

**1963**  
**Annual Report**

**BOARD OF PENSION COMMISSIONERS**

**CITY OF LOS ANGELES**  
**CALIFORNIA**



**FOR THE FISCAL YEAR ENDED JUNE 30, 1963**

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# CITY OF LOS ANGELES



**SAMUEL WM. YORTY**  
Mayor

## LOS ANGELES CITY COUNCIL

LOUIS R. NOWELL\*  
First District

ROSALIND WIENER WYMAN  
Fifth District

GILBERT W. LINDSAY  
Ninth District

JAMES HARVEY BROWN  
Thirteenth District

JAMES B. POTTER, JR.  
Second District

L. E. TIMBERLAKE  
Sixth District

THOMAS BRADLEY\*  
Tenth District

JOHN C. HOLLAND\*  
Fourteenth District

THOMAS D. SHEPARD  
Third District

ERNANI BERNARDI  
Seventh District

KARL L. RUNDBERG  
Eleventh District

JOHN S. GIBSON, JR.  
Fifteenth District

HAROLD A. HENRY  
Fourth District

BILLY G. MILLS  
Eighth District

JOHN P. CASSIDY  
Twelfth District

\*Member Police, Fire and Civil Defense Committee

**BOARD OF PENSION COMMISSIONERS  
1962-63 ANNUAL REPORT**

December 19, 1963

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, 1963, 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.

Your attention is directed to two matters of prime significance: namely, that the year reported on herein completes the period of erosion of pension assets, and the way is now clear in each succeeding year to rebuild the Fire and Police Pension Fund; and, the fact that in the year just completed, for the first time in our recent history, there was effected substantial reduction in the number of new disability pensions. These two factors significantly point the way to improved financial health for the Fire and Police Pension Fund.

A great task yet to be accomplished is a thoroughgoing revision of the Fire and Police Pension System, if further litigation is to be ended. At fiscal year-end, this Board was engaged with other interested groups in the study of possible complete revision of the System.

Respectfully submitted,  
BOARD OF PENSION COMMISSIONERS

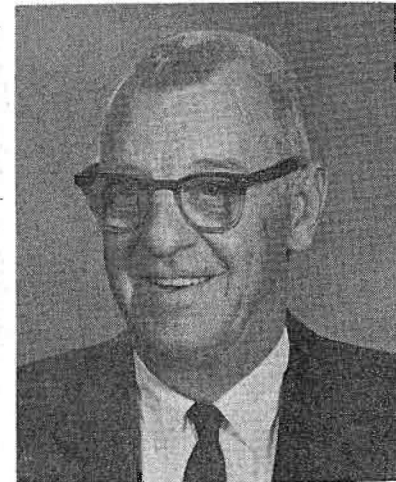


President

LJA:tt



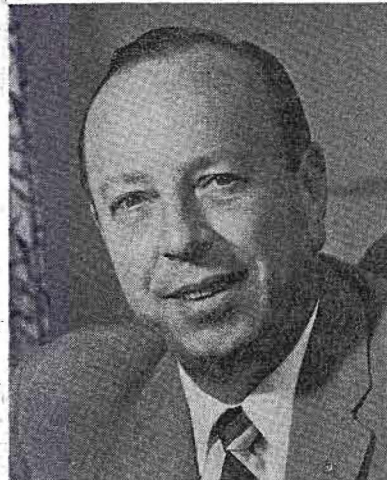
LEO J. ADELSTEIN, M.D.  
President



ARTHUR C. ELDRED  
Vice-President



VINCENT M. BURKE



JOHN W. GIVENS



HAROLD E. LEVITT

November 22, 1963

Board of Pension Commissioners  
Room 1108, City Hall  
Los Angeles, California 90012

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, 1963. 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

Assets of the Fire and Police Pension Fund declined again during the past year with the operating deficit, as shown in Exhibit II of the financial statements, amounting to \$1,148,255. The net asset total at fiscal year end declined to \$7,601,476. This loss was caused by the same factors which have prevailed during recent years: namely, an increase in normal pension expenditures, heavy retroactive payments required as a result of new court decisions, and the fact that the increases in revenue provided by the 1959 Charter amendments have not yet reached the point of providing revenues in excess of expenditures. That point will be reached in the next fiscal year and, as a result, 1962-1963 can be looked upon as a final deficit year resulting from the recent litigation experience. This prospect is, of course, subject to re-evaluation in the event of new litigation.

The increase in regular monthly pension payments during the past year amounted to almost \$2,000,000 as shown in footnote 5 to the financial statements. This increase may be attributed to the following causes:

1. The effect of court decisions which became final in June, 1962. These decisions added new pensioners to the rolls, qualified some fixed amount pensioners for fluctuating pensions, and required that fixed pensions be calculated on average rank rather than average salary.

2. Growth in total number of pensioners from service and disability retirements.

3. A salary increase of 5½% to firemen and policemen effective January 6, 1963, resulting in a comparable increase in fluctuating pensions.

Retroactive pension payments because of the court judgments mentioned above added up to \$1,232,000, which payments were largely completed in July and August, 1962.

### An End to Liquidation

No additional liquidation of bonds from portfolio was required during the fiscal year to meet the court judgments because such requirements had been reflected in the liquidation completed just prior to the beginning

of the fiscal year. Even so, there were insufficient regular revenues to meet the low point of tax receipts occurring at the end of November, 1962 and this problem was met through the cooperation of the Mayor, the Council, the City Administrative Officer and the Controller by an advance of \$1,050,000 of the December tax allotment on November 30, 1962 to meet that pension roll. This procedure, constituting a loan to the Pension Fund from the Reserve Fund of the City for approximately a two-week period, saved the Fund from liquidating \$1,250,000 of portfolio bonds with the attendant loss of some \$200,000 that would have ensued because of the depressed market price of the low coupon bonds in portfolio.

#### **Prospects for 1963-1964**

It is estimated that fund assets will decline to approximately \$4,700,000 at the time of the low point in the period of low tax receipts during July through November and, in addition, approximately \$1,500,000 will be requested from the City's General Fund for November 30, 1963 as a temporary advance against the December, 1963 tax allotment. However, this will represent the lowest point in the decline of fund assets and by the end of the 1963-1964 fiscal year it is expected that a recovery will have taken place to the extent of a \$5,000,000 increase in assets over the present balance. From this time on, total fund assets should continue to grow at a rapid rate in accordance with the provisions of the 1959 Charter amendments to the Pension System.

#### **Workmen's Compensation Suits**

A new area of litigation affecting the Fire and Police Pension System developed during the year in a series of Workmen's Compensation claims and is summarized later in this report under the heading of litigation. Essentially, these claims attempt to secure for members of the System, Workmen's Compensation benefits for service-connected disability and death in addition to benefits paid by the Pension System for the same causes. At year's end the courts had determined that members and dependents were entitled to compensation awards, but the question had not been decided by the courts as to whether the Pension System was entitled to apply the provisions of Section 182½ of the Charter for the reduction of pension payments by the amount of Workmen's Compensation award obtained. While these suits did not impose additional liability to the pension fund, per se, they represented a considerable threat of increased liability to the City of Los Angeles since compensation awards are paid out of the General Fund of the City. At fiscal year end there were approximately 400 Workmen's Compensation claims pending, each one of which represented a potential liability of between \$5,000 and \$20,000.

#### **Charter Amendments**

During the year considerable attention was given to possible Charter amendments modifying the benefit structure and financing provisions of the Fire and Police Pension System. However, no specific provisions were qualified for the 1963 municipal ballot. Near the end of the fiscal year the Charter Amendment Committee of the Board of Pension Commissioners completed the preparation, and distribution to interested parties, of a New Pension System which was to be studied during ensuing months with the prospect of submission for ballot purposes during the next fiscal year.

One of the primary objectives in such revision is clarification of the intent and language of pension provisions in order to forestall future litigation.

### ACTUARIAL STATUS

Section 186.1 of the City Charter requires that the Board shall cause to be made annually an actuarial valuation of the assets and liabilities of the fund. The valuation made as of June 30, 1963 continued the Entry Age Contribution Rate of 15.1% of Fire and Police payrolls, and recommended an Amortization Contribution Rate of 16.7%. The latter rate, while incorporating the expected annual increase, represents a reduction of 3/10 of 1% from the projected figure in the 1962 report, and to that extent is encouraging.

The report (set forth in detail in later pages) shows an increase in the "unfunded liability" of more than \$40,000,000, and an increase in total liabilities of more than \$54,000,000. Such increases are attributable to the higher salary base that directly affects all fluctuating pensions, and that will become applicable to all future pensions.

The expected increase in the contribution rate for amortization of the "unfunded liability" reflects the provisions of the 1959 amendment to the City Charter for a step-up funding program. This provides that each year the City's contribution to the unfunded liability shall increase by 1/10 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. This rate fluctuates somewhat from year to year, depending on the effect of court decisions, salary changes and pension experience.

### MEMBERSHIP

As of June 30, 1963, there were 3,365 firemen and 4,905 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 .....                       | 788   | 1,173  | 1,961 |
| With less than 10 years .....                              | 581   | 680    | 1,261 |
| with less than 20 years .....                              | 1,366 | 2,521  | 3,887 |
| With 20 years service and over .....                       | 601   | 491    | 1,092 |
| On Military Leave (eligibility<br>dates not counted) ..... | 16    | 21     | 37    |
| 20 Year Members  |       |        |       |
| Members eligible to retire .....                           | 13    | 19     | 32    |
|  | ----- | -----  | ----- |
| TOTAL .....  | 3,365 | 4,905  | 8,270 |

### 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:

|                                 | 1962-63 | 1961-62 | 1960-61 | 1959-60 | 1958-59 |
|---------------------------------|---------|---------|---------|---------|---------|
| Total Membership July 1st       | 8,003   | 7,824   | 7,725   | 7,606   | 7,469   |
| On Leave or Suspension .....    | 17      | 21      | 17      | 18      | 22      |
| On Military Leave .....         | 62      | 17      | 40      | 49      | 50      |
|                                 | <hr/>   | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
| Additions:                      | 7,924   | 7,786   | 7,668   | 7,539   | 7,397   |
| New Appointments .....          | 658     | 553     | 391     | 372     | 385     |
| Reappointments .....            | 6       | 6       | 15      | 4       | 10      |
| Restorations .....              | 5       | 4*      | 5*      | 3*      | 4*      |
| Returned from Leave or Susp. .. | 175     | 124     | 147     | 169     | 127     |
| Restored from Military Leave..  | 50      | 14      | 9       | 10      | 10      |
| Discontinued on Military Leave  |         |         | 22      | 10      | 4       |
|                                 | <hr/>   | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
| Withdrawals:                    | 8,818   | 8,487   | 8,257   | 8,107   | 7,937   |
| Service Retirements .....       | 158     | 143     | 78      | 70      | 70      |
| Disability Retirements .....    | 79      | 87      | 83      | 63      | 65      |
| Resigned .....                  | 133     | 118     | 124**   | 92**    | 78      |
| Discharged .....                | 18      | 19      | 13      | 18      | 28      |
| Deaths .....                    | 14      | 17      | 14      | 17      | 21      |
| Leaves or Suspensions .....     | 174     | 120     | 151     | 168     | 123     |
| Military Leaves Granted .....   | 25      | 59      | 8       | 11      | 13      |
|                                 | <hr/>   | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
| Active Membership—June 30th ... | 8,217   | 7,924   | 7,786   | 7,668   | 7,539   |
| On Leave or Suspension .....    | 16      | 17      | 21      | 17      | 18      |
| On Military Leave .....         | 37      | 62      | 17      | 40      | 49      |
|                                 | <hr/>   | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
| Total Membership—June 30th ...  | 8,270   | 8,003   | 7,824   | 7,725   | 7,606   |

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

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

### Appointed Fiscal Year 1962-63

During the course of the year 664 members were appointed and became members of the system. 399 or 60% of such members were married at the date of entrance. Six of such members were re-appointees with an average age of 28. Five were restored from disability pension and were above the age of 42. Of the 664 original appointments the median age was 23, the mode 21 and the average was 24.

### ELIGIBILITY

There were as of June 30, 1963, 1,124 members eligible to retire. Thirty-two of these members were 20-year members and 1,092 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 |
| 1962-1963 | 614  | 510    | 1,124 |

During the fiscal year 1963-1964, 169 twenty-five year members will become eligible if their service is continuous, 64 of these members are firemen, and 105 are policemen.

| Years of Service | 20 Year Members |        | 25 Year Members |        | Total |
|------------------|-----------------|--------|-----------------|--------|-------|
|                  | Fire            | Police | Fire            | Police |       |
| 20               | ---             | ---    | 79              | 92     | 171   |
| 21               | ---             | ---    | 159             | 203    | 362   |
| 22               | ---             | ---    | 138             | 60     | 198   |
| 23               | ---             | ---    | 0               | 0      | 0     |
| 24               | ---             | ---    | 6               | 8      | 14    |
| 25               | ---             | ---    | 25              | 29     | 54    |
| 26               | ---             | ---    | 52              | 54     | 106   |
| 27               | ---             | ---    | 38              | 4      | 42    |
| 28               | ---             | ---    | 18              | 0      | 18    |
| 29               | ---             | ---    | 5               | 2      | 7     |
| 30               | ---             | ---    | 30              | 8      | 38    |
| 31               | ---             | ---    | 8               | 2      | 10    |
| 32               | ---             | ---    | 3               | 2      | 5     |
| 33               | ---             | ---    | 14              | 14     | 28    |
| 34               | ---             | ---    | 22              | 6      | 28    |
| 35               | ---             | ---    | 1               | 7      | 8     |
| 36               | 1               | ---    | 3               | 0      | 4     |
| 37               | 3               | 6      | ---             | ---    | 9     |
| 38               | 4               | 8      | ---             | ---    | 12    |
| 39               | 4               | 3      | ---             | ---    | 7     |
| 40               | ---             | 1      | ---             | ---    | 1     |
| 47               | ---             | 1      | ---             | ---    | 1     |
| 48               | 1               | ---    | ---             | ---    | 1     |
|                  | 13              | 19     | 601             | 491    | 1,124 |

### MILITARY LEAVES

On June 30, 1963, there were 37 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1962-1963:

|                                |    |
|--------------------------------|----|
| On Leave June 30, 1962 .....   | 62 |
| Granted during 1962-1963 ..... | 25 |
|                                | —  |
|                                | 87 |
| Restored — Now Active .....    | 50 |
| On Leave June 30, 1963 .....   | 37 |

All of the 37 members on military leave are twenty-five year members. Thirty-two of these members have less than five years service, one has exactly five years service and four have more than five years service.

The District Court of Appeal determined, on March 16, 1962, that plaintiffs in the Murdy case were 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 Charter, while generally permitting such credit, was more restrictive than State provisions. The City's petition for rehearing 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 and members accumulate credit toward their service retirement in accordance with State law while on military leave.

Because of three instances in which former members of the Fire and Police Departments had served brief periods in such departments and then had entered upon military leave and remained thereon for many years, thus pursuing military careers while maintaining pension rights in the Los Angeles Fire and Police Pension System, and had thereby gained financial advantages, this Department participated with other organizations in seeking an amendment to Section 395.1 of the Military and Veterans Code whereby this type of dual career could be terminated in cases arising hereafter. Prior to the end of the fiscal year, an amendment was adopted by the State Legislature, and approved by the Governor, whereby individuals entering upon military leave lose their right to return to their civilian employment if they fail to secure their release from military service and return to their civilian employment within a year of the time that they are eligible so to do.

### PENSION ROLL CHANGES

On July 1, 1962, 48 applications were pending. During the course of the fiscal year 375 petitions were received. Of the total 423 petitions 365 were granted, 1 was a reinstatement, 4 were withdrawn and 10 were

denied, leaving 43 pending as of June 30, 1963. The details of the pensions granted and terminated during the course of the fiscal year are as follows:

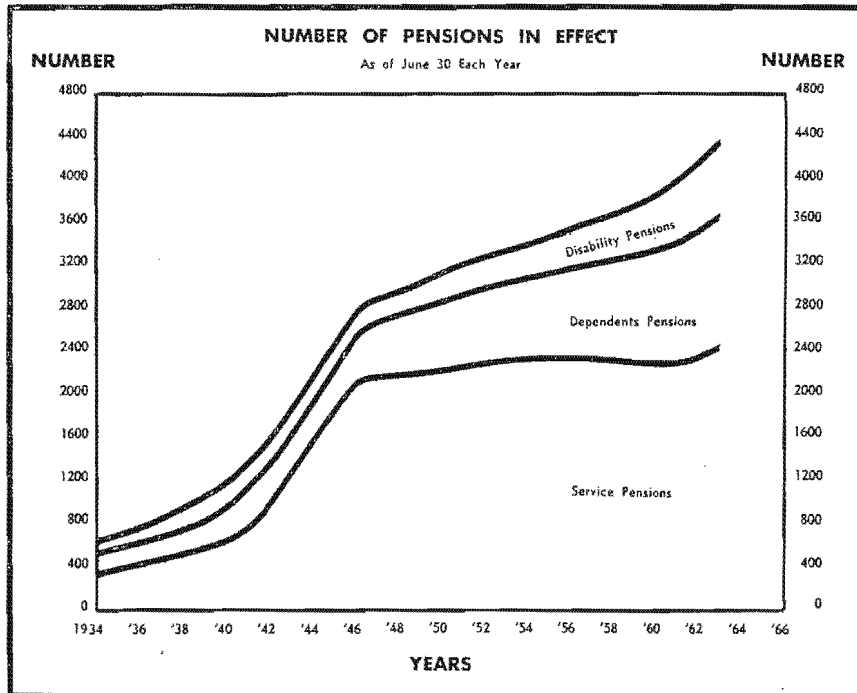
|                  | 20-Yr.<br>Serv. | 20-25<br>Years<br>Serv. | Serv.<br>Disa. | Non-<br>Serv.<br>Disa. | Serv.<br>Widows | Non-<br>Serv.<br>Widows | Serv.<br>Depts. | Non-<br>Serv.<br>Depts. | Total |
|------------------|-----------------|-------------------------|----------------|------------------------|-----------------|-------------------------|-----------------|-------------------------|-------|
| Balance 7-1-62   | 1,714           | 625                     | 552            | 101                    | 1,058           | 50                      | 25              | 14                      | 4,139 |
| Granted          | 6               | 152                     | 69             | 10                     | 118             | 5                       | 3               | 2                       | 365   |
| Reinstated       |                 |                         |                |                        |                 | 1                       |                 |                         | 1     |
| Deaths           | 68              | 8                       | 17             | 3                      | 27              | 1                       |                 |                         | 124   |
| Restored to Duty |                 |                         | 5              |                        |                 |                         |                 |                         | 5     |
| Remarriage       |                 |                         |                |                        | 8               |                         |                 |                         | 8     |
| Majority         |                 |                         |                |                        |                 |                         | 3               | 3                       | 6     |
| Withdrawn        | 1*              |                         | 3*             |                        |                 |                         |                 |                         | 4*    |
| Decreased        |                 |                         | 73*            |                        | 8*              | 3*                      |                 |                         | 84*   |
| Increased        |                 |                         | 38*            |                        | 1*              |                         |                 |                         | 39*   |
| Denied           |                 |                         | 8*             |                        | 2*              |                         |                 |                         | 10*   |
|                  | 1,652           | 769                     | 599            | 108                    | 1,141           | 55                      | 25              | 13                      | 4,362 |

\*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 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 three and one-half percent (2339 to 2421). Dependent pensions went up eight percent (1147 to 1234) the same percentage rise that occurred with disability pensions (653 to 707).



### 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 the average pension being paid in each classification:

| Amounts           | Service      | Disability | Widows       | Minors    | Dependents | Total        |
|-------------------|--------------|------------|--------------|-----------|------------|--------------|
| 100-139 .....     | 88           | 20         | 17           | 4         | ---        | 129          |
| 140-179 .....     | 156          | 29         | 34           | 7         | ---        | 226          |
| 180-219 .....     | 109          | 30         | 50           | 2         | 1          | 192          |
| 220-259 .....     | 115          | 76         | 60           | 11        | ---        | 262          |
| 260-299 .....     | 135          | 90         | 43           | 5         | ---        | 273          |
| 300-339 .....     | 136          | 92         | 35           | 1         | ---        | 264          |
| 340-379 .....     | 678          | 78         | 500          | 4         | 2          | 1262         |
| 380-419 .....     | 283          | 117        | 191          | ---       | ---        | 591          |
| 420-459 .....     | 250          | 54         | 189          | 1         | ---        | 494          |
| 460-499 .....     | 164          | 56         | 6            | ---       | ---        | 226          |
| 500-539 .....     | 131          | 27         | 2            | ---       | ---        | 160          |
| 540-579 .....     | 52           | 24         | 38           | ---       | ---        | 114          |
| 580-619 .....     | 53           | 5          | ---          | ---       | ---        | 58           |
| 620-659 .....     | 8            | 6          | ---          | ---       | ---        | 14           |
| 660-699 .....     | 7            | 2          | 21           | ---       | ---        | 30           |
| 700 or over ..... | 56           | 1          | 10           | ---       | ---        | 67           |
|                   | <u>2,421</u> | <u>707</u> | <u>1,196</u> | <u>35</u> | <u>3</u>   | <u>4,362</u> |
| Average           |              |            |              |           |            |              |
| Pension .....     | 373.75       | 352.41     | 374.17       | 235.15    | 306.21     | 369.25       |

The over-all average of \$369.25 compares with an average for the prior fiscal year of \$354.52. This increase is due to the increase in amounts of fluctuating pensions based upon salary increases that became effective during the fiscal year, and to the effect of court decisions that required fixed pensions to be calculated on average rank rather than average salary. The averages and numbers of fluctuating pensions and of fixed pensions is reported as follows:

|                    | Service | Disability | Widows | Minors | Dependents | Total  |
|--------------------|---------|------------|--------|--------|------------|--------|
| <b>Fluctuating</b> |         |            |        |        |            |        |
| Number .....       | 1,458   | 87         | 911    | 3      | 2          | 2,461  |
| Average            |         |            |        |        |            |        |
| Pension .....      | 440.93  | 412.88     | 409.23 | 393.17 | 367.50     | 428.09 |
| <b>Fixed</b>       |         |            |        |        |            |        |
| Number .....       | 963     | 620        | 285    | 32     | 1          | 1,901  |
| Average            |         |            |        |        |            |        |
| Pension .....      | 272.03  | 343.92     | 262.12 | 220.33 | 183.62     | 293.07 |

The total of 2,461 fluctuating pensioners represents a net decrease of 4 during the fiscal year.

**AGES OF PENSIONERS**

The following is an analysis of the ages of all pensioners at the close of June 30, 1963.

| Ages        | Service | Disability | Widows | Minors | Dependents | Total |
|-------------|---------|------------|--------|--------|------------|-------|
| 0-17        | ---     | ---        | ---    | 35     | ---        | 35    |
| 25-29       | ---     | 9          | 4      | ---    | ---        | 13    |
| 30-34       | ---     | 15         | 8      | ---    | ---        | 23    |
| 35-39       | ---     | 103        | 23     | ---    | ---        | 126   |
| 40-44       | 19      | 174        | 27     | ---    | ---        | 220   |
| 45-49       | 152     | 112        | 49     | ---    | ---        | 313   |
| 50-54       | 149     | 82         | 79     | ---    | ---        | 310   |
| 55-59       | 172     | 50         | 160    | ---    | ---        | 382   |
| 60-64       | 698     | 76         | 258    | ---    | ---        | 1032  |
| 65-69       | 637     | 52         | 221    | ---    | ---        | 910   |
| 70-74       | 396     | 18         | 194    | ---    | ---        | 608   |
| 75-79       | 140     | 12         | 94     | ---    | 1          | 247   |
| 80-84       | 46      | 4          | 60     | ---    | 1          | 111   |
| 85-89       | 11      | ---        | 16     | ---    | ---        | 27    |
| 90-94       | 1       | ---        | 2      | ---    | ---        | 3     |
| 95-99       | ---     | ---        | 1      | ---    | 1          | 2     |
|             | 2,421   | 707        | 1,196  | 35     | 3          | 4,362 |
| Average Age | 64      | 49         | 64     | 13     | 86         | ---   |

**Average Age at Date of Retirement**

Analysis of the average age of Firemen and Policemen at the time of retirement is set forth for the last eight fiscal years in the following table:

| Fiscal Year | Average Age |        |          |
|-------------|-------------|--------|----------|
|             | Fire        | Police | Combined |
| 1955-1956   | 54          | 57     | 56       |
| 1956-1957   | 52          | 51     | 51       |
| 1957-1958   | 56          | 52     | 54       |
| 1958-1959   | 58          | 53     | 56       |
| 1959-1960   | 60          | 55     | 58       |
| 1960-1961   | 55          | 54     | 54       |
| 1961-1962   | 52          | 49     | 50       |
| 1962-1963   | 53          | 51     | 52       |

**Number Retiring Above or Below Age 50**

It is clear from inspection of the above table, that Policemen have retired on Service Pension during most years at a younger age than did

Firemen. However, the extent of this difference is accentuated when the comparison is made relative to age 50, as shown in the following table:

| Fiscal Year        | FIRE     |            |         |       | POLICE   |            |         |       |
|--------------------|----------|------------|---------|-------|----------|------------|---------|-------|
|                    | Under 50 | Exactly 50 | Over 50 | Total | Under 50 | Exactly 50 | Over 50 | Total |
| 1955-1956          | 6        | 3          | 22      | 31    | ---      | ---        | 38      | 38    |
| 1956-1957          | 6        | 1          | 11      | 18    | 18       | 2          | 12      | 32    |
| 1957-1958          | 6        | ---        | 19      | 25    | 13       | 4          | 9       | 26    |
| 1958-1959          | 2        | 1          | 32      | 35    | 15       | 1          | 19      | 35    |
| 1959-1960          | 1        | ---        | 35      | 36    | 5        | 6          | 23      | 34    |
| 1960-1961          | 9        | ---        | 25      | 34    | 20       | 2          | 22      | 44    |
| 1961-1962          | 22       | 2          | 26      | 50    | 62       | 1          | 30      | 93    |
| 1962-1963          | 15       | 3          | 33      | 51    | 53       | 8          | 46      | 107   |
|                    | 67       | 10         | 203     | 280   | 186      | 24         | 199     | 409   |
| Percent of Totals: | 24%      | 4%         | 72%     | 100%  | 45%      | 6%         | 49%     | 100%  |

#### Average Years of Service at Date of Retirement

Analysis of the years of service performed prior to service retirement is set forth for the last eight fiscal years in the following table:

| Fiscal Year | Fire | Police | Combined |
|-------------|------|--------|----------|
| 1955-1956   | 28   | 28     | 28       |
| 1956-1957   | 26   | 23     | 24       |
| 1957-1958   | 29   | 24     | 27       |
| 1958-1959   | 32   | 25     | 29       |
| 1959-1960   | 33   | 26     | 30       |
| 1960-1961   | 29   | 25     | 27       |
| 1961-1962   | 26   | 22     | 23       |
| 1962-1963   | 27   | 24     | 25       |

#### Years of Service at Retirement

It is clear from inspection of the above table, that Policemen have retired on Service Pension during most years with less years of service than did Firemen, consistent with the average age table above. However, the extent to which Policemen tend to retire at exactly 20 years of service, is accentuated in the following table:

| Fiscal Year       | FIRE    |          |         |         |       | POLICE  |          |         |         |       |
|-------------------|---------|----------|---------|---------|-------|---------|----------|---------|---------|-------|
|                   | Less 20 | Exac. 25 | Over 25 | Over 25 | Total | Less 20 | Exac. 25 | Over 25 | Over 25 | Total |
| 1955-1956         | 4       | 4        | 1       | 22      | 31    | 3       | 4        | 3       | 28      | 38    |
| 1956-1957         | 5       | 5        | 1       | 7       | 18    | 19      | 2        | 1       | 10      | 32    |
| 1957-1958         | 2       | 6        | 1       | 16      | 25    | 16      | 1        | ---     | 9       | 26    |
| 1958-1959         | ---     | 3        | 1       | 31      | 35    | 7       | 13       | ---     | 15      | 35    |
| 1959-1960         | 1       | 1        | ---     | 34      | 36    | ---     | 19       | ---     | 15      | 34    |
| 1960-1961         | 8       | 3        | ---     | 23      | 34    | 16      | 12       | 2       | 14      | 44    |
| 1961-1962         | 17      | 8        | 5       | 20      | 50    | 51      | 21       | 10      | 11      | 93    |
| 1962-1963         | 8       | 9        | 4       | 30      | 51    | 42      | 30       | 6       | 29      | 107   |
|                   | 45      | 39       | 13      | 183     | 280   | 154     | 102      | 22      | 131     | 409   |
| Percent of Totals | 16%     | 14%      | 5%      | 65%     | 100%  | 38%     | 25%      | 5%      | 32%     | 100%  |

### Age and Service of Disability Pensioners

Detailed data are not provided herein, but analysis of the age and service of disability pensioners reveals the same general pattern as shown by service pensioners. During the past eight years Police disability pensioners have averaged four years less in age than Fire disability pensioners, and with three years less service.

## SERVICE PENSIONS

### Pensions Granted

A total of one hundred fifty-eight members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1963, the largest number since 1946.

### Pensions Discontinued

During the course of the fiscal year a total of seventy-six service pensions were discontinued on account of death. These individuals were on the pension rolls an average of 17 years although the range of life after retirement varied from one year to thirty-seven years.

### Service Retirements by Years

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

|                 | FIRE    |            | POLICE  |            | Total |
|-----------------|---------|------------|---------|------------|-------|
|                 | 20 Year | 20-25 Year | 20 Year | 20-25 Year |       |
| 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   |
| 1962-1963 ..... | 1       | 50         | 5       | 102        | 158   |

## DISABILITY PENSIONS

### Pensions Granted

A total of seventy-nine members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1963. Of these, sixty-nine were granted on a service-connected basis while ten were nonservice.

### Pensions Discontinued

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

**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 statement:

|                 | FIRE    |             | POLICE  |             | Total |
|-----------------|---------|-------------|---------|-------------|-------|
|                 | Service | Non-Service | Service | Non-Service |       |
| 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    |
| 1962-1963 ..... | 19      | 3           | 50      | 7           | 79    |

**Analysis of Rates**

There are 599 service-connected disability pensions and 108 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1963:

| Rate        | Fire | Police | Total |
|-------------|------|--------|-------|
| 40% .....   | 29   | 79     | 108   |
| 50% .....   | 46   | 119    | 165   |
| 55% .....   | 17   | 44     | 61    |
| 57½% .....  | 1    | —      | 1     |
| 60% .....   | 35   | 58     | 93    |
| 65% .....   | 60   | 92     | 152   |
| 66% % ..... | 1    | —      | 1     |
| 70% .....   | 4    | 20     | 24    |
| 75% .....   | 10   | 47     | 57    |
| 80% .....   | 5    | 15     | 20    |
| 85% .....   | 3    | 8      | 11    |
| 90% .....   | 2    | 12     | 14    |
| TOTAL ..... | 213  | 494    | 707   |

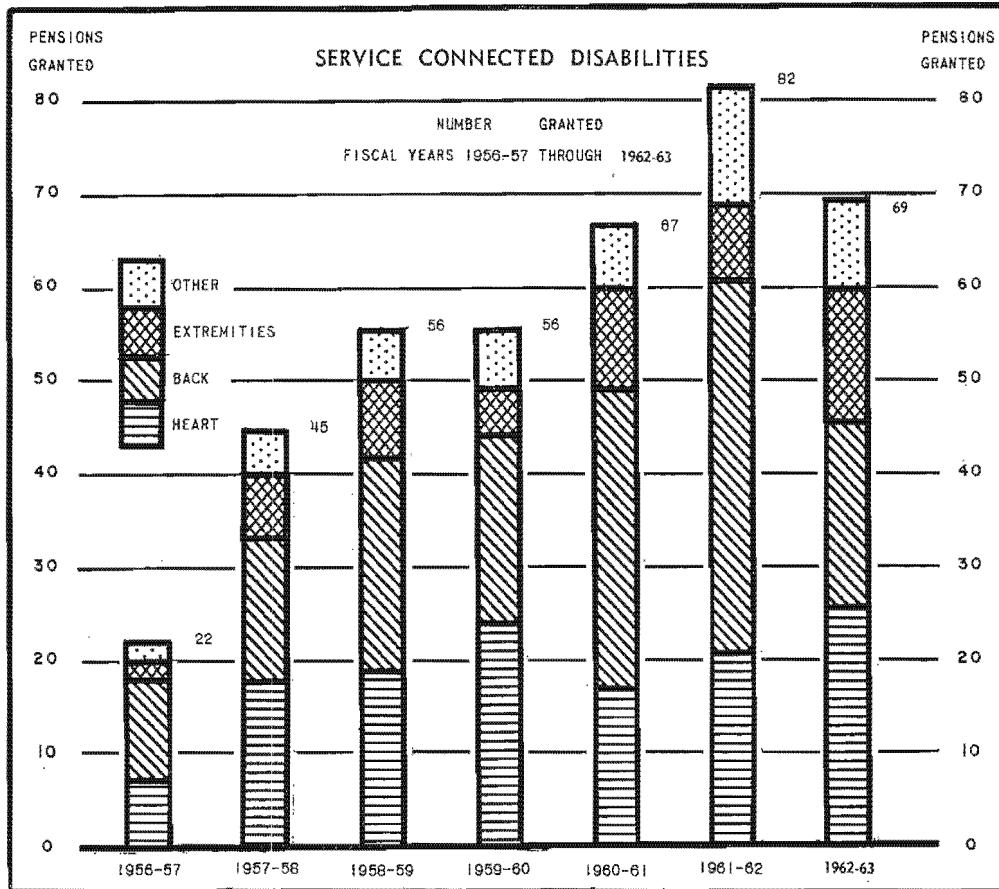
**Analysis of Disability Pensioners by Age**

| Age               | Fire | Police | Total |
|-------------------|------|--------|-------|
| 25-29 .....       | 2    | 7      | 9     |
| 30-34 .....       | 1    | 14     | 15    |
| 35-39 .....       | 20   | 83     | 103   |
| 40-44 .....       | 29   | 145    | 174   |
| 45-49 .....       | 32   | 80     | 112   |
| 50-54 .....       | 35   | 47     | 82    |
| 55-59 .....       | 30   | 20     | 50    |
| 60-64 .....       | 35   | 41     | 76    |
| 65-69 .....       | 15   | 37     | 52    |
| 70-74 .....       | 7    | 11     | 18    |
| 75-79 .....       | 5    | 7      | 12    |
| 80-84 .....       | 2    | 2      | 4     |
| TOTAL .....       | 213  | 494    | 707   |
| Average Age ..... | 53   | 48     | 49    |



**Disability Pensions**

For the first time since 1956 the number of new service-connected disability pensions granted showed a decline from the number granted in the preceding year, as shown in the accompanying chart. However, the lower number of 69 is the second largest number of such pensions granted in the history of the Pension System.



As shown in the chart, back cases dropped precipitately to half the number pensioned the previous year (40 to 20). Disabilities affecting the extremities increased from 8 to 14, the miscellaneous group dropped from 13 to 9, while heart disabilities reached their greatest total, moving from 21 to 26. Over-all there were 13 fewer service-connected disability pensions granted than in the previous year, a drop of 16%.

**LITIGATION**

**COFFEY** )  
**FARNELL** )  
**GRACE** ) vs. City of Los Angeles, etc., et al.  
**MORRIS** )

Plaintiffs seek refunds of deductions which were made from their salaries and paid into the pension fund. The COFFEY and GRACE cases are at issue but are not set for pre-trial conference or trial. The FARNELL and MORRIS cases are not at issue.

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

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. The District Court of Appeal affirmed the judgment of the trial court on September 24, 1962 and its determination now is final and conclusive.

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

Two important issues are presented in this case. The first is whether the former wife of a deceased member is entitled to the whole or to any portion of the widow's pension. The second is whether plaintiffs are entitled to interest upon accrued but unpaid pension benefits for any period prior to judgment. The case was argued before and submitted to the Supreme Court on June 5, 1963 and still is under submission therein.

**AHRENS (New Case)** )  
**AYRES** )  
**CASEY (New Case)** )  
**CASEY (Old Case)** )  
**CLARK** ) vs. City of Los Angeles, etc., et al.  
**DRISCOLL** )  
**EATON** )  
**HAGGMAN** )  
**WATERFORD** )

The various major issues which were presented in these cases were set forth at length in the Board's annual report for the fiscal year 1961-1962. All such issues, except one, were finally and conclusively determined by the District Court of Appeal on March 14, 1962 in the cases of **Henry vs. City of Los Angeles, etc., et al**, **Eaton, et al. vs City of Los Angeles, etc., et al.** and **Atwell, et al. vs. City of Los Angeles, etc., et al.**, all reported in 201 Cal. App. 2d, at pages 299, 326 and 336 thereof, respectively. The Board, during the fiscal year and in accordance with the various and applicable determinations which were made by said court, paid to each plaintiff an amount equal to the accrued but unpaid pension benefits to which each of them was entitled. The only issue which remains undetermined in all of these cases is whether plaintiffs, as hereinabove stated under **BENSON**, are entitled to interest thereon for any period prior to judgment. The decision of the Supreme Court in the **BENSON** case upon said issue will be determinative of said issue in all of these cases.

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

The **MILLER** case, at the request of counsel for plaintiffs therein, was dismissed without prejudice on October 9, 1962. The other cases were tried and submitted upon said date. The issues which remain undetermined are: whether plaintiffs in the **ARMSTRONG** and **MITCHELL** cases are entitled, by virtue of the April 18, 1957 amendment to Section 181½ of the City Charter, to greater fluctuating or fixed service pensions of 50% to 66⅔% of salary for 20 to 30 years of service rather than to fixed pensions of 50% to 66⅔% of salary for 25 to 35 years of service; whether the plaintiff widows in the **BURNS** case are entitled, by virtue of said amendment, to greater fluctuating or fixed pensions than the fixed pensions which they are receiving; whether said plaintiffs in the **BURNS** case are entitled to pensions based upon salaries in effect at date of death

rather than at date of retirement of their respective deceased husbands; whether plaintiffs in the three cases are entitled to interest for any period prior to judgment upon any accrued but unpaid pension benefits; and whether plaintiffs in the three cases, by reason of having accepted from the Board, during the fiscal year, accrued but unpaid pension benefits in accordance with the determinations which were made by the District Court of Appeal in the cases cited under ARHENS, etc., waived their rights, if any, to such interest thereon.

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

Plaintiffs seek fluctuating disability pensions instead of the fixed disability pensions which they are receiving. The case is not at issue.

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

Plaintiffs seek the same relief as do the plaintiffs in the ARMSTRONG and the MITCHELL cases hereinabove mentioned. The case is not at issue.

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

Plaintiffs seek the same relief as do the plaintiffs in the BURNS case hereinabove mentioned. The case is not at issue.

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

The District Court of Appeal determined, on June 12, 1963, that plaintiff is entitled to a hearing by the Board upon his application for a disability pension and its determination now is final and conclusive.

**BRANDENBURG vs. City of Los Angeles, etc., et al.**

Petitioner seeks a refund of deductions which were made from his "I.O.D. pay" and paid into the pension fund. The case is not at issue.

**CUNNINGHAM vs. City of Los Angeles, etc., et al.**

Plaintiff, who is receiving a widow's nonservice-connected death pension, seeks a widow's service-connected death pension. The case is not at issue.

**BROOKS )  
SCHAUF ) vs. City of Los Angeles, etc., et al.**

Plaintiffs in the BROOKS case, who are service-connected disability pensioners, and plaintiffs in the SCHAUF case, who are nonservice-connected disability pensioners, seek service pensions based upon years of active service in the Fire Department or in the Police Department plus the years which have elapsed since retirement therefrom without first having been restored to active service therein. The cases are at issue and are set for pre-trial conferences on August 26, 1963.

**Opinions and Reports of the City Attorney**

An opinion advised the Board as to the conditions upon which members of the Fire Department or of the Police Department are or shall become entitled to credit toward retirement for past or future periods of military leave pursuant to former or present provisions of Section 395.1 of the Military and Veterans Code of the State of California by virtue of the determination, in the case of **Murdy, et al, vs. City of Los Angeles, etc., et al**, 201 Cal. App. 2d 468, that said provisions, which always did and now do provide for such credit, are applicable to the City of Los Angeles and to such members.

An opinion advised the Board as to its powers and duties and as to those of the Superintendent Receiving Hospital with respect to the restoration of a disability pensioner to active duty and as to the procedure which must be used in connection therewith.

A report, after it advised the Board that the Industrial Accident Commission, in the matter of **Lucille C. Morse vs. City of Los Angeles**, I.A.C. Claim No. 61 LA226-930, had ruled, contrary to the provisions of Section 182½ of the City Charter, that the City is not entitled to credit payments to Mrs. Morse of her widow's service-connected death pension against the Commissioner's award to her of Workmen's Compensation benefits for her husband's death in line of duty, then advised the Board to reduce, but only upon the conditions therein stated, the amount of her monthly pension and that of any other pensioner, other than a service pensioner or the widow of a deceased service pensioner, by the amount of Workmen's Compensation benefits which shall accrue to the pensioner during each month until such time as the pensioner's Workmen's Compensation benefits shall be paid in full. It is anticipated that extensive and lengthy litigation will result from actions of the Board which were or shall be taken pursuant to such advice.

### Guardianships

Forty-six accountings, as well as various petitions and other documents, were received and carefully examined. Eighteen requests for special notice were prepared, served and filed. Ten guardianships of incompetents were discontinued and nine were added. Five guardianships of minors were discontinued and four were added. There are sixty-eight active guardianships, thirty-three covering incompetents and thirty-five covering fifty-nine 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 \$2,400,000, most of which resulted from an increase in taxes through application of the annual step-up tax levy incorporated in the 1959 Charter revisions. Total expenditures increased only \$1,300,000, but the System continued to show a deficit in operations of more than \$1,000,000 because of the graduated funding program described earlier.

When comparisons are made on a current basis, excluding retroactive payments required to meet court judgments, we find that current costs advanced almost \$2,000,000 due to the increased number of fluctuating pensions, and the higher level of fixed pensions required by court decisions effective in June of 1962. Detailed comparisons are set forth in footnote 5 to the financial statements.

Intensive use was continued of short-term investment in Treasury Bills, in the process of spreading tax revenues forward over the "dry" months of no tax receipts. In all, \$10,200,000 par value Treasury Bills were purchased at a net interest advantage to the fund of \$55,556.

**Administrative Expense**

Total administrative costs for the year were up only 1% over the prior year, but individual accounts fluctuated rather widely. Salaries were up 4% as the result of salary increases affecting most positions in the Department and the new position of Senior Claims Investigator. Contractual services dropped \$7,000 in cost principally because of a non-recurring item in the prior year. Transportation expense moved from \$300 to more than \$1,300 because this account now carries for the first time the cost of mileage in the investigation work done by the Department. Litigation expenses dropped almost \$3,000 but remained at a high level because of continued use of court reporting of all Board meetings, a service costing some \$7,300 for the year. The medical services cost increase of \$4,000 resulted from greater use of medical tests in connection with examinations, and an increase near the end of the year in the fees for examinations and reports by the medical examiners. Finally, actuarial expense was reduced by \$5,000 since only one actuarial study was required during the year. All other expense items show individual fluctuations of less than \$1,000 up or down.

**Surety Bonds**

Fourteen individuals were employed by the Department including one Assistant City Attorney. Thirteen 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

MLT:gw

OFFICES IN  
SAN FRANCISCO  
DENVER  
PASADENA

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

TELEPHONE  
MURRAY 1-4455

October 8, 1963

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, 1963.

Respectfully submitted,

COATES, HERFURTH & ENGLAND  
Consulting Actuaries

By /S/ Robert H. Little

RHL:th

**ACTUARIAL VALUATION**  
**OF THE FIRE AND POLICE PENSION SYSTEM**  
**OF THE CITY OF LOS ANGELES**  
**AS OF JUNE 30, 1963**

**SECTION I**  
**RESULTS OF VALUATION**

The results of the Actuarial Valuation of the Fire and Police Pension System as of June 30, 1963, 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. 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.

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, 1963**

**ASSETS**

|  |               |                      |
|--|---------------|----------------------|
| 1. Assets from Accounting Balance Sheet .....                                      |               | \$ 7,601,944         |
| 2. Present Value of Future Contributions<br>by Members of 6% of Compensation ..... |               | 49,159,796           |
| 3. Present Value of Future Contributions<br>by the City for:                       |               |                      |
| (a) Entry Age Cost (15.1% of<br>Compensation) .....                                | \$123,718,819 |                      |
| (b) Fifty-Year Amortization of<br>"Unfunded Liability" .....                       | 467,242,944   | 590,961,763          |
| 4. Total Assets .....  |               | <u>\$647,723,503</u> |

**LIABILITIES**

|   |               |                      |
|---|---------------|----------------------|
| 5. Accounts Payable and Deposits on<br>Sale of Real Property .....  |               | \$ 8,426             |
| 6. Present Value of Present Pensions<br>to Pensioners Now on Pension Roll:  |               |                      |
| (a) Service .....   | \$ 99,509,368 |                      |
| (b) Disability .....  | 37,062,312    |                      |
| (c) Dependents .....  | 59,034,412    | 195,606,092          |
| 7. Present Value of Prospective Pensions<br>to Dependents of Present Pensioners:  |               |                      |
| (a) Service .....   | \$ 42,243,093 |                      |
| (b) Disability .....  | 11,683,844    | 53,926,937           |
| 8. Present Value of Prospective Pensions<br>to Presently Active Members:  |               |                      |
| (a) Service .....   | \$189,332,976 |                      |
| (b) Disability .....  | 92,756,689    | 282,089,665          |
| 9. Present Value of Prospective Pensions<br>to Dependents of Presently Active<br>Members who will die in Active Service ..... |               | 22,738,476           |
| 10. Present Value of Prospective Pensions<br>to Dependents of Presently Active<br>Members who will die after Retirement:      |               |                      |
| (a) Service .....   | \$ 61,068,765 |                      |
| (b) Disability .....  | 32,285,142    | 93,353,907           |
| 11. Total Liabilities .....   |               | <u>\$647,723,503</u> |



**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 Sub-paragraphs 1 and 2 above, we recommend that the City contributions for the fiscal year commencing July 1, 1964, 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 16.7% 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 CONTRIBUTIONS TO AMORTIZE UNFUNDED LIABILITY**  
**BASED UPON ACTUARIAL VALUATION MADE AS OF JUNE 30, 1963**

| Year of<br>Amortization<br>Program | Fiscal Year<br>Beginning<br>July | Contribution as<br>Percentage of<br>Member's<br>Compensation |
|------------------------------------|----------------------------------|--|
| 6                                  | 1964                             | 16.7%  |
| 7                                  | 1965                             | 20.0   |
| 8                                  | 1966                             | 23.4   |
| 9                                  | 1967                             | 26.7   |
| 10                                 | 1968                             | 30.1   |
| 11 through 50                      | 1969 through 2008                | 33.4   |

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, 1963 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 \$467,242,944 represents the present values of amounts required to pay pensions related to service prior to June 30, 1963 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, 1963 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  
October 14, 1963

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

**BALANCE SHEET  
June 30, 1963  
with comparative figures for 1962**

**ASSETS**

| Cash and temporary investments:  | 1963                | 1962                |
|--|---------------------|---------------------|
| Deposits with Treasurer of the<br>City of Los Angeles .....  | \$ 297,866          | \$ 546,495          |
| Cash revolving funds .....   | 325                 | 325                 |
| United States Treasury Bills—<br>at cost (par value \$2,900,000<br>and \$3,400,000, respectively) .....                                  | <u>2,872,817</u>    | <u>3,375,155</u>    |
|  | \$ 3,171,008        | \$ 3,921,975        |
| <b>Investments:</b>  |                     |                     |
| Bond investments, general—<br>at par (value based on market<br>quotations, \$3,924,063, and<br>\$4,276,875, respectively) (Note 1) ..... | \$4,350,000         | \$4,750,000         |
| Treasurer's deeds—at cost .....  | 657                 | 657                 |
| Trust deeds receivable—at cost .....   | 2,565               | 2,874               |
| Real property—at cost .....  | 20,407              | 20,326              |
|  | <u>\$4,373,629</u>  | <u>\$4,773,857</u>  |
| Bond premiums, less discounts of<br>\$10,403 and \$11,575, respectively .....  | 9,769               | 11,078              |
|  | 4,383,398           | 4,784,935           |
| Accrued interest .....   | 47,070              | 49,553              |
|  | <u>\$ 7,601,476</u> | <u>\$ 8,756,463</u> |

**LIABILITIES**

|   |                      |                      |
|---|----------------------|----------------------|
| Accounts payable .....  | \$ 8,426             | \$ 15,158            |
| Unpaid pensions estimated (Note 2) .....                      | 166,000              | 1,250,000            |
| Reserve for pensions at actuarial<br>valuation (Note 3) ..... | 467,242,944          | 426,651,477          |
|   | <u>\$467,417,370</u> | <u>\$427,916,635</u> |
| Less fund deficit .....                                       | 459,815,894          | 419,160,172          |
| Contingent liabilities (Note 4) .....                         | <u>\$ 7,601,476</u>  | <u>\$ 8,756,463</u>  |

See accompanying notes to financial statements.

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

**STATEMENT OF OPERATIONS AND FUND DEFICIT**

Fiscal Year Ended June 30, 1963  
with comparative figures for 1962

| Revenue:   | 1963                 | 1962                 |
|--|----------------------|----------------------|
| Taxes .....  | \$ 14,530,197        | \$ 12,247,624        |
| Interest .....   | 181,874              | 277,003              |
| Members' contributions .....   | 4,088,863            | 3,854,325            |
| Sales of unclaimed property .....  | 51,341               | 46,996               |
| Donations .....  | 590                  | 1,280                |
| Miscellaneous .....  | 6,843                | 33,586               |
| Revenues .....   | <u>\$ 18,859,708</u> | <u>\$ 16,460,814</u> |
| <b>Expenditures:</b>   |                      |                      |
| Pensions paid (Note 5):  |                      |                      |
| Service .....  | \$10,832,990         | \$ 9,825,781         |
| Disability .....   | 2,746,971            | 2,833,567            |
| Widows .....   | 5,703,292            | 5,364,626            |
| Minors .....   | 71,496               | 67,627               |
| Dependents .....   | 10,783               | 10,555               |
| Non-Service:   |                      |                      |
| Disability .....   | 256,086              | 238,621              |
| Widows .....   | 177,459              | 145,079              |
| Minors .....   | 30,726               | 30,760               |
|  | <u>19,829,803</u>    | <u>18,516,616</u>    |
| Administrative expenses .....  | 178,160              | 176,258              |
| Excess of expenditures<br>over revenues, cash basis .....                                    | <u>20,007,963</u>    | <u>18,692,874</u>    |
|  | \$ 1,148,255         | \$ 2,232,060         |
| Provision for estimated unpaid<br>pensions (Notes 2 and 5):                                  |                      |                      |
| Provision during year .....  | \$ 166,000           | \$ 1,250,000         |
| Less pensions provided<br>for prior year .....   | 1,250,000            | 1,250,000            |
|  | <u>(1,084,000)</u>   | <u>      </u>        |
| Excess of expenditures<br>over revenues,<br>accrual basis .....                              | <u>64,255</u>        | <u>3,482,060</u>     |
| Loss on sale of investments .....  | -----                | 124,628              |
| Additional reserve requirements<br>due to increase in unfunded<br>liabilities (Note 3) ..... | 40,591,467           | 45,679,864           |
| Deficiency for the year .....  | <u>\$ 40,655,722</u> | <u>\$ 49,286,552</u> |
| Fund deficit at beginning of year .....  | 419,160,172          | 369,873,620          |
| Fund deficit at end of year .....  | <u>\$459,815,894</u> | <u>\$419,160,172</u> |

See accompanying notes to financial statements.

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

**Notes to Financial Statements**

**June 30, 1963**

- (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, 1963 or valid claims 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, 1963. 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, \$467,242,944, 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 \$40,591,467 in the reserve for pensions as of June 30, 1963 is the result of actuarial adjustments to the unfunded liability due to a combination of factors. The primary factor is the upward salary adjustments to active policemen and firemen which resulted in an increase to both fluctuating and fixed pension liabilities. Other factors include additional adverse court decisions and a trend of increases in the cost of disability retirements as well as retirements with minimum years of service.

- (4) There were a number of legal actions pending at June 30, 1963 contesting the method of computing pensions of certain members. 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, 1963, with comparative figures for 1962, were as follows:

| Regular monthly pension payments: | 1962-63             | 1961-62             |
|-----------------------------------|---------------------|---------------------|
| Service .....                     | \$10,452,993        | \$ 9,795,860        |
| Disability .....                  | 2,594,637           | 2,213,654           |
| Widows .....                      | 5,004,098           | 4,144,121           |
| Minors .....                      | 70,728              | 67,627              |
| Dependents .....                  | 10,783              | 10,555              |
| Non-service .....                 | 464,271             | 414,459             |
|                                   | <u>\$18,597,510</u> | <u>\$16,646,276</u> |
| <br>Retroactive pension payments: |                     |                     |
| Service .....                     | \$ 379,997          | \$ 29,921           |
| Disability .....                  | 152,334             | 619,913             |
| Widows .....                      | 699,194             | 1,220,506           |
| Minors .....                      | 768                 | -----               |
|                                   | <u>\$ 1,232,293</u> | <u>\$ 1,870,340</u> |
|                                   | <u>\$19,829,803</u> | <u>\$18,516,616</u> |

**CITY OF LOS ANGELES**  
**FIRE AND POLICE PENSION FUND**  
**ADMINISTRATIVE EXPENSE COMPARED**

| Operating Expense                       | 1962-63   | 1961-62   | 1960-61   | 1959-60   | 1958-59   | 1957-58  | 1956-57  |
|---|-----------|-----------|-----------|-----------|-----------|----------|----------|
| Salaries .....                          | \$114,186 | \$100,340 | \$ 91,475 | \$ 88,515 | \$ 80,441 | \$76,044 | \$70,382 |
| Communications .....                    | 946       | 1,188     | 1,073     | 761       | 982       | 714      | 592      |
| Insurance and Bond Premiums .....       | 359       | 365       | 400       | 424       | 383       | 358      | 417      |
| Office Equipment .....                  | 1,771     | 1,043     | 711       | 937       | 1,253     | 1,341    | 610      |
| Office Supplies .....                   | 1,559     | 1,607     | 1,389     | 865       | 968       | 776      | 756      |
| Printing and Binding .....              | 2,267     | 3,138     | 2,115     | 1,471     | 1,564     | 1,156    | 1,123    |
| Traveling .....                         | 2,250     | 3,105     | 723       | 1,372     | 669       | 600      | 401      |
| Contractual Services .....              | 11,042    | 18,548    | 6,220     | 5,114     | 6,995     | 3,315    | 3,000    |
| Field Equipment .....                   | 300       | 150       | 150       | 250       | 412       | 200      | 150      |
| Maintenance and Repairs .....           | ---       | ---       | 393       | ---       | 150       | 123      | 75       |
| Petroleum Products .....                | 151       | 230       | 150       | 153       | 212       | 152      | 150      |
| Transportation .....                    | 1,324     | 300       | 284       | 292       | 84        | 25       | 7        |
| Annual Audit .....                      | 1,850     | 1,850     | 1,750     | 1,500     | 1,750     | 1,002    | 934      |
| Governmental Meetings .....             | 19        | ---       | ---       | ---       | ---       | 29       | ---      |
| Litigation .....                        | 8,474     | 11,136    | 2,391     | 2,039     | 3,691     | 209      | 888      |
| Mailing Service .....                   | 539       | 678       | 472       | 470       | 665       | 338      | 151      |
| Medical Services .....                  | 24,439    | 20,656    | 18,504    | 13,456    | 12,480    | 8,766    | 6,883    |
| Miscellaneous .....                     | 38        | 143       | 174       | 9         | ---       | 9        | 52       |
| Actuarial Expense .....                 | 4,500     | 9,500     | 10,000    | 5,000     | ---       | ---      | ---      |
| Equipment, Furniture and Fixtures ..... | 2,146     | 2,281     | 1,095     | 4,214     | 2,129     | 2,378    | 1,012    |
|   | \$178,160 | \$176,258 | \$139,469 | \$126,842 | \$114,828 | \$97,535 | \$87,583 |

**CITY OF LOS ANGELES**  
**FIRE AND POLICE PENSION FUND**  
**STATEMENT OF OPERATIONS COMPARED**  
**Fiscal Years 1956-57 to 1962-63**

| REVENUES  | 1962-63       | 1961-62       | 1960-61       | 1959-60       | 1958-59       | 1957-58      | 1956-57      |
|---|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Taxes .....   | \$ 14,530,197 | \$ 12,247,624 | \$ 8,476,006  | \$ 6,301,170  | \$ 6,083,666  | \$5,514,475  | \$5,052,812  |
| Interest .....  | 181,874       | 277,003       | 337,662       | 546,769       | 676,055       | 847,969      | 737,261      |
| Members' Contributions .....                                      | 4,088,863     | 3,854,325     | 3,403,660     | 3,300,677     | 3,032,073     | 2,845,139    | 2,599,947    |
| Sales of Unclaimed Property .....                                 | 51,341        | 46,996        | 54,250        | 55,913        | 47,569        | 45,499       | 66,351       |
| Bonus .....   |               |               |               | 5             | 14            | 26           | 35           |
| Donations .....   | 590           | 1,280         | 427           | 367           | 362           | 343          | 435          |
| Miscellaneous .....   | 6,843         | 33,586        | 7,537         | 7,822         | 10,000        | 2,776        | 634          |
| TOTAL REVENUES Available for<br>Current Year's Expenditures ..... | \$ 18,859,708 | \$ 16,460,814 | \$ 12,279,542 | \$ 10,212,723 | \$ 9,849,739  | \$9,256,227  | \$8,457,475  |
| <b>EXPENDITURES</b>   |               |               |               |               |               |              |              |
| Pensions Paid   |               |               |               |               |               |              |              |
| Service .....   | \$ 10,832,990 | \$ 9,825,781  | \$ 8,953,096  | \$ 9,544,655  | \$ 13,782,501 | \$4,219,932  | \$4,161,635  |
| Disability .....  | 2,746,971     | 2,833,567     | 1,584,573     | 1,343,438     | 1,092,934     | 875,570      | 750,143      |
| Widows .....  | 5,703,292     | 5,364,626     | 3,417,479     | 3,459,800     | 3,883,492     | 1,380,813    | 1,294,678    |
| Minors .....  | 71,496        | 67,627        | 52,638        | 52,648        | 41,985        | 37,476       | 35,049       |
| Dependents .....  | 10,783        | 10,555        | 8,549         | 9,287         | 10,342        | 4,841        | 6,339        |
| Non-Service   |               |               |               |               |               |              |              |
| Disability .....  | 256,086       | 238,621       | 229,301       | 187,035       | 174,181       | 149,320      | 126,255      |
| Widows .....  | 177,459       | 145,079       | 140,088       | 122,693       | 105,541       | 84,872       | 65,506       |
| Minors .....  | 30,726        | 30,760        | 39,902        | 28,640        | 23,445        | 19,722       | 17,037       |
| TOTAL PENSIONS .....  | \$ 19,829,803 | \$ 18,516,616 | \$ 14,425,626 | \$ 14,748,196 | \$ 19,114,421 | \$6,772,546  | \$6,456,642  |
| Administrative Expense .....                                      | \$ 178,160    | \$ 176,258    | \$ 139,469    | \$ 126,842    | \$ 114,828    | \$ 97,535    | \$ 87,583    |
| TOTAL EXPENDITURES .....  | \$ 20,007,963 | \$ 18,692,874 | \$ 14,565,095 | \$ 14,875,038 | \$ 19,229,249 | \$6,870,081  | \$6,544,225  |
| EXCESS OF EXPENDITURES<br>OVER REVENUES .....                     | \$ 1,148,255  | \$ 2,232,060  | \$ 2,285,553  | \$ 4,662,315  | \$ 9,379,510  | \$2,386,146* | \$1,913,250* |
| Provision for Estimated Pensions .....                            | 166,000       | 1,250,000     | -----         | -----         | -----         | -----        | -----        |
| Less Provision for Prior Years .....                              | (1,250,000)   | -----         | -----         | -----         | -----         | -----        | -----        |
| Additional Reserve for Pension .....                              | 40,591,467    | 45,679,864    | 52,413,886    | 623,700       | -----         | -----        | -----        |
| Loss on Sale of Investments .....                                 | -----         | 124,628       | 63,135        | -----         | -----         | -----        | -----        |
| Deficit for the Year .....  | \$ 40,655,722 | \$ 49,286,552 | \$ 54,762,574 | \$ 5,286,015  | \$ 9,379,510  | \$ -----     | \$ -----     |
| Fund Deficit at Beginning of Year .....                           | 419,160,172   | 369,873,620   | 315,111,046   | 309,825,031   | 300,445,521   | -----        | -----        |
| Fund Deficit at End of Year .....                                 | \$459,815,894 | \$419,160,172 | \$369,873,620 | \$315,111,046 | \$309,825,031 | \$2,386,146  | \$1,913,250  |

\*Excess of Revenues Over Expenditures