the City Charter requires that the Board shall at intervals of not to exceed five years, cause to be made an actuarial investigation including the mortality, service and compensation experience of the members and beneficiaries of the system. Since an investigation had last been made as of June 30, 1957, the Board authorized a new investigation to be made as of December 31, 1961 so as to have the results of the investigation at hand by the time the annual valuation would be made in June.

The new investigation resulted in a number of changes in the actuarial assumptions adopted by the actuaries. These changes included: a marked decrease in the rate of ordinary death among active members; a significant increase in the rate of line of duty deaths; a very large increase in the rate of line of duty disability, particularly for policemen; and a decline in the rate of service retirements. These increases and decreases were in relation to the rates developed in the preceding investigation.

The annual actuarial valuation, made as of June 30, 1962, included the above changes in assumptions. In addition, the valuation took into account the increased pension costs resulting from the litigation decisions reported on elsewhere in this report. As a result increases were reported by the actuaries in the requirements both for current service and for the unfunded liability.

The current service requirement increased from 11.6% of payroll to 15.1% of payroll, a substantial rise. The amortization requirement rose 0.8%, to the same schedule that had prevailed in 1960. As pointed out in the report of the actuaries, most of the increase is attributable to the rise in service-connected disability pensions.

Actuarial liabilities rose by some \$70,000,000 over all, with \$46,000,000 added to the unfunded liability. The latter value now stands at \$426,652,056 to be amortized over the remaining 46 years of the amortization program.

MEMBERSHIP

As of June 30, 1962, there were 3,211 firemen and 4,792 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:

	Fire	Police	Total
25 Year Members			
Members with less than 5 years	731	1,050	1,781
With less than 10 years	465	607	1,072
With less than 20 years	1,407	2,579	3,986
With 20 years service and over	577	486	1,063
On Military Leave (eligibility dates not counted)	17	45	62
20 Year Members			
Members eligible to retire	14	25	39
TOTAL	3,211	4,792	8,003

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:

	1961-62	1960-61	1959-60	1958-59	1957-58
Total Membership July 1st	7,824	7,725	7,606	7,469	7,259
On Leave or Suspension	21	17	18	22	11
On Military Leave	17	40	49	50	52
	<u>7,786</u>	<u>7,668</u>	<u>7,539</u>	<u>7,397</u>	<u>7,196</u>
Additions:					
New Appointments	553	391	372	385	452
Reappointments	6	15	4	10	5
Restorations	4*	5*	3*	4*	5*
Returned from Leave or Susp.	124	147	169	127	120
Restored from Military Leave	14	9	10	10	10
Discontinued on Military Leave	---	22	10	4	1
	<u>8,487</u>	<u>8,257</u>	<u>8,107</u>	<u>7,937</u>	<u>7,789</u>
Withdrawals:					
Service retirements	143	78	70	70	51
Disability retirements	87	83	63	65	58
Resigned	118	124**	92**	78	86
Discharged	19	13	18	28	36
Deaths	17	14	17	21	21***
Leaves or Suspensions	120	151	168	123	131
Military leaves granted	59	8	11	13	9
	<u>7,924</u>	<u>7,786</u>	<u>7,668</u>	<u>7,539</u>	<u>7,397</u>
Active Membership—June 30th	7,924	7,786	7,668	7,539	7,397
On Leave or Suspension	17	21	17	18	22
On Military Leave	62	17	40	49	50
Total Membership—June 30th	8,003	7,824	7,725	7,606	7,469

*Includes 2 disabilities granted after resignation and/or discharge in 1961-62; 3 in 1960-61; 1 in 1959-60; and 3 in both 1958-59 and 1957-58.

**Includes 10 in 1959-60 and 22 in 1960-61 on military leave.

***Includes 1 death on military leave.

Appointed Fiscal Year 1961-1962

During the course of the year 559 members were appointed and became members of the system. 378 or 67% of such members were married at the date of entrance. Six of such members were re-appointees with an average age of 32. Two were restored from disability pension and were above the

age of 40. Of the 559 original appointees the median age was 24, the mode 22 and the average was 25.

ELIGIBILITY

There were as of June 30, 1962, 1,102 members eligible to retire. Thirty-nine of these members were 20-year members and 1,063 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
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
1960-1961	474	311	785
1961-1962	591	511	1,102

During the fiscal year 1962-63, 199 twenty-five year members will become eligible if their service is continuous, 86 of these members are firemen and 113 are policemen.

Years of Service	20-Year Members		25-Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	166	251	417
21	---	---	146	66	212
22	---	---	1	0	1
23	---	---	8	8	16
24	---	---	25	34	59
25	---	---	64	64	128
26	---	---	39	5	44
27	---	---	24	1	25
28	---	---	5	2	7
29	---	---	33	9	42
30	---	---	10	3	13
31	---	---	4	4	8
32	---	---	16	16	32
33	---	---	30	9	39
34	---	---	2	12	14
35	1	---	4	2	7
36	3	7	---	---	10
37	4	10	---	---	14
38	4	3	---	---	7
39	---	3	---	---	3
40	1	1	---	---	2
46	---	1	---	---	1
47	1	---	---	---	1
TOTAL	14	25	577	486	1,102

MILITARY LEAVES

On June 30, 1962, there were 62 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1961-1962:

On Leave June 30, 1961	17
Granted during 1961-1962	59
	<u>76</u>
Restored—Now Active	14
	<u>62</u>
On Leave June 30, 1962	62

All of the 62 members on military leave are twenty-five year members. Thirty-eight of these members have less than five years service, two have exactly five years service and twenty-two have more than five years service. At the date of this report, these members on military leave do not receive credit in the pension system for such service subsequent to June 25, 1955. However, the litigation in the Murdy case, discussed on page 16 and confirmed by the State Supreme Court after the fiscal year end, will change this practice in that Section 395 of the State Military and Veteran's Code will, in effect, supersede City Charter provisions.

PENSION ROLL CHANGES

On July 1, 1961, 44 applications were pending. During the course of the fiscal year 338 additional petitions were received. Of the total 382 petitions, 310 were granted, 2 were reinstatements, 4 were withdrawn, 17 were denied and 1 death occurred while pending, leaving 48 pending as of June 30, 1962. 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. Deps.	Non- Serv. Deps.	Total
Balance 7-1-61	1792	494	487	100	1012	45	24	17	3971
Granted	6	137	82	5	72	5	2	1	310
Reinstated					1	1			2
Deaths	84	6	16	3	25				134
Death-Pending			1*						1*
Restored to Duty			1	1					2
Remarriage					2	1			3
Discontinued								1	1
Majority							1	3	4
Withdrawn		1*	3*						4*
Decreased			48*		8*	3*			59*
Increased			11*			1*			12*
Denied		1**	8*		8*				17*
	<u>1,714</u>	<u>625</u>	<u>552</u>	<u>101</u>	<u>1,058</u>	<u>50</u>	<u>25</u>	<u>14</u>	<u>4,139</u>

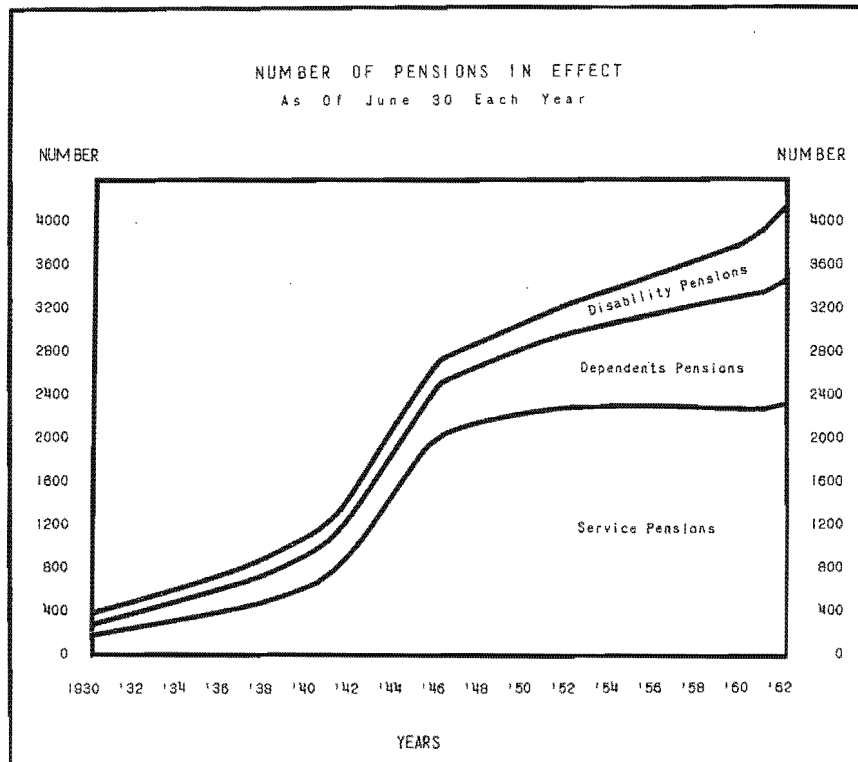
*Statistical—these figures do not affect pension roll.

**Disability pension granted.

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 dependent pensions, principally widows. The top line records the total number of pensions, including the additive effect of disability pensions.

During the year, service pensions increased two percent (2286 to 2339). Dependent pensions went up by four and one-half percent (1098 to 1147). Disability pensions continued to show the greatest increase with a rise of eleven percent (581 to 653).



PENSIONS CLASSIFIED BY AMOUNTS

The following schedule shows the classifications of pensions paid by number of pensioners in \$40.00 brackets up to the monthly amount of \$700.00 and also the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Minors	Dependents	Total
100-139	89	21	17	5	---	132
140-179	162	30	31	8	---	231
180-219	110	30	49	2	1	192
220-259	117	81	57	9	---	264
260-299	109	68	45	5	---	227
300-339	92	72	31	1	---	196
340-379	834	108	617	5	2	1566
380-419	200	109	14	---	---	323
420-459	238	56	176	1	---	471
460-499	163	42	2	---	---	207
500-539	81	12	37	---	---	130
540-579	73	15	1	---	---	89
580-619	9	5	20	---	---	34
620-659	5	3	---	---	---	8
660-699	27	---	---	---	---	27
700 or over	30	1	11	---	---	42
	<u>2,339</u>	<u>653</u>	<u>1,108</u>	<u>36</u>	<u>3</u>	<u>4,139</u>
Average Pension	358.41	342.48	357.57	231.71	293.21	354.52

The over-all average of 354.52 compares with an average for the prior fiscal year of \$306.10. This increase is principally due to court decisions reported on elsewhere in this report, which placed a larger number of pensioners on fluctuating pensions and changed the method of calculating fixed pensions. There no longer are any pensioners receiving less than \$100

per month. The averages and numbers of fluctuating pensions and of fixed pensions is reported as follows:

	Service	Disability	Widows	Minors	Dependents	Total
Fluctuating						
Number	1,516	95	848	4	2	2,465
Average Pension	416.78	392.54	388.99	366.25	348.00	406.15
Fixed						
Number	823	558	260	32	1	1,674
Average Pension	250.90	333.95	255.10	214.88	183.62	278.51

The total of 2,465 fluctuating pensioners represents a net increase of 188 during the fiscal year.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1962:

Ages	Service	Disability	Widows	Minors	Dependents	Total
0- 18	---	---	---	36	---	36
20- 25	---	---	1	---	---	1
25- 30	---	7	2	---	---	9
30- 35	---	11	10	---	---	21
35- 40	---	113	23	---	---	136
40- 45	20	146	28	---	---	194
45- 50	105	90	46	---	---	241
50- 55	122	74	79	---	---	275
55- 60	183	43	165	---	---	391
60- 65	779	86	234	---	---	1,099
65- 70	603	47	202	---	---	852
70- 75	368	21	156	---	---	545
75- 80	108	11	92	---	1	212
80- 85	39	4	52	---	1	96
85- 90	11	---	14	---	---	25
90- 95	1	---	3	---	---	4
95-100	---	---	1	---	1	2
Total	2,339	653	1,108	36	3	4,139
Average Age ...	64	50	64	13	85	

SERVICE PENSIONS

Pensions Granted

A total of one hundred forty-three members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1962, almost double the number retiring in the prior fiscal year, and the largest number since 1946.

Pensions Discontinued

During the course of the fiscal year a total of ninety service pensions were discontinued on account of death. These individuals were on the pension rolls an average of 18 years although the range of life after retirement varied from one year to thirty-five 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 statement:

	F I R E		P O L I C E		Total
	20 Year	20-25 Year	20 Year	20-25 Year	
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
1960-1961	9	25	4	40	78
1961-1962	4	46	2	91	143

DISABILITY PENSIONS

Pensions Granted

A total of eighty-seven members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1962. Of these, 82 were granted on a service-connected basis while 5 were non-service.

Pensions Discontinued

Nineteen disability pensions were discontinued on account of death, and two by restoration to active duty from disability pension, during the current fiscal year.

Disability Retirement by Years

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

	F I R E		P O L I C E		Total
	Service	Non-Service	Service	Non-Service	
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
1960-1961	15	5	52	11	83
1961-1962	14	1	68	4	87

Analysis of Rates

There are 552 service-connected disability pensions and 101 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1962:

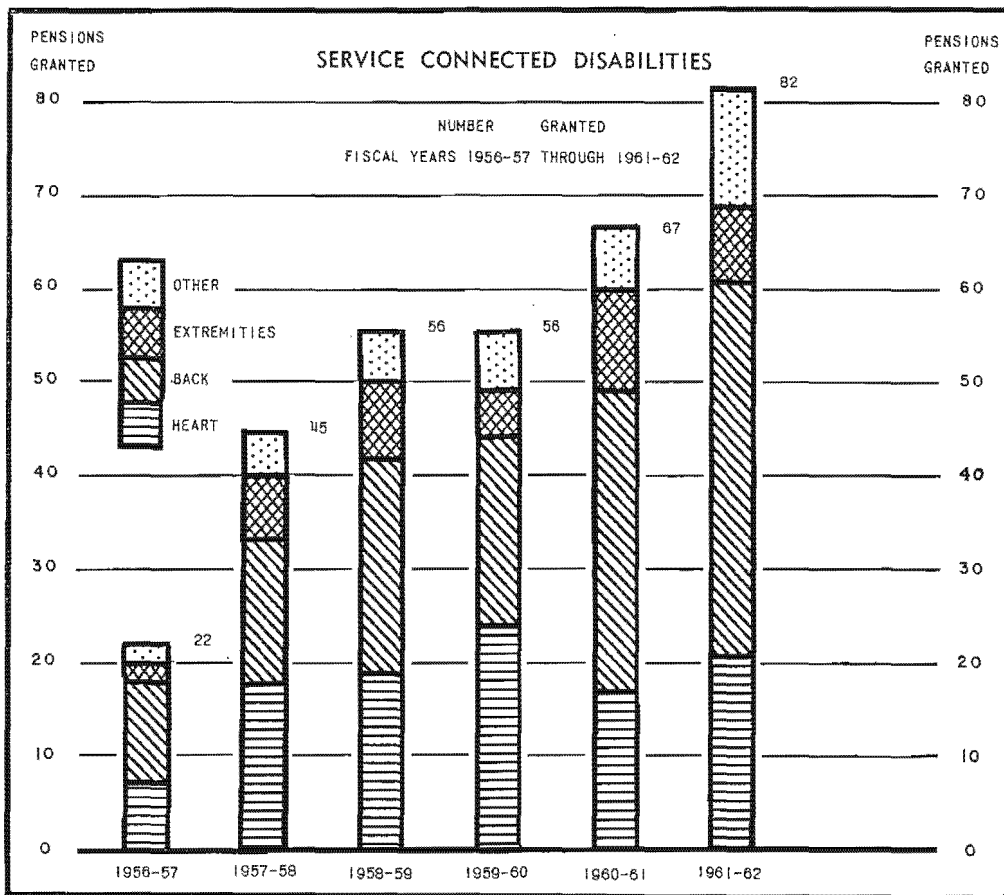
Rate	Fire	Police	Total
40%	27	74	101
50%	44	96	140
55%	15	32	47
57½%	1	—	1
60%	33	48	81
65%	58	118	176
66⅔%	1	—	1
70%	2	15	17
75%	11	47	58
80%	1	10	11
85%	3	5	8
90%	3	9	12
TOTAL	199	454	653

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	2	5	7
30-34	2	9	11
35-39	21	92	113
40-44	23	123	146
45-49	28	62	90
50-54	32	42	74
55-59	25	18	43
60-64	35	51	86
65-69	15	32	47
70-74	9	12	21
75-79	5	6	11
80-84	2	2	4
TOTAL	199	454	653
Average Age	53	48	50

Disability Pensions Continue Rise

The accompanying chart illustrates the continued high rate of service-connected disability pensions arising under this System, with another sharp rise this past year in new disability pensions.



As shown in the chart, heart cases increased moderately, from 17 to 21. However, back cases rose precipitately from 32 to 40, or twice the number that occurred as recently as 1960. Disabilities affecting the extremities

dropped from 11 to 8, while the miscellaneous group virtually doubled, from 7 to 13. Over-all, there were 15 more service-connected disability pensions granted than in the previous year, a rise of twenty-two percent.

LITIGATION

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

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

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

The determinations which have been made in the above-mentioned cases are hereinafter discussed collectively rather than separately because the District Court of Appeal made such determinations upon the same date in three separate decisions which are closely related to each other and wherein the court, in two of them, refers to the third one. As of the commencement of the fiscal year, these cases, the first two groups of which (as grouped above) had been consolidated for the purposes of trial and of appeal, were in the District Court of Appeal upon appeals taken from the judgments or from certain portions of the judgments of three different trial courts. On March 14, 1962, said Court made its determinations of the issues which had been presented to it. Plaintiffs' petitions for rehearings therein were denied on March 28, 1962 and their petitions for hearings by the Supreme Court were denied on May 16, 1962. Remittiturs issued by the District Court of Appeal were filed with the Clerk of the Superior Court on June 8, 1962 and, therefore, the determinations of the District Court of Appeal are final and conclusive. As hereinafter used, "court" shall mean the District Court of Appeal unless otherwise indicated. The court has made the following determinations:

(1) That the widow of any member plaintiff who had been appointed prior to July 1, 1925 and who had had no break in service would be entitled, upon his death, to a fluctuating pension if she shall have been married to him for at least one year prior to the date of his death, as had been provided prior to said date, and that the change effective as of said date requiring a widow, in order to be eligible to a pension, to be married to a member for at least one year prior to the date of his retirement, is invalid and unconstitutional as to any such plaintiff and his widow (ACKER, AHRENS, ATWELL CASSELBERRY and HENRY);

(2) That any widow plaintiff of a deceased member who had been appointed prior to July 1, 1925 and who had had no break in service and to whom she had been married for at least one year prior to the date of his death is entitled to a fluctuating pension for the reasons stated in "(1)" (CASEY);

(3) That the change in the eligibility provisions for pensions for widows, as stated in "(1)", is valid and constitutional as to any plaintiff member (and his widow) who had been appointed subsequent to July 1, 1925 (including Venice and Watts appointees) or who had had a break in service and who had been reappointed subsequent thereto, and that the widow of any such plaintiff would be entitled, upon his death, to a pension only if she shall have been married to him for at least one year prior to the date of his retirement (ARMSTRONG and EATON), but in the event that she shall not have been so married to him she is not entitled to any pension (CASEY);

(4) That the July 1, 1925 change from a fluctuating to a fixed service-connected disability pension is invalid and unconstitutional as to any member plaintiff who had been appointed prior thereto and who had had no break in service, that no such plaintiff had waived any rights to such a fluctuating pension or is estopped from asserting his rights thereto by reason of having received and accepted a fixed service-connected disability pension of more than 50% of salary (a fluctuating service-connected disability pension never was more than 50% of salary) and that he is entitled to a pension of 50% of salary upon a fluctuating basis and also, by virtue of the June 16, 1947 amendment to Section 182 of the City Charter which provides for a fixed service-connected disability pension in percentages ranging from 50% to 90% of salary, to any percentage in excess of 50% of salary upon a fixed basis as may be determined by the Board, from time to time, to be his percentage of disability (AHRENS);

(5) That the January 17, 1927 change from fluctuating to fixed pensions for widows is invalid and unconstitutional as to any widow plaintiff of a deceased member who had been appointed prior thereto and who had had no break in service, that no such plaintiff or her deceased husband had waived any rights to such a fluctuating pension or is she estopped from asserting her rights thereto by reason of his (and her with him) having received and accepted a fixed service-connected disability pension of more than 50% of salary and that she is entitled to a widow's pension upon a fluctuating basis (AHRENS);

(6) That a member plaintiff who is retired upon a service-connected disability pension had been, as an emergency or temporary police officer as opposed to a regular or permanent one, a member of the Fire and Police Pension System as of July 1, 1925 and that, therefore, the court's determinations as stated in "(4)", are applicable to him (AHRENS);

(7) That the July 1, 1925 change from fluctuating to fixed service pensions is valid and constitutional as to any member plaintiff who had been appointed subsequent thereto (including Venice and Watts appointees) or who had had a break in service and who had been reappointed subsequent thereto and that no such plaintiff is entitled to any fluctuating service pension which had been provided prior thereto (ARMSTRONG);

(8) That the January 17, 1927 change from fluctuating to fixed pensions is valid and constitutional as to any widow plaintiff of a deceased member who had had a break in service and who had been reappointed subsequent thereto and that no such plaintiff is entitled to any fluctuating pension which had been provided prior thereto (ARMSTRONG);

(9) That the January 17, 1927 change from fluctuating to fixed pensions for widows is invalid and unconstitutional as to any widow plaintiff of a deceased member who had been appointed prior thereto and who had had no break in service, that no such plaintiff had waived or is estopped from asserting her rights thereto by reason of having received and accepted a fixed pension of more than 50% of salary because of minor children (a fluctuating pension for a widow was never more than 50%) and that she is entitled to a widow's pension of 50% of salary upon a fluctuating basis and also, by virtue of the June 16, 1947 amendment to Section 183 of the City Charter, to any applicable percentage in excess of 50% of salary upon a fixed basis because of minor children (ARMSTRONG);

(10) That a member plaintiff who had been retired upon a fixed service-connected disability pension of 40% of salary prior to June 16, 1947 and who is not entitled to such a pension upon a fluctuating basis is entitled, by virtue of the June 16, 1947 amendment to Section 182 of the City Charter, as described in "(4)", to such a pension upon a fixed basis at a minimum of 50% of salary (ARMSTRONG);

(11) That the June 16, 1947 amendments to Sections 181 and 183 of the City Charter had not created fluctuating pensions but had merely provided for the calculation of a fixed service or widow's pension upon the salaries in effect at the date of the member's retirement or death for the average ranks which had been held by him during the three years prior thereto (ARMSTRONG and EATON);

(12) That each member plaintiff who had been appointed (including Venice and Watts appointees) or who had had a break in service and who had been reappointed on or subsequent to July 1, 1925 and prior to January 17, 1927 is entitled to a fixed service pension based upon the salary attached to the rank which had been held by him one year prior to the date of his retirement or based upon the salaries in effect at the date of his retirement for the average ranks which had been held by him during the three years prior thereto, whichever be the larger, if greater than the fixed service pension which he had been receiving (ARMSTRONG and EATON);

(13) That each member plaintiff who had had a break in service and who had been reappointed subsequent to January 17, 1927 is entitled to a fixed service pension based upon the salaries in effect at the date of his retirement for the average ranks which had been held by him during the three years prior thereto if greater than the fixed service pension which he had been receiving (ARMSTRONG and EATON);

(14) That the doctrine of equitable estoppel is not applicable to defendants so as to preclude them from urging the three year Statute of Limitations and the six months claims provisions of the City Charter (all above cases except ATWELL);

(15) That the cause of action of each widow plaintiff who had commenced her action more than three years after the date of death of her member husband is barred by the three year Statute of Limitations and that she, therefore, is not entitled to any pension (BOWERS);

(16) That the past payment of pensions to plaintiffs did not constitute a running account or a book account so as to have suspended the running of the Statute of Limitations or the claims provisions of the City Charter for any period whatever (EATON);

(17) That the Fire and Police Pension Fund is not a trust fund so as to have suspended the running of the Statute of Limitations or the claims provisions of the City Charter until plaintiffs' claims for unpaid pension benefits had been denied but that they had commenced to run as to each unpaid pension payment at the time the same had accrued (EATON);

(18) That plaintiffs, except the plaintiff in HENRY, are entitled to recover only those unpaid pension benefits which had accrued within six months prior to the filing of their claims therefor and not those which had accrued within any longer period of time (ACKER, AHRENS, ARMSTRONG, CASEY, CASSELBERRY and EATON);

(19) That the plaintiff in HENRY, who had filed a claim for unpaid pension benefits in 1955 but had not commenced his action thereon until more than three years had elapsed, is not barred by the three year Statute of Limitations from maintaining said action and that he is entitled to recover those unpaid pension benefits which had accrued within three years prior to the filing of his complaint; and

(20) That judgment must be against the City and not only against the Board of Pension Commissioners because the obligation to pay pensions is a general obligation of the City and is not limited to the assets in the Fire and Police Pension Fund (EATON).

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

Plaintiffs in this case, commenced in 1957, seek refunds of salary

deductions which had been paid into the pension fund. The case, however, is not at issue.

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

Plaintiff in this case, commenced in 1958 seeks refund of salary deductions which had been paid into the pension fund. The case, however, is not at issue.

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

This case, commenced in 1959, in which plaintiff had sought to compel the Board to pay him a disability pension after its denial of his application therefor, was dismissed without prejudice on May 7, 1962.

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

In this case, commenced in 1959, the District Court of Appeal determined, on March 16, 1962, that plaintiffs are entitled, under the provisions of subsections (b) and (c) of Section 395.1 of the Military and Veterans Code, to credit toward retirement for the time served by them in the armed forces in 1957 and 1958 because the matters covered by said section are of statewide and general public concern and that, therefore, the giving of such credit is not a municipal affair controlled by the provisions of Section 17 of the City Charter. The City's petition for rehearing in said court was denied on April 10, 1962 and its petition for hearing by the Supreme Court was denied on May 9, 1962. Therefore, the determinations of the District Court of Appeal are final and conclusive.

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

In this proceeding, commenced in the last fiscal year, petitioner appealed from the trial court's judgment in favor of the City denying his petition for a peremptory writ of mandate to compel the Board to grant him a disability pension upon his application therefor which had been denied by the Board. On April 11, 1962, the City filed its answering appeal brief to petitioner's opening appeal brief. The matter has not been set for hearing in the District Court of Appeal.

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

In this case, commenced in the last fiscal year, plaintiffs, who are disability pensioners receiving fixed pensions or widows of deceased disability pensioners receiving fixed pensions, contend that they, since the effective dates of their respective pensions, have been, now are and in the future will be entitled to fluctuating pensions and seek recovery, to such effective dates, of the difference between such fluctuating pensions and those which they have been receiving. The City contends: that plaintiffs, because they or their deceased husbands had received greater than 50% fixed disability pensions, are not entitled to fluctuating pensions; that, if they are, they are not entitled to pensions greater than 50%; and that, if they are, nothing in excess of 50% is to fluctuate. The issues in this case are the same as those which have been determined, as of March 14, 1962, by the District Court of Appeal in AHRENS, as hereinbefore set forth. The case is set for pre-trial conference on July 3, 1962.

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

In this case, commenced in the last fiscal year, plaintiffs had married their deceased husbands after their respective retirements but had been married to them for at least one year prior to their respective deaths. They contend that they are entitled to fluctuating pensions under the provisions of Section 183 of the City Charter as they had been prior to the July 1, 1925 amendment thereof. The issues in this case, are the same as those which have been determined, as of March 14, 1962, by the District Court of Appeal

in BOWERS and CASEY, as hereinbefore set forth. The case is set for pre-trial conference on July 3, 1962.

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

In this proceeding, commenced in the last fiscal year, petitioners, whose fluctuating disability pensions had been reduced by the Board from 75% to 50%, sought a peremptory writ of mandate to compel the Board to reinstate such pensions at 75%. Judgment denying petitioners' petition for such a writ was entered in favor of the City on September 7, 1961. Petitioners have appealed from the judgment. The issues in this case are such that the rights, duties and obligations of the parties thereto have been determined, as of March 14, 1962, by the District Court of Appeal in AHRENS, as hereinabove set forth. The case is on appeal in said court.

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

In this case, commenced in the last fiscal year, the primary issue is the same as that stated in DRISCOLL and which, as mentioned in connection therewith, has already been determined in BOWERS and CASEY. The issue which has not been finally and conclusively determined is whether plaintiffs are entitled to interest upon unpaid pension benefits prior to judgment. The case is on appeal in the District Court of Appeal.

ARMSTRONG)
BURNS)
MILLER) vs. City of Los Angeles, etc., et al.
MITCHELL)

These cases, were commenced in the last fiscal year and, on October 25, 1961, were consolidated for trial. Determinations which have been made, as of March 14, 1962, by the District Court of Appeal will dispose of many issues which are presented in these cases and, since the same have been discussed hereinabove, only the undetermined issues will be mentioned at this point. In ARMSTRONG and MITCHELL, plaintiffs contend that the April 18, 1957 amendment to Section 181½ of the City Charter has the effect of entitling them to greater fixed service pensions calculated at 50% of salary for 20 years of service up to 66⅔ of salary for 30 years of service instead of at 50% of salary for 25 years of service up to 66⅔ of salary for 35 years of service. In BURNS, plaintiff widows of deceased service pensioners make a similar contention and also contend that their pensions are to be calculated upon salaries in effect at date of death rather than at date of retirement of their respective deceased husbands. In MILLER, plaintiffs seek fluctuating disability pensions instead of the fixed disability pensions which they are receiving. Plaintiffs in each of these cases seek interest before judgment upon any unpaid pension benefits to which they may be entitled. The cases are set for trial on October 9, 1962.

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

In this case, commenced in this fiscal year, plaintiffs make the same contentions as do plaintiffs in MILLER. The case is not at issue.

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

In this case, commenced in this fiscal year, plaintiffs make the same contentions as do plaintiffs in MITCHELL and in the last above-mentioned ARMSTRONG. The case is not at issue.

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

In this case, commenced in this fiscal year, plaintiffs make the same contentions as do plaintiffs in BURNS. The case is not at issue.

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

In this case, commenced in this fiscal year, the plaintiff member, who had a break in service, seeks a fluctuating pension instead of the fixed pension which he is receiving and the plaintiff widow, who had married her deceased husband after his retirement, seeks the payment of a pension. Both plaintiffs also seek interest before judgment. The primary issues have been determined, as of March 14, 1962, by the District Court of Appeal adversely to the plaintiff member in the first above-mentioned ARMSTRONG and favorably to the plaintiff widow in CASEY. A motion for summary judgment on behalf of the plaintiff widow is set for hearing on July 20, 1962.

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

In this proceeding, commenced in this fiscal year, petitioner, who had been the plaintiff in JONES, hereinbefore mentioned, seeks a peremptory writ of mandate to compel the Board to grant him a hearing upon his application for a disability pension. A hearing before the court was had upon his petition and the City's return thereto on June 8, 1962. The court has not determined the matter.

**AHRENS)
AYRES) vs. City of Los Angeles, etc., et al.**

These cases were commenced in this fiscal year and after the District Court of Appeal had made its March 14, 1962 determinations. The plaintiffs in AHRENS were plaintiffs in the heretofore mentioned AHRENS and the plaintiffs in AYRES were plaintiffs in the first heretofore mentioned ARMSTRONG. Plaintiffs in both cases brought action for the recovery of unpaid pension benefits which had accrued subsequent to the judgments in the earlier cases and which, by reason of certain of the determinations of the District Court of Appeal, were admitted by the City to be due and owing to them. Plaintiffs' only purpose for bringing such actions was to attempt to also recover interest before judgment upon such unpaid benefits. Plaintiffs made motions for summary judgments and, for the purposes of the hearings thereon, the cases were consolidated. The court granted the motions and judgments were entered in favor of plaintiffs on June 28, 1962 for the recovery of both the unpaid pension benefits and interest before judgment thereon. The City intends to appeal from those portions of the judgments which allowed the recovery of interest.

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

This case was commenced in this fiscal year and after the District Court of Appeal had made its March 14, 1962 determinations. The plaintiffs were plaintiffs in the heretofore mentioned CASEY. Plaintiffs brought action for only the same purpose as did the plaintiffs in the last aforementioned AHRENS and in AYRES. The case is not at issue.

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

Plaintiff in this case, commenced in this fiscal year, seeks a refund of salary deductions which had been paid into the pension fund. The case is not at issue.

Opinions and Reports of the City Attorney

An opinion advised that the Board, if it were to determine that a member of the Police Department was not entitled, upon his own application, to be retired upon either a service-connected or a nonservice-connected disability pension, would have the power and authority to retire him upon a service pension, as requested by the Board of Police Commissioners, but only upon the making of a further determination that his retirement would be for the good of the Police Department.

A report advised that one of the March 14, 1962 determinations of the District Court of Appeals in the first hereinbefore mentioned AHRENS case has such effect that, under the present definitions thereof as contained in Section 185 of the City Charter, any fireman or police officer, even though he may serve pursuant to only an emergency or a temporary appointment, is a member of the Fire and Police Pension System and, as such, entitled to the benefits thereof upon the conditions and contingencies provided therefor and that, consequently, it is mandatory that a deduction be made of 6% of the amount of salary of each such fireman or police officer and that the same be deposited to the credit of the Fire and Police Pension Fund.

An opinion advised that the Board, if it were to determine that a person committed perjury in any hearing or proceeding before it, could advise the District Attorney thereof.

Guardianships

Fifty accountings, as well as various petitions and other documents, were received and carefully examined. 5 requests for special notice were prepared, served and filed. 6 guardianships of incompetents were discontinued and 8 were added. 4 guardianships of minors were discontinued and 2 were added. There are 70 active guardianships, 34 covering incompetents and 36 covering 61 minors.

Miscellaneous

Contracts:

Calvin Bullock, Ltd., Investment Counsel
Coates, Herfurth & England, Actuaries
Peat, Marwick, Mitchell & Co., Auditors

OPERATIONS

Review of Revenues and Expenditures

Revenues for the year increased approximately \$4,180,000, most of which resulted from an increase in taxes through application of the annual step-up tax levy incorporated in the 1959 Charter revision. However, Court decisions greatly increased the monthly pension load, and created heavy retroactive payments. As a result total expenditures increased by \$4,100,000. Expenditures exceeded revenues by more than \$2,300,000 as shown in the operating statement, about the same as the operating result for 1961. As noted in footnote 5 to the financial statements, when compared on a current basis regular monthly pension payments increased approximately \$2,275,649 for the year, with the balance of the increase attributable to retroactive payments required by the court decisions.

Administrative Expense

Administrative expenses increased by \$36,000. The items contributing to this increase were salaries, an increase of \$9,000 because of an across-the-board salary increase effective July 1, 1961; contractual services, an increase of \$12,000 largely arising out of a special contract for private legal counsel in the cases of Adler and Bouslog vs. the City of Pasadena; litigation, an increase of \$9,000 attributable to payment of court costs in the litigation decided near the end of the fiscal year, and to the use of court reporters for recording and transcribing the discussion and transactions at all regular Board meetings; medical expense, an increase of \$2,000 because of the


medical reports required in the continuing rise of new disability pensions, and the cumulative rise in disability pensioners regularly examined.

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

OFFICES IN
SAN FRANCISCO
DENVER
PASADENA

COATES, HERFURTH & ENGLAND
CONSULTING ACTUARIES
325 NORTH LAKE AVENUE
PASADENA, CALIFORNIA

TELEPHONE
MURRAY 1-4455

October 15, 1962

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, 1962.

Respectfully submitted,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By /S/ Robert H. Little

RHL:pr

ACTUARIAL VALUATION
OF THE FIRE AND POLICE PENSION SYSTEM
OF THE CITY OF LOS ANGELES
AS OF JUNE 30, 1962

SECTION I
RESULTS OF VALUATION

The results of the Actuarial Valuation of the Fire and Police Pension System as of June 30, 1962, are shown on the following 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 December 31, 1961, and, pursuant to the City Charter as amended and Resolution adopted by the Board of Pension Commissioners, upon a 4% interest assumption. These actuarial assumptions are discussed in detail in our report to the Board of Commissioners dated May 4, 1962.

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.

It should be noted that the City's portion of the entry age cost is 15.1% of compensation as contrasted with 11.6% that was in effect immediately prior to this time. The entry age rate changes only when there is a change in the actuarial assumptions or a change in the average age at which new members enter the System. As we previously indicated, new actuarial assumptions were adopted as the result of the investigation made as of December 31, 1961 covering the preceding 5-year period. The increase in the entry age rate is the net effect of various factors. However, the increase can be largely attributed to the increase in the number of line of duty disabilities that occurred during the 5 years ending December 31, 1961 which has been reflected in the new actuarial assumptions. There was actually a reduction in the cost for service pensions which we believe is due to the tendency for members to apply for line of duty disability retirement rather than service retirement.

Items 6 through 10 show the actuarially computed liability for all benefits that will be paid under the System as it is presently constituted.

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 increases in pensions for members receiving fluctuating pensions when they occur.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
ACTUARIAL BALANCE SHEET

As of June 30, 1962

ASSETS

1. Assets from Accounting Balance Sheet		\$ 8,756,463
2. Present Value of Future Contributions by Members of 6% of Compensation		44,923,704
3. Present Value of Future Contributions by the City for:		
(a) Entry Age Cost (15.1% of Compensation)	\$113,057,988	
(b) Fifty-Year Amortization of "Unfunded Liability"	426,651,477	539,709,465
4. Total Assets		\$593,389,632

LIABILITIES

5. Accounts Payable and Deposits on Sale of Real Property		\$ 15,158
6. Present Value of Present Pensions to Pensioners Now on Pension Roll:		
(a) Service	\$ 92,540,856	
(b) Disability	32,945,940	
(c) Dependents	52,988,390	178,475,186
7. Present Value of Prospective Pensions to Dependents of Present Pensioners:		
(a) Service	\$ 39,035,490	
(b) Disability	10,305,165	49,340,655
8. Present Value of Prospective Pensions to Presently Active Members:		
(a) Service	\$173,394,732	
(b) Disability	85,944,348	259,339,080
9. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service		20,948,918
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:		
(a) Service	\$ 55,854,577	
(b) Disability	29,416,058	85,270,635
11. Total Liabilities		\$593,389,632

SECTION II
RECOMMENDED CITY CONTRIBUTIONS

Section 186.2 of Article XVII of the Charter of the City of Los Angeles specified 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, 1963, be as follows:

1. An Entry Age Contribution equal to 15.1% of the total payroll of members; plus
2. An amortization contribution equal to 13.6% 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, 1962

Year of Amortization Program	Fiscal Year Beginning July	Contribution as Percentage of Members' Compensation
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, 1962 and the related statement of operations and fund deficit 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 \$426,651,477 represents the present values of amounts required to pay pensions related to service prior to June 30, 1962 as they mature and are presented in accordance with a report certified by Coates, Herfurth & England, the consulting actuary of the fund.

In our opinion, based on our examination and on the report of consulting actuary as to the reserve for pensions, the accompanying balance sheet and statement of operations and fund deficit present fairly the financial position of the City of Los Angeles Fire and Police Pension Fund at June 30, 1962 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Los Angeles, California
November 7, 1962

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

BALANCE SHEET

June 30, 1962

with comparative figures for 1961

ASSETS

Cash and temporary investments:	June 30, 1962	June 30, 1961
Deposits with Treasurer of the City of Los Angeles	\$ 546,495	\$ 147,867
Cash revolving funds	325	325
United States Treasury Bills— at cost (par value \$3,400,000 and \$2,400,000 respectively)	3,375,155	2,371,456
	\$ 3,921,975	\$ 2,519,648
 Investments:		
Bond investments, general— at par (value based on market quotations, \$4,276,875 and \$7,697,878 respectively) (Note 1)	\$4,750,000	\$8,465,000
Treasurer's deeds—at cost	657	657
Trust deeds receivable—at cost	2,874	3,154
Real property—at cost	20,326	19,644
	\$4,773,857	\$8,488,455
Bond premiums, less discounts of \$11,575 and \$31,804 respectively	11,078	2,650
Accrued interest	49,553	89,875
	\$ 8,756,463	\$ 11,100,628

LIABILITIES

Accounts payable	\$ 15,158	\$ 2,635
Unpaid pensions estimated (Note 2)	1,250,000	-----
Reserve for pensions at actuarial valuation (Note 3)	426,651,477	380,971,613
	\$427,916,635	\$380,974,248
Less fund deficit	419,160,172	369,873,620
Contingent liabilities (Note 4)	-----	-----
	\$ 8,756,463	\$ 11,100,628

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

STATEMENT OF OPERATIONS AND FISCAL DEFICIT
Fiscal Year Ended June 30, 1962
with comparative figures for 1961

Revenue:	June 30, 1962	June 30, 1961
Taxes	\$ 12,247,624	\$ 8,476,006
Interest	277,003	337,662
Members' Contributions	3,854,325	3,403,660
Sales of Unclaimed Property	46,996	54,250
Donations	1,280	427
Miscellaneous	33,586	7,537
Revenues	\$ 16,460,814	\$ 12,279,542
Expenditures:		
Pensions Paid (Note 5):		
Service	\$ 9,825,781	\$ 8,953,096
Disability	2,833,567	1,584,573
Widows	5,364,626	3,417,479
Minors	67,627	52,638
Dependents	10,555	8,549
Non-Service		
Disability	238,621	229,301
Widows	145,079	140,088
Minors	30,760	39,902
	\$18,516,616	\$14,425,626
Administrative Expense	176,258	139,469
	18,692,874	14,565,095
Excess of Expenditures Over Revenues	\$ 2,232,060	\$ 2,285,553
Loss on Sales of Investments	124,628	63,135
Provision for estimated unpaid pensions (Note 2)	1,250,000	-----
Additional reserve requirements due to increase in actuarial liabilities (Note 3)	45,679,864	52,413,886
Deficit for the Year	\$ 49,286,552	\$ 54,762,574
Fund deficit at beginning year	369,873,620	315,111,046
Fund deficit at end	\$419,160,172	\$369,873,620

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

Notes to Financial Statements
June 30, 1962

- (1) 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.
- (2) The liability for unpaid pensions is the estimated amount due various pensioners for supplementary pension payments in accordance with court decisions as of June 30, 1962 or valid claims by pensioners filed with the Board of Pension Commissioners by such date.
- (3) 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, 1962. 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 provide assets 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 December 31, 1961 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.

The reserve for pensions \$426,651,477, 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.

The increase of \$45,679,864 in the reserve for pensions as of June 30, 1962 can be largely attributed to the increase in line of duty disabilities which has been reflected in the new actuarial assumptions adopted as a result of the investigation made as of December 31, 1961.

- (4) There were a number of legal actions pending at June 30, 1962 contesting the method of computing pensions of certain members. Several of these actions are on appeal from the trial court's judgments in favor

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

- (5) The expenditures for regular and retroactive pension payments during the year ended June 30, 1962, with comparative figures for 1961 were as follows:

Regular monthly pension payments:	1961-62	1960-61
Service	\$ 9,795,860	\$ 8,938,361
Disability	2,213,654	1,584,573
Widows	4,144,121	3,401,582
Minors	67,627	52,638
Dependents	10,555	8,549
Non-service	414,459	384,924
	<u>\$16,646,276</u>	<u>\$14,370,627</u>
 Retroactive pension payments:		
Service	\$ 29,921	\$ 14,735
Disability	619,913	-----
Widows	1,220,506	15,897
Minors	-----	-----
Dependents	-----	-----
Non-service	-----	24,367
	<u>\$ 1,870,340</u>	<u>\$ 54,999</u>
	<u>\$18,516,616</u>	<u>\$14,425,626</u>

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

ADMINISTRATIVE EXPENSE COMPARED

OPERATING EXPENSE	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56
Salaries	\$100,340	\$ 91,475	\$ 88,515	\$ 80,441	\$76,044	\$70,382	\$69,086
Communications	1,188	1,073	761	982	714	592	633
Insurance and Bond Premiums	365	400	424	383	358	417	515
Office Equipment	1,043	711	937	1,253	1,341	610	246
Office Supplies	1,607	1,389	865	968	776	756	772
Printing and Binding	3,138	2,115	1,471	1,564	1,156	1,123	1,063
Traveling	3,105	723	1,372	669	600	401	216
Contractual Services	18,548	6,220	5,114	6,995	3,315	3,000	3,000
Field Equipment	150	150	250	412	200	150	20
Maintenance and Repairs	-----	393	-----	150	123	75	14
Petroleum Products	230	150	153	212	152	150	62
Transportation	300	284	292	84	25	7	72
Annual Audit	1,850	1,750	1,500	1,750	1,002	934	950
Governmental Meetings	-----	-----	-----	-----	29	-----	-----
Litigation	11,136	2,391	2,039	3,691	209	888	831
Mailing Service	678	472	470	665	338	151	290
Medical Services	20,656	18,504	13,456	12,480	8,766	6,883	7,207
Miscellaneous	143	174	9	-----	9	52	-----
Actuarial Expense	9,500	10,000	5,000	-----	-----	-----	636
Equipment, Furniture and Fixtures	2,281	1,095	4,214	2,129	2,378	1,012	1,757
	<u>\$176,258</u>	<u>\$139,469</u>	<u>\$126,842</u>	<u>\$114,828</u>	<u>\$97,535</u>	<u>\$87,583</u>	<u>\$87,370</u>

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

STATEMENT OF OPERATIONS COMPARED

Fiscal Years 1955-56 to 1961-62

REVENUES	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56
Taxes	\$ 12,247,624	\$ 8,476,006	\$ 6,301,170	\$ 6,083,666	\$5,514,475	\$5,052,812	\$4,680,767
Interest	277,003	337,662	546,769	676,055	847,969	737,261	669,184
Members Contributions	3,854,325	3,403,660	3,300,677	3,032,073	2,845,139	2,599,947	2,293,139
Sales of Unclaimed Property	46,996	54,250	55,913	47,569	45,499	66,351	16,197
Bonus	-----	-----	5	14	26	35	110
Donations	1,280	427	367	362	343	435	352
Miscellaneous	33,586	7,537	7,822	10,000	2,776	634	286
TOTAL REVENUES Available for Current Years' Expenditures	\$ 16,460,814	\$ 12,279,542	\$ 10,212,723	\$ 9,849,739	\$9,256,227	\$8,457,475	\$7,660,035
EXPENDITURES							
Pensions Paid							
Service	\$ 9,825,781	\$ 8,953,096	\$ 9,544,655	\$ 13,782,501	\$4,219,932	\$4,161,635	\$4,096,813
Disability	2,833,567	1,584,573	1,343,438	1,092,934	875,570	750,143	712,129
Widows	5,364,626	3,417,479	3,459,800	3,883,492	1,380,813	1,294,678	1,197,976
Minors	67,627	52,638	52,648	41,985	37,476	35,049	34,618
Dependents	10,555	8,549	9,287	10,342	4,841	6,339	7,010
Non-service							
Disability	238,621	229,301	187,035	174,181	149,320	126,255	100,380
Widows	145,079	140,088	122,693	105,541	84,872	65,506	54,649
Minors	30,760	39,902	28,640	23,445	19,722	17,037	13,912
TOTAL PENSIONS	\$ 18,516,616	\$ 14,425,626	\$ 14,748,196	\$ 19,114,421	\$6,772,546	\$6,456,642	\$6,217,487
Administrative Expense	\$ 176,258	\$ 139,469	\$ 126,842	\$ 114,828	\$ 97,535	\$ 87,583	\$ 87,370
TOTAL EXPENDITURES	\$ 18,692,874	\$ 14,565,095	\$ 14,875,038	\$ 19,229,249	\$6,870,081	\$6,544,225	\$6,304,857
EXCESS OF EXPENDITURES OVER REVENUES	\$ 2,232,060	\$ 2,285,553	\$ 4,662,315	\$ 9,379,510	\$2,386,146*	\$1,913,250*	\$1,355,178*
Losses on Investments	124,628	63,135	-----	-----	-----	-----	-----
Provision for Estimated Unpaid Pensions..	1,250,000	-----	-----	-----	-----	-----	-----
Additional Reserve for Pensions	45,679,864	52,413,886	623,700	-----	-----	-----	-----
DEFICIT FOR THE YEAR	\$ 49,286,552	\$ 54,762,574	\$ 5,286,015	\$ 9,379,510	\$ -----	\$ -----	\$ -----
FUND DEFICIT AT BEGINNING..	369,873,620	315,111,046	309,825,031	300,445,521	-----	-----	-----
FUND DEFICIT AT END	\$419,160,172	\$369,873,620	\$315,111,046	\$309,825,031	\$ -----	\$ -----	\$ -----

*EXCESS OF REVENUES OVER EXPENDITURES