

**1965**  
**Annual Report**

**BOARD OF PENSION COMMISSIONERS**

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



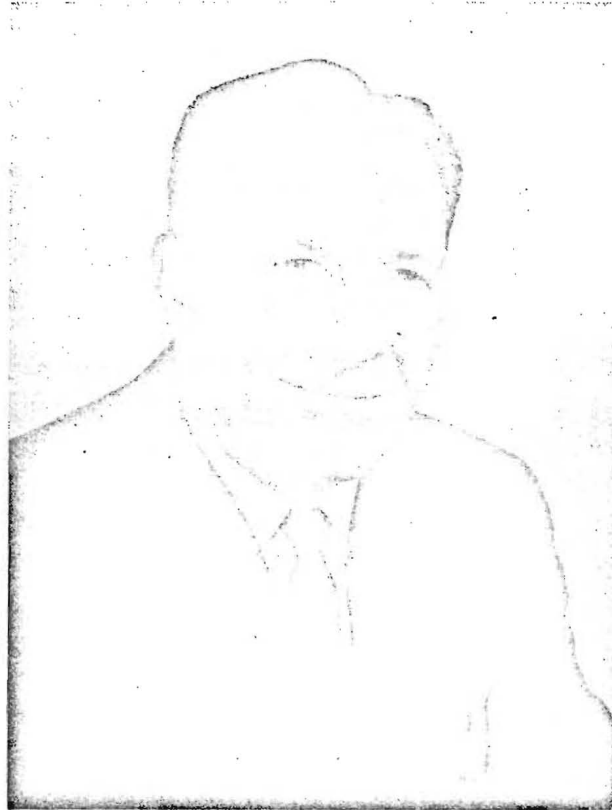
**FOR THE FISCAL YEAR ENDED JUNE 30, 1965**

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# CITY OF LOS ANGELES



SAM YORTY  
Mayor

## LOS ANGELES CITY COUNCIL

LOUIS R. NOWELL\*  
First District

JAMES B. POTTER, JR.  
Second District

THOMAS D. SHEPARD  
Third District

HAROLD A. HENRY  
Fourth District

EDMUND D. EDELMAN  
Fifth District

L. E. TIMBERLAKE  
Sixth District

ERNANI BERNARDI  
Seventh District

BILLY G. MILLS  
Eighth District

GILBERT W. LINDSAY  
Ninth District

THOMAS BRADLEY\*  
Tenth District

MARVIN BRAUDE  
Eleventh District

JOHN P. CASSIDY  
Twelfth District

PAUL H. LAMPORT  
Thirteenth District

JOHN C. HOLLAND\*  
Fourteenth District

JOHN S. GIBSON, JR.  
Fifteenth District

\*Member Police, Fire and Civil Defense Committee

# BOARD OF PENSION COMMISSIONERS 1964-1965 ANNUAL REPORT

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

November 17, 1965

Gentlemen:

Presented herewith is the annual report of the Board of Pension Commissioners for the fiscal year ended June 30, 1965, and submitted in accordance with the provisions of Section 64 of the City Charter.

The past year witnessed the largest year-to-year improvement in fund assets in the history of the Pension System, with a rise of more than \$8,500,000. Portfolio investments expanded during the year by almost the same amount, and the yield on this portfolio increased to 3.67%, as compared to last year's yield of 3.26%. Revenue from dividends and interest increased by 96% over the amount received last year.

This rapid rise in dividend and interest income is expected to continue as the fund grows, and will be the means by which future tax costs can be reduced. Control of Pension System costs has continued, with further sharp reduction in the number of new disability pensions granted, while administrative expenses for the system were reduced slightly below the cost of the prior year.

Your attention is directed to a future problem with service retirements. Because of heavy recruitment at the end of World War II, a disproportionate number of the members of this system become eligible for retirement during the next 5 years. By 1970 a total of 4,123 members of this system, or 48% of the present force, will either be eligible to retire or will have retired! If a New Pension System is not in being by the time these members retire, their replacements will be hired under the existing system which contains many provisions which now are undesirable because of the constructions which have been placed upon them by the courts in past litigation. The need for an immediate New Pension System is imperative.

Respectfully submitted,  
BOARD OF PENSION COMMISSIONERS

*Vincent M. Burke*  
President



VINCENT M. BURKE  
President



FRED W. KLINE  
Vice President



MONROE RICHMAN, M.D.



ALFRED P. LOWY



PAUL J. MARACHE

October 22, 1965

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, 1965. 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 the 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 increased during the past year by \$8,526,962, the largest year-to-year improvement in fund assets in the history of the system. The net asset total at the fiscal year end became \$21,703,702, demonstrating that the fund was well on its way toward its rebuilding following the years of liquidation resulting from the 1958 and subsequent court decisions. The regeneration of the fund results from the continued increase in taxes required by the 1959 Charter Amendments to amortize the huge unfunded liability of the system. Total tax funds received in 1964-1965 amounted to \$24,798,772, (including amounts allocated to Workmen's Compensation) an increase of some \$3,800,000 over the prior fiscal year. In accordance with the 1959 Charter Amendments, there will be annual increases in the amortization charges for the unfunded liability until 1969-1970, and level charges thereafter to the end of the amortization period.

#### Portfolio Changes

Portfolio investments expanded during the year with a total increase of \$8,293,594. Total portfolio at year end stood at \$15,531,663. During the year there was a total of \$4,947,000 invested in bonds and debentures, and \$3,354,594 in common and preferred stocks. In accordance with the Board's policy of building the equity investment portfolio, the proportion of the funds in common and preferred stocks at year end stood at 31½ per cent, approaching the legally authorized limit of 35 per cent in stocks.

#### Investment Yield

Average yield on total bond investments of \$10,642,000 amounted to 3.82 per cent, while common and preferred stock investments of \$4,889,662 provided a yield of 3.37 per cent. The over-all average of 3.67 per cent represents a decided improvement over the average yield of 3.26 per cent registered at this same time last year. While the sell-off in the stock market during May and June, 1965, affected the market value of investments, the common and preferred stock portfolio at fiscal year end showed an appreciation of \$54,983 over cost.

### NEW PENSION SYSTEM

The study being conducted by the City Administrative Officer of a proposed new pension system continued during the year, and from time to time data was supplied to the City Administrative Office by this department. The City Administrative Officer employed the department's actuaries, Coates, Herfurth & England, under contract to conduct actuarial measurements of the cost of system revision, and also employed Mr. A. A. Weinberg, consulting actuary, as a consultant under contract to prepare specific system revisions. At fiscal year end, the City Administrative Officer had proceeded to a point where draft proposals were in process but were held in abeyance pending the State Supreme Court decision in the Morse case discussed below.

### ACTUARIAL STATUS

In accordance with Section 186.1 of the City Charter an actuarial valuation of the assets and liabilities of the fund was made as of June 30, 1964 with the result that the actuaries recommended continuation of the entry age contribution rate of 15.1 per cent of Fire and Police payrolls for the next fiscal year. The amortization rate for the unfunded liability of the system is recommended at 22.1 per cent of payroll, a substantial reduction from the rate of 22.9 per cent for this factor which was estimated last year. This is the third consecutive year of reduction in the amortization schedule, representing the relatively beneficial effect of the broadening salary base, and the absence of costly litigation decisions. The amortization rate includes the one-tenth increase each year authorized by the 1959 Charter Amendments and which reaches its maximum in the 1969-1970 fiscal year.

The report, fully set forth in later pages, shows an increase in the unfunded liability of about \$16,000,000, the smallest such increase since regular actuarial valuations began in 1959. Such increase reflects the higher salary levels in the two departments as a result of general salary increases, which in turn influence fluctuating pensions directly, and future fixed pensions payable to active members. However, this increase in the unfunded liability of the System is smaller than in the previous fiscal year as a result of the relatively smaller salary increase and the off-setting effects of more favorable claims experience in the operations of the System.

### WORKMEN'S COMPENSATION

Workmen's Compensation payments continued at a high level during the year for Fire and Police pensioners, with \$1,135,000 of tax funds allocated by the City Controller to the special trust fund entitled "Workmen's Compensation Fund for Fire and Police Pensioners". Total compensation payments for the year were \$1,018,507. The number of pensioners receiving Workmen's Compensation payments averaged 371 on the monthly rolls, and at fiscal year end the monthly roll amounted to \$93,000. In addition to monthly payments, the special trust fund named above is authorized to expend for retroactive payments for periods of time prior to the initiation of compensation. No such payments were made during the year, principally because most cases were taken off-calendar pending decision in the Morse case. At fiscal year end, settlement of the Morse case (described in greater detail in this report under the heading of Litigation) was still indeterminate with the entire matter on appeal before the State Supreme Court.

Administration of the trust fund has rested with the City Attorney since its inception in December, 1963. However, effective July 1, 1965 the administration of this Fund, along with other administrative functions of Workmen's Compensation, will be transferred to the Civil Service Department.

## MEMBERSHIP

As of June 30, 1965, there were 3,379 firemen and 5,157 policemen as members of the system including members on leave of absence without pay, members on military leave and members on suspension. The following statement presents an analysis of the length of service of such members:

25 Year Members	Fire	Police	Total
Members with less than 5 years .....	653	1,404	2,057
With less than 10 years .....	671	750	1,421
With less than 20 years .....	1,446	2,534	3,980
With 20 years service and over .....	591	438	1,029
On Military Leave (eligibility dates not counted) .....	7	23	30
20 Year Members			
Members eligible to retire .....	11	8	19
<b>TOTAL</b> .....	<b>3,379</b>	<b>5,157</b>	<b>8,536</b>

## Analysis of Membership

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

	1964-65	1963-64	1962-63	1961-62	1960-61
Total Membership July 1st .....	8,366	8,270	8,003	7,824	7,725
On Leave or Suspension .....	12	16	17	21	17
On Military Leave .....	48	37	62	17	40
	<u>8,306</u>	<u>8,217</u>	<u>7,924</u>	<u>7,786</u>	<u>7,668</u>

## Additions:

New Appointments .....	485	472	658	553	391
Reappointments .....	13	7	6	6	15
Restorations .....	7*	7*	5	4*	5*
Returned from Leave or Susp. ...	148	197	175	124	147
Restored from Military Leave ...	53	47	50	14	9
Discontinued on Military Leave .....	.....	.....	.....	.....	22
	<u>9,012</u>	<u>8,947</u>	<u>8,818</u>	<u>8,487</u>	<u>8,257</u>

## Withdrawals:

Service Retirements .....	131	142	158	143	78
Disability Retirements .....	47	70	79	87	83
Resigned .....	122	146	133	118	124**
Discharged .....	23	16	18	19	13
Deaths .....	12	16	14	17	14
Leaves or Suspensions .....	148	193	174	120	151
Military Leaves granted .....	35	58	25	59	8
	<u>8,494</u>	<u>8,306</u>	<u>8,217</u>	<u>7,924</u>	<u>7,786</u>
Active Membership—June 30th ...	8,494	8,306	8,217	7,924	7,786
On Leave or Suspension .....	29	12	16	17	21
On Military Leave .....	13	48	37	62	17
	<u>8,536</u>	<u>8,366</u>	<u>8,270</u>	<u>8,003</u>	<u>7,824</u>
Total Membership—June 30th ...	8,536	8,366	8,270	8,003	7,824

\*Includes 4 disabilities granted after resignation and/or discharge in 1964-65; 2 in 1963-64 and 1961-62 and 3 in 1960-61.

\*\*Includes 22 in 1960-61 on military leave.

**Appointed Fiscal Year 1964-1965**

During the course of the year 500 members were appointed and became members of the system. Some 326, or 65% of such members were married at the date of entrance. Thirteen of such members were re-appointees with an average age of 26. Two were restored from disability pension and were above the age of 40. Of the 500 original appointments the median age was 22, the mode 21 and the average was 24.

**ELIGIBILITY**

There were, as of June 30, 1965, a total of 1,048 members eligible to retire. Nineteen of these were 20-year members and 1,029 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
1963-1964	638	503	1,141
1964-1965	602	446	1,048

During the fiscal year 1965-1966, an additional 369 twenty-five year members will become eligible if their service is continuous. One of these members is a fireman.

Years of Service	20 Year Members		25 Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	0	36	36
21	---	---	54	66	120
22	---	---	72	60	132
23	---	---	145	147	292
24	---	---	131	40	171
25	---	---	0	0	0
26	---	---	5	6	11
27	---	---	22	19	41
28	---	---	48	43	91
29	---	---	37	3	40
30	---	---	15	0	15
31	---	---	4	0	4
32	---	---	24	3	27
33	---	---	7	2	9
34	---	---	3	1	4
35	---	---	8	7	15
36	---	---	14	2	16
37	---	---	1	3	4
38	1	---	1	0	2
39	2	4	---	---	6
40	4	4	---	---	8
41	3	---	---	---	3
50	1	---	---	---	1
	11	8	591	438	1,048



### Members Becoming Eligible Next Five Years

The following schedule indicates that 3,075 members of the Fire and Police Departments will become eligible to retire for years of service during the next five fiscal years:

Fiscal Year	Fire	Police	Total
1965-1966 .....	1	368	369
1966-1967 .....	415	488	903
1967-1968 .....	369	640	1,009
1968-1969 .....	120	359	479
1969-1970 .....	126	189	315
<b>TOTALS .....</b>	<b>1,031</b>	<b>2,044</b>	<b>3,075</b>

These totals, together with those already eligible to retire as indicated above, demonstrate that by June 30, 1970 some 48% of total Fire and Police present active members will have become eligible to retire, or will have retired.

### MILITARY LEAVES

On June 30, 1965 there were 30 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1964-1965:

On Leave June 30, 1964 .....	48
Granted during 1964-1965 .....	35
	<u>83</u>
Restored—Now Active .....	53
On Leave June 30, 1965 .....	30

All of the 30 members on military leave are twenty-five year members. Twenty-five of these members have less than five years service and five have more than five years service.

### PENSION ROLL CHANGES

On July 1, 1964, 36 applications were pending. During the course of the fiscal year 290 petitions were received. Of the total of 326 petitions 279 were granted, 1 death occurred while application was pending, 3 were withdrawn and 10 were denied, leaving 33 pending as of June 30, 1965. The details of the pensions granted and terminated during the course of the fiscal year are as follows:

	20 Yr. Serv.	20-25 Years Serv.	Serv. Disa.	Non- Serv. Disa.	Serv. Widows	Non- Serv. Widows	Serv. Depts.	Non- Serv. Depts.	Total
Balance 7/1/64 .....	1,586	898	633	122	1,191	55	27	11	4,523
Granted .....	7	124	32	15	90	4	3	4	279
Death-Pending .....		1**							1**
Deaths .....	73	23	19	3	33		1		152
Restored to Duty .....			2						2
Remarriage .....					5	3			8
Majority .....							5	1	6
Increased .....			21*						21*
Decreased .....			103*		16*	7*			126*
Withdrawn .....		1*	2*						3*
Denied .....			5*		5*				10*
	1,520	999	644	134	1,243	56	24	14	4,634

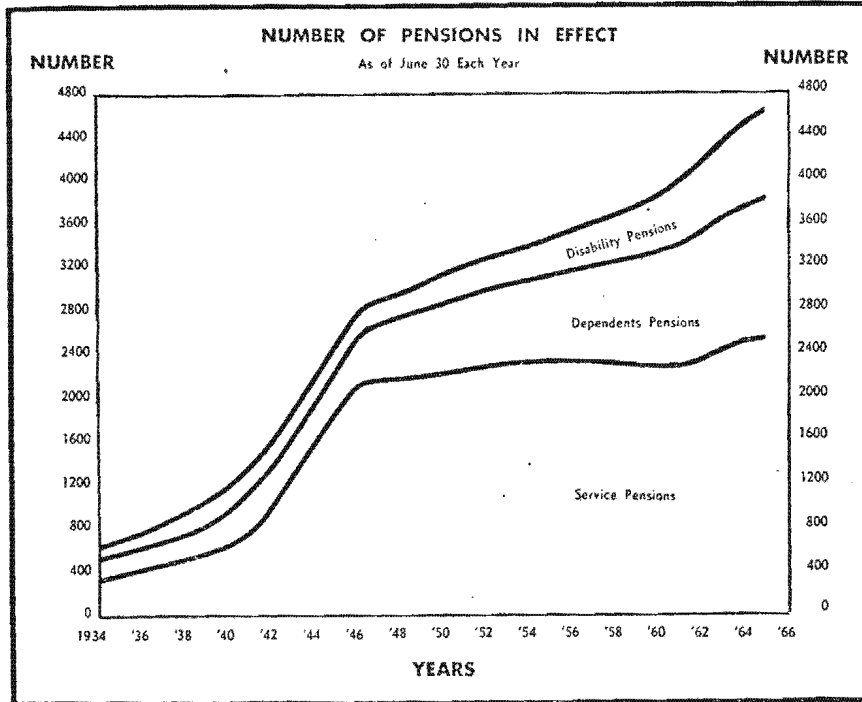
\*Statistical—these figures do not affect pension roll.

\*\*Death—while application being processed.

### 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 of 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 one and one-half percent (2484 to 2519). Dependent pensions went up four percent (1284 to 1337). Disability pensions continued to show an increase with a rise of three percent (755 to 778), which is significantly less than the seven percent rise in the prior fiscal year. The total of all pensions showed an increase of some two per cent.



**PENSIONS CLASSIFIED BY AMOUNTS**

The following schedule shows the classification of pensions paid by number of pensioners in \$40.00 brackets up to the monthly amount of \$900, and the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Minors	Dependents	Total
100-139	82	18	17	1	---	118
140-179	145	29	39	6	---	219
180-219	102	30	54	1	---	187
220-259	113	74	64	12	---	263
260-299	158	120	41	9	---	328
300-339	208	130	37	3	---	378
340-379	131	84	40	1	---	256
380-419	670	106	527	1	2	1,306
420-459	250	72	205	2	---	529
460-499	206	54	197	---	---	457
500-539	176	31	2	---	---	209
540-579	104	13	3	---	---	120
580-619	37	10	42	---	---	89
620-659	44	4	---	---	---	48
660-699	30	2	1	---	---	33
700-739	6	---	20	---	---	26
740-779	5	---	---	---	---	5
780-819	23	---	---	---	---	23
820-859	3	---	---	---	---	3
860-889	1	---	---	---	---	1
900-or over	25	1	10	---	---	36
	<u>2,519</u>	<u>778</u>	<u>1,299</u>	<u>36</u>	<u>2</u>	<u>4,634</u>
Average Pension	390.50	349.53	393.51	254.04	388.00	383.40

The over-all average of \$383.40 is approximately three percent over the average for the prior fiscal year of \$370.76. The averages and numbers of fluctuating pensions and of fixed pensions is reported as follows:

Fluctuating	Service	Disability	Widows	Minors	Dependents	Total
Number	1,334	76	968	2	2	2,382
Average Pension	470.42	429.23	433.87	405.25	388.00	454.12
Fixed						
Number	1,185	702	331	34	---	2,252
Average Pension	300.54	340.90	275.47	245.14	---	308.60

The total of 2,382 fluctuating pensions represents a net decrease of 42 during the fiscal year, while fixed pensions increased by 153.

### AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1965:

Ages	Service	Disability	Widows	Minors	Dependents	Total
0-17	---	---	---	36	---	36
25-29	---	4	2	---	---	6
30-34	---	28	7	---	---	35
35-39	---	61	18	---	---	79
40-44	17	212	36	---	---	265
45-49	164	173	45	---	---	382
50-54	243	78	70	---	---	391
55-59	208	70	143	---	---	421
60-64	418	40	248	---	---	706
65-69	779	69	283	---	---	1,131
70-74	413	26	220	---	---	659
75-79	204	10	130	---	---	344
80-84	63	5	67	---	1	136
85-89	7	2	23	---	1	33
90-94	3	---	5	---	---	8
95-99	---	---	2	---	---	2
	2,519	778	1,299	36	2	4,634
Average Age	65	50	65	12	83	---

### Average Age at Date of Retirement

Analysis of the average age of Firemen and Policemen at the time of retirement on service pension is set forth for the last ten 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
1963-1964	54	51	51
1964-1965	55	53	53

### Number Retiring Above or Below Age 50

It is noted that the average age of those retiring on service pension during the year rose for both Firemen and Policemen. This change was largely the result of the small number of members who became eligible to retire during the year (47), with the effect that there were very few retirements with minimum service, as is indicated in the following table:

Fiscal Year	F I R E				P O L I C E			
	Under	Exactly	Over	Total	Under	Exactly	Over	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
1963-1964	9	2	19	30	59	10	43	112
1964-1965	8	1	23	32	38	9	52	99
Percent of Totals:	24%	4%	72%	100%	46%	7%	47%	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 ten 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
1963-1964	26	23	24
1964-1965	29	25	26

#### Years of Service at Retirement

It is noted 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. The extent to which Policemen tend to retire at exactly 20 years of service is accented in the following table, which also reflects the small number becoming eligible to retire during the past year:

Fiscal Year	NUMBER OF FIREMEN AND POLICE									
	F I R E					P O L I C E				
	20	25	25	25	Total	20	25	25	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
1963-1964	6	7	4	13	30	35	54	---	23	112
1964-1965	1	12	---	19	32	13	56	1	29	99
Percent of Totals:	15%	17%	5%	63%	100%	33%	34%	4%	29%	100%

#### Age and Service of Disability Pensioners

The average age and average number of years service of Firemen and Policemen who were retired upon disability pension during the last ten fiscal years are reflected in the following schedule. The data for 1964-1965 reflects some increase both in average age and average years of service for disability pensioners.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
1955-1956	43	39	41	15	13	14
1956-1957	44	39	41	17	12	14
1957-1958	44	41	42	16	14	14
1958-1959	45	41	42	18	14	15
1959-1960	45	41	42	18	14	15
1960-1961	42	41	42	16	15	15
1961-1962	46	40	41	20	15	16
1962-1963	45	39	41	17	13	15
1963-1964	42	40	40	16	14	14
1964-1965	45	41	41	20	15	16

### SERVICE PENSIONS

#### Pensions Granted

A total of one hundred thirty-one members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1965.

#### Pensions Discontinued

During the course of the fiscal year a total of ninety-six 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 three months to forty 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:

Fiscal Year	FIRE		POLICE		Total
	20 Year	20-25 Year	20 Year	20-25 Year	
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
1963-1964	1	29	5	107	142
1964-1965	1	31	6	93	131

### DISABILITY PENSIONS

#### Pensions Granted

A total of forty-seven members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1965. Of these thirty-two were granted on a service-connected basis while fifteen were nonservice.

#### Pensions Discontinued

Twenty-two disability pensions were discontinued on account of death and two by restoration to active duty from disability pension, during the past 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:

Fiscal Year	FIRE		POLICE		Total
	Service	Nonservice	Service	Nonservice	
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
1963-1964	8	6	45	11	70
1964-1965	9	0	23	15	47

### Analysis of Rates

There were 644 service-connected disability pensions and 134 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1965:

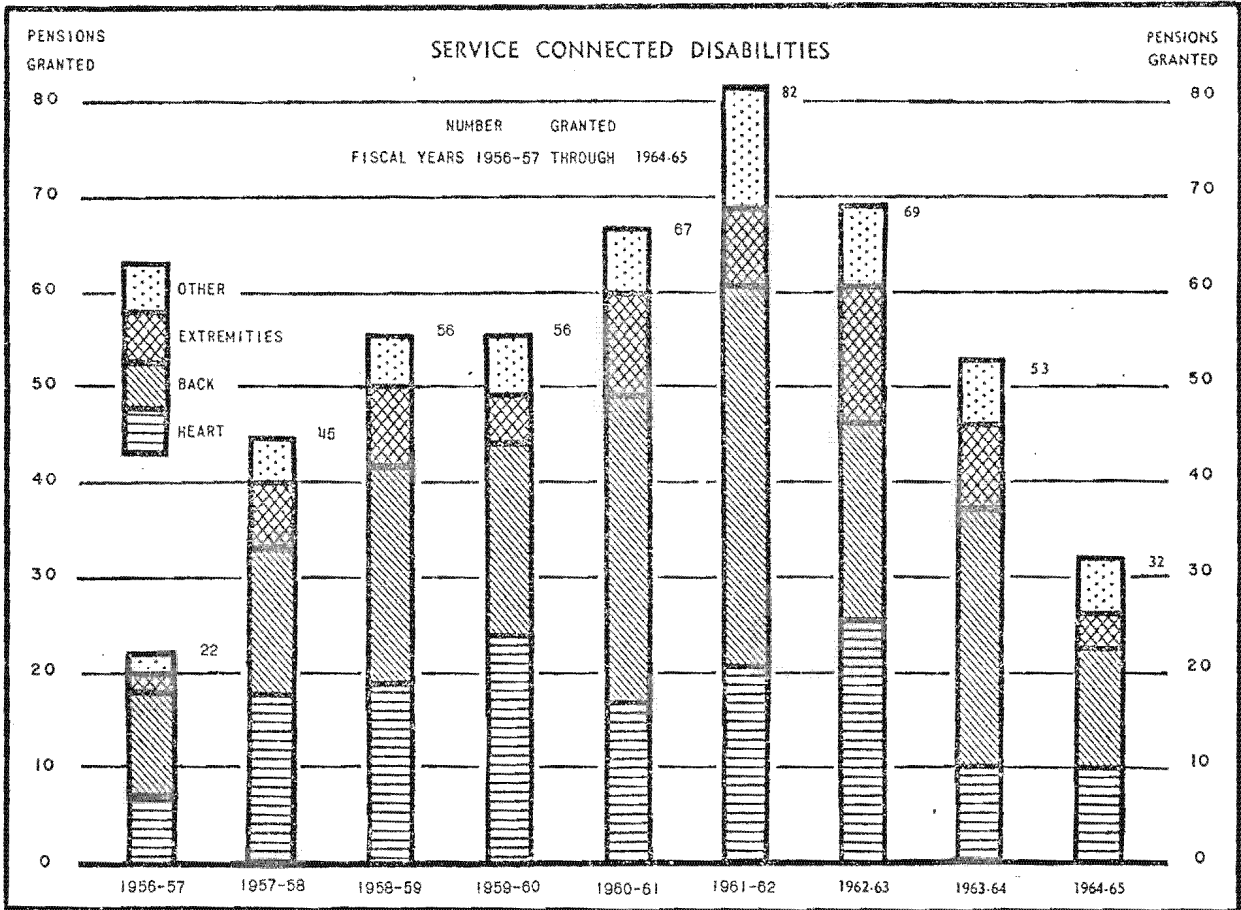
Rate	Fire	Police	Total
40%	31	103	134
50%	64	176	240
55%	19	45	64
57½%	1	—	1
60%	36	62	98
65%	44	93	137
66⅔%	1	—	1
70%	9	23	32
75%	7	36	43
80%	4	9	13
85%	3	1	4
90%	1	10	11
<b>TOTAL</b>	<b>220</b>	<b>558</b>	<b>778</b>

### Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	—	4	4
30-34	2	26	28
35-39	17	44	61
40-44	34	178	212
45-49	34	139	173
50-54	36	42	78
55-59	31	39	70
60-64	26	14	40
65-69	25	44	69
70-74	8	18	26
75-79	4	6	10
80-84	2	3	5
85-89	1	1	2
<b>Total</b>	<b>220</b>	<b>558</b>	<b>778</b>
<b>Average Age</b>	<b>54</b>	<b>48</b>	<b>50</b>

**Service-Connected Disability**

New service-connected disability pensions declined substantially to 32 new pensions, from the 53 granted in 1963-1964. This represented a smaller number than those granted in any year since 1957, as shown on the accompanying chart.



**LITIGATION**

The status of each case mentioned is stated as of June 30, 1965 unless otherwise indicated.

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

Plaintiffs, former members of the system, commenced these actions prior to this year to recover deductions which were made from their salaries and paid into the pension fund. In COFFEY, judgment was entered in favor of defendants on December 3, 1964, plaintiff did not appeal therefrom and it now is final and conclusive. FARNELL was dismissed for lack of prosecution on June 24, 1965 and now is concluded in favor

of defendants. In GRACE, judgment was entered in favor of defendants on March 15, 1965 and plaintiff appealed therefrom but the record of the trial court has not been filed with the clerk of the appellate court. MORRIS was dismissed for lack of prosecution on June 24, 1965 and now is concluded in favor of defendants. In PARKER, judgment was entered in favor of defendants on September 10, 1964, plaintiff did not appeal therefrom and it now is final and conclusive.

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

Judgments in these actions were entered, prior to this year, to the effect: that plaintiffs in ARMSTRONG and MITCHELL are not entitled, by virtue of the April 18, 1957 amendment to Section 181½ of the City Charter, to greater fluctuating or fixed pensions based upon 20 to 30 years of service rather than to fixed pensions based upon 25 to 35 years of service; that plaintiff widows in BURNS are not entitled, by virtue of said amendment, to greater fluctuating or fixed pensions than the fixed pensions which they are receiving; that said plaintiffs in BURNS are not entitled to pensions based upon salaries in effect at date of death rather than at date of retirement of their respective husbands; and that plaintiffs are entitled to interest upon principal amounts of other pension benefits to the date upon which payments thereof were made to them prior to trial. The appeals of both plaintiffs and defendants from the portions of the judgments which are adverse to them, respectively, are pending in the District Court of Appeal.

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

Plaintiffs commenced this action prior to this year and seek fluctuating disability pensions rather than the fixed disability pensions which they are receiving. The case is not at issue.

**ALLEN** )  
**ALBRIGHT** ) vs. City of Los Angeles, et al.

Plaintiffs commenced these actions prior to this year. Plaintiffs in ALLEN seek the same benefits to which the trial court decided plaintiffs in ARMSTRONG and MITCHELL are not entitled, and plaintiffs in ALBRIGHT seek the same benefits to which the trial court decided plaintiffs in BURNS are not entitled. ALLEN is at issue, it has been severed as to 18 plaintiffs who claim that the fixed pensions which they are receiving have been computed erroneously, it is set for trial as to them on September 14, 1965 but is not set for trial as to the other plaintiffs. ALBRIGHT is at issue but it has not been set for trial.

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

Plaintiffs, widows of members who were appointed prior to July 1, 1925, commenced this action prior to this year and seek fluctuating pensions upon the ground that they were married for at least one year prior to the date of death of their respective husbands. Action was not commenced until more than three years after the death of each plaintiff's respective husband. Defendants contend that plaintiffs' causes of action are barred by the three-year Statute of Limitations but plaintiffs contend that defendants are estopped from urging the same. The trial court decided: that the Board, as to each plaintiff except one, denied her application for pension upon the sole ground that she had not been married to her deceased husband for at



least one year prior to the date of his retirement; that the Board thereby waived the Statute of Limitations as to each such plaintiff; that defendants are estopped by reason of such waiver to urge the Statute of Limitations as a bar to each such plaintiff's causes of action; that each such plaintiff is entitled to a fluctuating pension; and that each such plaintiff is entitled to a money judgment for the recovery of pension payments which had accrued to her within six months prior to the date upon which she filed her claim therefor. The trial court decided in favor of defendants with respect to the one plaintiff because the Board denied her application for pension upon the advice of the City Attorney. Judgment was entered accordingly on October 7, 1964, defendants appealed from all portions thereof which are adverse to them and plaintiffs, except the aforementioned one, appealed from the portion thereof which limited their retroactive recovery of pension payments to less than full recovery from the date of death of their respective husbands. Said appeals are pending in the District Court of Appeal.

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

These actions were commenced prior to this year and, after the retrial thereof, judgment was entered on June 3, 1965 to the effect: that plaintiffs in BOWERS, who are not receiving pensions and who commenced their actions more than three years after the date of death of each plaintiff's respective husband, are entitled to fluctuating pensions and to the recovery of pension payments from each such respective date of death because defendants are estopped to urge the Statute of Limitations as a bar to their causes of action; and that plaintiffs in CASEY, who are receiving fluctuating pensions, are entitled to the recovery of pension payments from each such respective date of death to the first date for which each of them heretofore has been paid the same because defendants are estopped to urge the Statute of Limitations as a bar to their causes of action. Defendants appealed from said judgments but the record of the trial court has not been filed with the clerk of the appellate court.

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

This action was commenced prior to this year and plaintiff seeks a service-connected death pension rather than the nonservice-connected death pension which she is receiving. It is at issue but it has not been set for trial.

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

This proceeding was commenced prior to this year and petitioner sought a refund of deductions which were made from his "I.O.D. pay" and paid into the pension fund. It was dismissed on July 30, 1964 and now is concluded.

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

Judgments in these actions were entered prior to this year to the effect that plaintiffs, some service-connected disability pensioners and some nonservice-connected disability pensioners, are not entitled, without first being restored to active duty in the Fire Department or in the Police Department, to service pensions based upon the total of the years of service prior to retirement and of the years which have elapsed since retirement. Plaintiffs appealed from the judgments and their appeals are pending in the District Court of Appeal.

**HOSTETTER vs. City of Los Angeles, et al.**

Judgment was entered in favor of petitioner, prior to this year, for the recovery of moneys which were deducted from his "I.O.D. pay" and paid into the pension fund upon the trial court's decision that such moneys were Workmen's Compensation and that the deductions thereof were in violation of Labor Code provisions. Respondents appealed from the judgment and their appeal is pending in the District Court of Appeal.

**HOSTETTER vs. City of Los Angeles, et al.**

Judgment was entered on October 16, 1964 in favor of respondents and to the effect that the Board's determination that petitioner's disability is nonservice-connected rather than service-connected is supported by substantial evidence in the light of the whole record. Petitioner appealed from the judgment and his appeal is pending in the District Court of Appeal.

**RIDDLE vs. City of Los Angeles, et al.**

In this proceeding, commenced prior to this year, petitioner sought to compel the Board to grant him a service-connected disability pension. The Board, after the commencement of said proceeding, granted him such a pension and the proceeding was dismissed on December 11, 1964 and now is concluded.

**HUTCHINS vs. City of Los Angeles, et al.**

In this proceeding, commenced prior to this year, petitioner sought a widow's nonservice-connected death pension. Her deceased husband, who had a break in service, died from a nonservice-connected illness less than five years after his reappointment. Judgment was entered in favor of respondents on February 26, 1965, petitioner did not appeal therefrom and it now is final and conclusive.

**BROWN vs City of Los Angeles, et al.**

In this action, commenced this year, plaintiffs seek, by virtue of the April 18, 1957 amendment to Section 181½ of the City Charter greater pensions based upon 20 to 30 years of service rather than pensions based upon 25 to 35 years of service. It is at issue but has not been set for trial.

**CONRAD vs. City of Los Angeles, et al.**

In this proceeding, commenced this year, petitioner seeks to have the determination of the Board that he is not disabled from performing the duties of a regular police officer set aside and vacated and to compel the Board to grant him a service-connected disability pension. A hearing was had on May 6, 1965 and May 7, 1965 but no judgment has been made or entered.

**FINERTY vs. City of Los Angeles, et al.**

In this action, commenced this year, plaintiff seeks to recover the sum of the amounts deducted from his pension by reason of the payment to him of Workmen's Compensation benefits. The case is not at issue.

**LACKEY vs. City of Los Angeles, et al.**

In this action, commenced this year, plaintiff, who is a nonservice-connected disability pensioner, seeks a service-connected disability pension. The case is at issue but has not been set for trial.

**PATTERSON vs. City of Los Angeles, et al.**

In this proceeding, petitioner seeks to have the determination of the Board that he is not disabled from performing the duties of a regular police officer set aside and vacated and to compel the Board to grant him a service-connected disability pension. The case is not at issue.

**CITY OF LOS ANGELES vs.** (I.A.C. and Morse  
(I.A.C. and Fraide  
(I.A.C. and Catlow  
(I.A.C. and Dillin

These cases present two basic questions: (1) whether payments of disability or death pensions are in fact payments of Workmen's Compensation benefits to the extent such benefits are due; (2) if they are not payments of Workmen's Compensation benefits, whether the City is estopped to plead the Statute of Limitations against a claim for Workmen's Compensation benefits. Charter Section 182½ provides that the payments shall be Workmen's Compensation benefits to the extent such are due and that only the balance shall be pension. The City contends that members contribute either to service pensions only or else to only the excess portion of the disability or death pension and not to the Workmen's Compensation portion. The pensioners claim their contributions cannot be allocated to the excess portion only and that, therefore, none of the pension money paid can be regarded as Workmen's Compensation benefits since state law forbids employees from contributing to Workmen's Compensation. The Supreme Court has had hearings in these cases but has not filed any decisions with respect thereto.

**Opinions of the City Attorney**

An opinion of the City Attorney advised the Board that if the Supreme Court were to determine that the provisions of Section 182½ of the City Charter are invalid, unconstitutional or inoperative, to the extent that the effect thereof would be the same as if there were no provisions, payments theretofore made to fire and police pensioners from the Workmen's Compensation Fund for Fire and Police Pensioners of moneys deposited therein by the City Controller from moneys raised by the annual special tax levy for the Department of Pensions would have to be considered as having been partial payments of the respective pension of each such pensioner and not as payments of Workmen's Compensation benefits because, under such a determination, there would have been no power or authority to use such pension moneys for Workmen's Compensation purposes and, therefore, no moneys which legally may be due to and recoverable by pensioners for the sum of the monthly amounts by which the Board of Pension Commissioners reduced their respective pensions by reason of their receipt of equivalent amounts from the Workmen's Compensation Fund for Fire and Police Pensioners would be payable from the Fire and Police Pension Fund.

**Guardianships**

Forty-five accountings, as well as various petitions and other documents, were received and carefully examined. Sixteen requests for special notice were prepared, served and filed. Four guardianships of incompetents were discontinued and ten were added. Six guardianships of minors were discontinued and seven were added. There are seventy-two active guardianships, thirty-six covering incompetents and thirty-six covering sixty-seven minors.

**Miscellaneous****Contracts:**

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

**OPERATIONS****Revenues**

Revenues for the year increased \$4,200,000, largely accruing from the \$3,800,000 increase in taxes because of the annual increase in the amortization of the unfunded liabilities of the system. However, in addition there were increases shown of \$91,000 in dividends, \$150,000 in interest, and \$164,000 in member contributions. Total revenues were \$30,006,414 and exceeded expenditures by \$8,526,962 for the year. Included in such revenue figures is \$1,135,000 of tax moneys which the Board authorized to be diverted to the "Special Trust Fund for Fire and Police Pensioners" which has been described earlier in the Workmen's Compensation discussion. Interest income was improved by continued active use of short-term investments in Treasury Bills, which are purchased from time to time to spread tax revenues forward over the months when no tax receipts are available for pension rolls. In all, \$15,000,000 par value of Treasury Bills were purchased at a net interest advantage to the fund of \$141,000.

**Expenditures**

Expenditures for pensions were also affected by the developments in Workmen's Compensation claims, which are included as pension payments in the operating statement of this report. The total pension payments included \$1,018,507 paid as workmen's compensation in the fiscal year compared with \$317,988.81 paid in 1963-1964. Inclusive of the Workmen's Compensation payments, pension expenditures increased by \$1,247,000.

**Administrative Expense**

Total administrative costs for the year were down \$2,500 compared to the prior year, the first year to year reduction in such expense since 1955. This reduction stems principally from the reduced cost of medical examinations (a drop of \$7,000) because of the reduction in the number of new disability pensions discussed earlier, and also a reduction in the number of old disability cases undergoing periodic review. This reduction in disability work load permitted a reduction in total clerical staff time prior to the close of the fiscal year.

With respect to other expense items, salaries were up \$4,000, a relatively nominal amount in view of the general salary increases for the year to meet prevailing salaries in the community. Printing and binding costs were down for the fourth straight year as a result of a reduction in the number of service certificates printed and continued control in the cost of printing the annual report. Contractual services showed an increase of \$4,000 due to the increased cost of investment counsel services for a growing portfolio of investments. Litigation costs dropped approximately \$4,000, largely reflecting decreased cost of hearing reporters for Board meetings and special hearings of disability cases. All other expense items varied by relatively nominal amounts. Over-all, administrative expense amounted to 7/10 of 1 per cent of total budget.

**Surety Bonds**

Fifteen individuals were employed by the Department including one Senior Assistant City Attorney. Fourteen employees were under bond as follows:

<b>Position</b>	<b>Amount of Bond</b>
Manager-Secretary .....	\$50,000
Chief Accountant .....	25,000
All others, each .....	5,000

Respectfully submitted,



Manager-Secretary

MLT:GRW:ar

OFFICES IN  
SAN FRANCISCO  
PASADENA  
DENVER

COATES, HERFURTH & ENGLAND  
CONSULTING ACTUARIES  
301 EAST COLORADO BOULEVARD  
PASADENA, CALIFORNIA 91101

TELEPHONE  
MURRAY 1-4455

September 30, 1965

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, 1965.

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, 1965**

**SECTION I  
RESULTS OF VALUATION**

The results of the Actuarial Valuation of the Fire and Police Pension System as of June 30, 1965, 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 5 and 6 were taken directly from the Accounting Balance Sheet.

Items 7 through 11 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, 1965

**ASSETS**

1. Assets from Accounting Balance Sheet .....		\$ 21,703,702
2. Present Value of Future Contributions by Members of 6% of Compensation .....		54,756,927
3. Present Value of Future Contributions by the City for:		
(a) Entry Age Cost (15.1% of Compensation) .....	\$137,804,934	
(b) Fifty Year Amoritization of "Unfunded Liability" .....	515,817,744	653,622,678
4. Total Assets .....		<u>\$730,083,307</u>

**LIABILITIES**

5. Accounts Payable .....		\$ 12,282
6. Reserve for Investment Losses .....		10,761
7. Present Value of Present Pensions to Pensioners now on Pension Roll:		
(a) Service .....	\$108,831,684	
(b) Disability .....	40,106,412	
(c) Dependents .....	66,939,689	215,877,785
8. Present Value of Prospective Pensions to Dependents of Present Pensioners: .....		
(a) Service .....	\$ 46,842,469	
(b) Disability .....	13,648,392	60,490,861
9. Present Value of Prospective Pensions to Presently Active Members:		
(a) Service .....	\$216,583,476	
(b) Disability .....	104,550,786	321,134,262
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service .....		25,997,732
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:		
(a) Service .....	\$ 69,997,239	
(b) Disability .....	36,562,385	106,559,624
12. Total Liabilities .....		<u>\$730,083,307</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 Subparagraphs 1 and 2 above, we recommend that the City's contributions for the fiscal year commencing July 1, 1966, 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 22.1% of the total payroll of members.

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.

The following schedule sets forth the amortization contribution developed by this valuation for each year in the amortization period:

**CITY CONTRIBUTIONS TO AMORTIZE UNFUNDED LIABILITY  
BASED UPON ACTUARIAL VALUATION MADE AS OF JUNE 30, 1965**

Year of Amortization Program	Fiscal Year Beginning July	Contribution as Percentage of Member's Compensation
8	1966	22.1%
9	1967	25.3%
10	1968	28.4%
11 through 50	1969 through 2008	31.6%

The amortization contribution rate of 22.1% shown above for the fiscal year beginning July 1, 1966 is about 3% lower than the 22.9% contribution rate for the same fiscal year developed from the the June 30, 1964 actuarial valuation. Although minor fluctuations can be expected from year to year, the expansion of the System, i.e., increases in the number of members, permits the amortization of the unfunded liability over a broader base thereby requiring a smaller percentage contribution. Other adverse factors such as increase in costs due to Court decisions will often more than offset this favorable factor. Accordingly, the expected future expansion of the System should not be looked upon as a guarantee of further reductions in the amortization contribution rate.

PEAT, MARWICK, MITCHELL & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
629 SOUTH SPRING STREET  
LOS ANGELES, CALIF. 90014

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, 1965 and the related statements of operations and fund capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The reserve for pensions aggregating \$515,817,744 represents the present values of amounts required to pay pensions related to service prior to June 30, 1965 as they mature and are presented in accordance with a report certified by Coates, Herfurth & England, consulting actuaries of the fund.

In our opinion, based on our examination and on the report of consulting actuaries as to the reserve for pensions, the accompanying balance sheet and statements of operations and fund capital present fairly the financial position of the City of Los Angeles Fire and Police Pension Fund at June 30, 1965 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.

August 5, 1965

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

**BALANCE SHEET**

June 30, 1965

with Comparative Figures for 1964

**ASSETS**

Cash and temporary investments:	1965	1964
Deposits with Treasurer of the City of Los Angeles .....	\$ 1,418,838	\$ 1,055,616
Cash revolving funds .....	325	325
United States Treasury Bills— at cost plus interest (approximate market) .....	4,672,679	4,768,379
Receivable from City of Los Angeles ..	6,091,842	5,824,320
Interest and dividends receivable .....	102,459	43,227
 <b>Investments:</b>		
Bonds—at amortized cost (quoted market, 1965, \$10,116,857) (Note 1) ..	10,600,058	5,714,375
Preferred stock—at cost (quoted market, 1965, \$82,800) .....	84,121	32,249
Common stock—at cost (quoted market, 1965, \$4,861,845) .....	4,805,541	1,502,820
Trust deed receivable .....	1,960	2,256
Treasurer's deeds—at cost .....	657	657
Real property—at cost .....	17,064	17,009
	<u>\$ 21,703,702</u>	<u>\$ 13,177,921</u>

**LIABILITIES AND FUND CAPITAL**

Accounts payable .....	\$ 12,282	\$ 13,623
Reserve for pensions at actuarial valuation (note 2) .....	515,817,744	499,564,286
	<u>\$ 515,830,026</u>	<u>\$ 499,577,909</u>
<b>Fund capital:</b>		
Accumulated surplus (deficit) .....	\$(494,746,485)	(486,907,600)
Workmen's compensation fund for fire and police pensioners (note 3) .....	609,400	497,011
Reserve for investment losses .....	10,761	10,601
Contingent liabilities (note 4) .....	(494,126,324)	(486,399,988)
	<u>\$ 21,703,702</u>	<u>\$ 13,177,921</u>

See accompanying notes to financial statements.

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

**STATEMENT OF OPERATIONS**  
**Fiscal Year Ended June 30, 1965**  
**with Comparative Figures for 1964**

**Revenue:**

	<u>1965</u>		<u>1964</u>
Taxes .....	\$24,798,772		\$20,990,559
Interest .....	385,615		236,807
Dividends .....	103,542		12,222
Members' contributions .....	4,646,004		4,482,305
Sales of unclaimed property .....	62,618		63,036
Donations .....	239		1,480
Miscellaneous .....	7,779		8,841
Revenues .....	<u>\$30,004,569</u>		<u>\$25,795,250</u>

**Expenditures:**

Pensions paid (notes 3, 4 and 5):			
Service .....	\$11,810,428		\$11,120,195
Disability .....	2,922,468		2,824,396
Widows .....	5,862,083		5,461,317
Minors .....	71,370		81,808
Dependents .....	10,509		11,023
Nonservice:			
Disability .....	362,554		312,997
Widows .....	185,635		177,413
Minors .....	47,551		37,917
	<u>21,272,598</u>		<u>20,027,066</u>
Administrative expenses .....	205,009	21,477,607	207,537
			<u>20,234,603</u>
Excess of revenues over expenditures, cash basis .....	<u>\$ 8,526,962</u>		<u>\$ 5,560,647</u>
Provision for estimated unpaid pensions:			<u>166,000</u>
Excess of revenues over expenditures, accrual basis ...	8,526,962		5,726,647
Additional reserve requirements due to increase in actuarial liability (note 2) .....	16,263,458		32,321,342
Deficiency for the year .....	<u>\$ 7,726,496</u>		<u>\$26,594,695</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUND CAPITAL**

Year ended June 30, 1965

with comparative figures for 1964

	1965				1964
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses	Total	Accumulated Fund Capital (Deficit)
Balance at beginning of year .....	\$(486,907,600)	\$497,011	\$10,601	\$(486,399,988)	\$(459,815,894)
Deficiency for the year .....	( 7,838,885)	112,389	....	( 7,726,496)	( 26,594,695)
Gain on disposition of investments .....	.....	.....	160	160	10,601
Balance at end of year .....	<u><u>\$(494,746,485)</u></u>	<u><u>\$609,400</u></u>	<u><u>\$10,761</u></u>	<u><u>\$(494,126,324)</u></u>	<u><u>\$(486,399,988)</u></u>

See accompanying notes to financial statements.

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

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**Notes to Financial Statements**

**June 30, 1965**

**(1) Investments**

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. Bond premiums and discounts are amortized to maturity date.

**(2) Reserve for Pensions**

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, 1965. 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, \$515,817,744, 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."

Upward salary adjustments to active firemen and policemen resulting in increased liabilities for both fluctuating and fixed pensions are the primary factors in the \$16,253,458 addition to the unfunded actuarial liability.

**(3) Workmen's Compensation Fund**

The Workmen's Compensation Fund for Fire and Police Pensioners was established during December 1963. Tax revenues are deposited directly into this fund by the City Controller and Workmen's Compensation benefits to pensioners of the Fire and Police Pension System, as determined by the City Attorney or Industrial Accident Commission, are paid therefrom. Payments of \$1,022,611 thus made during the year ended June 30, 1965 are included under pensions paid.

**(4) Contingent Liabilities**

There were a number of legal actions pending at June 30, 1965 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) Pension Payments**

The expenditures for regular and retroactive pension payments during the year ended June 30, 1965, with comparative figures for 1964, were as follows:

Regular monthly pension payments:	1964-65	1963-64
Service .....	\$11,810,428	\$11,102,932
Disability .....	2,917,556	2,793,585
Widows .....	5,862,083	5,350,944
Minors .....	71,370	81,808
Dependents .....	10,509	11,023
Nonservice .....	595,740	528,327
	<u>\$21,267,686</u>	<u>\$19,868,619</u>
 Retroactive pension payments:		
Service .....		17,263
Disability .....	4,912	30,811
Widows .....		110,373
Minors .....		
	<u>4,912</u>	<u>158,447</u>
	<u>\$21,272,598</u>	<u>\$20,027,066</u>

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

**ADMINISTRATIVE EXPENSE COMPARED**

Operating Expense	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59
Salaries .....	\$129,002	\$125,081	\$114,186	\$100,340	\$ 91,475	\$ 88,515	\$ 80,441
Communications .....	1,530	1,147	946	1,188	1,073	761	982
Insurance and Bond Premiums .....	367	372	359	365	400	424	383
Office Equipment .....	1,064	1,222	1,771	1,043	711	937	1,253
Office Supplies .....	1,907	1,634	1,559	1,607	1,389	865	968
Printing and Binding .....	1,669	1,842	2,267	3,138	2,115	1,471	1,564
Traveling .....	1,861	1,397	2,250	3,105	723	1,372	669
Contractual Services .....	15,675	11,545	11,042	18,548	6,220	5,114	6,995
Field Equipment Expense .....	60	150	300	150	150	250	412
Maintenance and Repairs .....	---	---	---	---	393	---	150
Petroleum Products .....	153	150	151	230	150	153	212
Transportation .....	1,256	1,058	1,324	300	284	292	84
Annual Audit .....	2,200	2,000	1,850	1,850	1,750	1,500	1,750
Governmental Meetings .....	10	---	19	---	---	---	---
Litigation .....	11,545	15,827	8,474	11,136	2,391	2,039	3,691
Mailing Service .....	681	842	539	678	472	470	665
Medical Services .....	28,692	35,949	24,439	20,656	18,504	13,456	12,480
Miscellaneous .....	46	94	38	143	174	9	---
Actuarial Expense .....	4,500	4,500	4,500	9,500	10,000	5,000	---
Equipment, Furniture and Fixtures .....	2,791	2,727	2,146	2,281	1,095	4,214	2,129
	<u>\$205,009</u>	<u>\$207,537</u>	<u>\$178,160</u>	<u>\$176,258</u>	<u>\$139,469</u>	<u>\$126,842</u>	<u>\$114,828</u>



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

**STATEMENT OF OPERATIONS COMPARED**

Fiscal Years 1958-59 to 1964-65

REVENUES	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59
Taxes .....	\$ 24,798,772	\$ 20,990,559	\$ 14,530,198	\$ 12,247,624	\$ 8,476,006	\$ 6,301,170	\$ 6,083,666
Dividends .....	103,542	12,222	-----	-----	-----	-----	-----
Interest .....	385,615	236,806	181,874	277,003	337,662	546,769	676,055
Members Contributions .....	4,646,004	4,432,305	4,088,863	3,854,325	3,403,660	3,300,677	3,032,073
Sales of Unclaimed Property ..	62,618	63,036	51,341	46,996	54,250	55,913	47,569
Donations .....	239	1,480	589	1,280	427	367	362
Miscellaneous .....	9,624	8,842	6,843	33,586	7,537	7,827	10,014
<b>TOTAL REVENUES</b> Available for current year's operations .....	<b>\$ 30,006,414</b>	<b>\$ 25,795,250</b>	<b>\$ 18,859,708</b>	<b>\$ 16,460,814</b>	<b>\$ 12,279,542</b>	<b>\$ 10,212,723</b>	<b>\$ 9,849,739</b>
<b>EXPENDITURES</b>							
<b>Pensions Paid</b>							
Service .....	\$ 11,810,858	\$ 11,120,195	\$ 10,832,990	\$ 9,825,781	\$ 8,953,096	\$ 9,544,655	\$ 13,782,501
Disability .....	2,922,787	2,824,396	2,746,971	2,833,567	1,584,573	1,343,438	1,092,934
Widows .....	5,862,818	5,461,317	5,703,292	5,364,626	3,417,479	3,459,800	3,883,492
Minors .....	71,731	81,808	71,495	67,627	52,638	52,648	41,985
Dependents .....	10,509	11,023	10,783	10,555	8,549	9,287	10,342
<b>Non-Service</b>							
Disability .....	362,554	312,997	256,086	238,621	229,301	187,035	174,181
Widows .....	185,635	177,413	177,459	145,079	140,088	122,693	105,541
Minors .....	47,551	37,917	30,726	30,760	39,902	28,640	23,445
<b>TOTAL PENSIONS</b> .....	<b>\$ 21,274,443</b>	<b>\$ 20,027,066</b>	<b>\$ 19,829,803</b>	<b>\$ 18,516,616</b>	<b>\$ 14,425,626</b>	<b>\$ 14,748,196</b>	<b>\$ 19,114,421</b>
Administrative Expense .....	\$ 205,009	\$ 207,537	\$ 178,160	\$ 176,258	\$ 139,469	\$ 126,842	\$ 114,828
<b>TOTAL EXPENDITURES</b> .....	<b>\$ 21,479,452</b>	<b>\$ 20,234,603</b>	<b>\$ 20,007,963</b>	<b>\$ 18,692,874</b>	<b>\$ 14,565,095</b>	<b>\$ 14,875,038</b>	<b>\$ 19,229,249</b>
<b>EXCESS OF REVENUES</b>							
OVER EXPENDITURES .....	\$ 8,526,962	\$ 5,560,647	\$ ( 1,148,255)	\$ ( 2,232,060)	\$ ( 2,285,553)	\$ ( 4,662,315)	\$ ( 9,379,510)*
Provision for Unpaid pensions ..	-----	166,000	-----	( 1,250,000)	-----	-----	-----
Less: Provision for Prior Year ..	-----	-----	1,084,000	-----	-----	-----	-----
Gain (Loss) on Sale of Investment .....	160	10,601	-----	( 124,628)	( 63,135)	-----	-----
<b>EXCESS OF REVENUES</b>							
OVER EXPENDITURES .....	\$ 8,527,122	\$ 5,737,248	\$ ( 64,255)	\$ ( 3,606,688)	\$ ( 2,348,688)	\$ ( 4,662,315)	\$ ( 9,379,510)*
Additional Actuarial Reserve....	( 16,253,458)	( 32,321,342)	( 40,591,467)	( 45,679,864)	( 52,413,886)	( 623,700)	-----
Deficit for the year .....	\$( 7,726,336)	\$( 26,584,094)	\$( 40,655,722)	\$( 49,286,552)	\$( 54,762,574)	\$( 5,236,015)	\$( 9,379,510)
Fund Deficit at beginning of year .....	(486,399,988)	(459,815,894)	(419,160,172)	(369,873,620)	(315,111,046)	(309,825,031)	(300,445,521)
Fund Deficit at End of Year .....	<b>\$(494,126,324)</b>	<b>\$(486,399,988)</b>	<b>\$(459,815,894)</b>	<b>\$(419,160,172)</b>	<b>\$(369,873,620)</b>	<b>\$(315,111,046)</b>	<b>\$(309,825,031)</b>

\*Excess of Expenditures over Revenues