

**1966
Annual Report**

BOARD OF PENSION COMMISSIONERS

**CITY OF LOS ANGELES
CALIFORNIA**



FOR THE FISCAL YEAR ENDED JUNE 30, 1966

TABLE OF CONTENTS

	Page No.
Mayor and Council	2
Board Letter of Transmittal	3
Manager's Report of Operations	4
Summary of Litigation	15
Report of the Actuary	22
Report of the Auditor	26
Statement of Assets and Liabilities	27
Statement of Revenues and Expenditures	28
Table of Administrative Expenses	32
Statement of Operations Compared	33

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

JOHN FERRARO
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
1965-1966 ANNUAL REPORT**

November 16, 1966

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

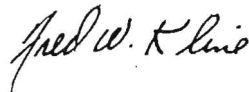
Gentlemen:

Presented herewith is the annual report of the Board of Pension Commissioners for the fiscal year ended June 30, 1966 and submitted in accordance with the provisions of Section 64 of the City Charter.

The following are only a few of the significant developments during the past year, but are called to your attention because of their importance relative to the cost of the the Pension System, and the future of the Fire and Police services of this City:

1. Revenue from dividends and interest rose 99% over the prior year.
2. Total assets reached \$33,427,000, the highest figure in Pension System records.
3. Average yield on investments reached the assumed rate (4%), with the prospect of continued growth. As this yield rises, it will reduce the long run cost of the System to the taxpayer.
4. With your assistance, the long-planned revision of the Pension System was greatly advanced during the fiscal year, and, after the close of the fiscal year, a New System was adopted by the voters in the November 8, 1966 election.

Respectfully submitted,
BOARD OF PENSION COMMISSIONERS
By



Fred W. Kline, President



FRED W. KLINE
President



VINCENT M. BURKE
Vice President



MONROE RICHMAN, M.D.



ALFRED P. LOWY



PAUL J. MARACHE

October 20, 1966

Board of Pension Commissioners

Room 1308, 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, 1966. 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 substantially during the past year to a total of \$33,426,975, the largest asset total in the history of the Fire and Police Pension System. This represented a net increase in assets of \$11,723,272 above the value of the fund a year ago, with most of the increase represented by growth in the investment portfolio. Temporary investments also increased by approximately \$2,150,000 representing the larger amount of funds required at the end of the fiscal year in temporary investments to provide funds for pension rolls during the early months of each new fiscal year prior to the receipt of tax funds, and also included \$1,000,000 of investible funds held over for "dollar averaging" in common stocks.

Portfolio Changes

During the year there not only was a growth in the investment portfolio of more than 9½ million dollars, but there also was a considerable amount of change in the common stock holdings of the fund as the result of the Board's employment of new investment counsel, following extensive review of leading investment counselors. Over-all, common stocks in the total amount of \$1,288,903 were sold while purchases were made in the total amount of \$2,441,323. In the process of making these changes, the total number of names held in the stock portfolio were reduced from 81 to 61, and a net profit was realized in the amount of \$217,819.

During the year, the extensive rise in the level of interest rates brought increased emphasis on the purchase of bonds in order to improve average earnings of the fund. A considerable quantity of low coupon bonds were purchased, at deep discount from issue prices, in order to acquire good yields that would be protected from refunding actions at a later date. Other steps taken to protect bond yields included the purchase of U.S. Treasury Bonds, and the purchase of private placements of corporate bonds carrying protection against early refunding. As a result, at year end the percentage of common stocks in the total portfolio was reduced from 31½% in the prior year to approximately 23½%.

Investment Results

Gross earnings from investments of \$975,387 represent an increase of 99% over this income in 1965. While most of these earnings came from permanent investment, some \$238,796 represent the return on temporary investment in U.S. Treasury Bills of funds not immediately committed to pension payments or investment.

Average purchase yield on additions to portfolio showed 5.02% for bonds purchased, and 3.01% for common stocks purchased. When these values are computed for the total portfolio, we find that yields were 4.20% on bonds and 3.37% on stocks, with an over-all average of 4.00% as compared to the average of the prior year of 3.67%. The sell-off in the stock market since the peak of market activity in February, 1966, and the rise in interest rates, reduced the appraised value of the portfolio. However, this is of concern only in a circumstance where sale of securities might become necessary. Stock sales were consummated during the year in the amount of \$1,288,903, and resulted in a profit of \$217,819, which was reinvested but is identified in the Balance Sheet in a reserve account called "Reserve for Investment Losses."

NEW PENSION SYSTEM

The proposed New Pension System, which had been in preparation by the City Administrative Officer since 1964, culminated in a report to the City Council in November, 1965, with a detailed outline of recommendations by the City Administrative Officer for pension system revisions. Hearings were then scheduled with regard to the proposal and summaries compiled of objections registered by the various individuals and groups concerned with the pension system. Subsequently, in March, 1966, the Fire and Police Protective League presented its own proposals, and the City Administrative Officer revised the earlier presentation he had made. At the close of the fiscal year, studies were in preparation to determine costs of both proposals.

After the close of the fiscal year, the City Council approved the proposals of the Fire and Police Protective League, with modifications as determined by the City Council, to be placed before the voters of the City in the November 8, 1966 State General Election.

ACTUARIAL STUDIES

Because of the prospect of early submission to the voters of a revised Fire and Police Pension System, the Board contracted for not only the Actuarial Valuation of the system, but also arranged for a new Actuarial Investigation, to be performed for the four-year period ending December 31, 1965, in order to re-evaluate the experience of the system during the past four years, and to provide a new basis for the valuation to be done as of the end of the fiscal year. It was anticipated that the investigation would reflect the great reduction that has taken place in disability pensions during the past four years, and the major question lay in whether or not other system experience would dilute the favorable effect of that reduction.

The report of the investigation showed that while service-connected disability pension rates had declined at least 25% from the rates expected from the 1961 investigation, the rate of service retirements had increased 70% above the 1961 experience, with most of this arising in the Police Department. In addition to these two major changes in the experience, there was also an increase in the ordinary disability retirement rate and a reduction in the rate of withdrawals from the system on account of resignations, discharges, or death where there was no dependent.

The net result of the investigation is reflected in the Actuarial Valuation as of June 30, 1966, which is set forth more fully in later pages in this report. The City contribution rate for entry age cost of new members increased by six-tenths of 1% of payroll to a total of 15.7% of payroll. The unfunded liability increased approximately \$40,000,000 to a total of \$556,635,571 and the amortization schedule for the unfunded liability thereby increased to 25.9% for the 1967-1968 fiscal year, also up six-tenths of 1% of payroll from the rate expected from the 1965 valuation. However, because the 1967-1968 entry age and amortization rates are specified in the Ballot article for the November 8, 1966 Ballot, there would be no change made in the actuarial rates pending the outcome of the November election.

WORKMEN'S COMPENSATION

Workmen's Compensation payments for fire and police pensioners increased during the year, with a total of \$1,250,000 of tax funds otherwise intended for the pension system allocated by the City Controller to the Special Trust Fund entitled "Workmen's Compensation Fund for Fire and Police Pensioners." Total compensation payments from that fund for the year were \$1,146,331. The number of pensioners receiving such Workmen's Compensation payments on June 30, 1966, was 432, an increase from 397 in the prior year, while the monthly roll for such pensioners increased from \$92,000 to \$104,000. Administration of the Trust Fund continued with the Civil Service Department throughout the year, with the City Attorney's office determining those eligible for payment.

During the year, the Fraide and Morse cases were determined by the State Supreme Court, and are described in greater detail in this report under the heading of Litigation. At this point, it is necessary to advise that the State Supreme Court constructed a compromise determination in these cases which, in general, found that individual firemen and policemen were entitled to Workmen's Compensation benefits even though they were retired on a disability pension for the same cause or causes, but that the City was entitled to a credit against such payments in a ratio determined by the proportion that the total city pension contributions bore to the sum of the city's contributions plus the members' contributions for a given member's period of service. This decision established the basic framework under which the Workmen's Compensation questions would be settled, but at year's end there remained many details which were still to be settled by the Courts. However, it appeared clear that so far as the pension fund was concerned, it was liable only for pension payments, and that any liability for Workmen's Compensation over and above the amounts paid for pension constituted a City General Fund responsibility rather than one for the Pension Fund.

MEMBERSHIP

As of June 30, 1966, there were 3,410 firemen and 5,243 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	622	1,530	2,152
With less than 10 years	735	799	1,534
With less than 20 years	1,492	2,265	3,757
With 20 years service and over	550	603	1,153
On Military Leave (eligibility dates not counted)	2	39	41
20-Year Members			
Members Eligible to Retire	9	7	16
TOTAL	3,410	5,243	8,653

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:

	1965-66	1964-65	1963-64	1962-63	1961-62
Total Membership July 1st	8,536	8,366	8,270	8,003	7,824
On Leave or Suspension	29	12	16	17	21
On Military Leave	13	48	37	62	17
	8,494	8,306	8,217	7,924	7,786
Additions:					
New Appointments	542	485	472	658	553
Reappointments	17	13	7	6	6
Restorations	13*	7*	7*	5	4*
Returned from Leave or Susp.	169	148	197	175	124
Restored from Military Leave	36	53	47	50	14
	9,271	9,012	8,947	8,818	8,487
Withdrawals:					
Service Retirements	227	131	142	158	143
Disability Retirements	48	47	70	79	87
Resigned	144	122	146	133	118
Discharged	19	23	16	18	19
Deaths	17	12	16	14	17
Leaves or Suspensions	180	148	193	174	120
Military Leaves granted	47	35	58	25	59
Active Membership—June 30th ..	8,589	8,494	8,306	8,217	7,924
On Leave or Suspension	23	29	12	16	17
On Military Leave	41	13	48	37	62
Total Membership—June 30th	8,653	8,536	8,366	8,270	8,003

*Includes 7 disabilities granted after resignation and/or discharge in 1965-66; 4 in 1964-65; 2 in 1963-64 and 1961-62.

Appointed Fiscal Year 1965-1966

During the course of the year 559 members were appointed and became members of the system. Some 399, or 71% of such members were married at the date of entrance. Seventeen of such members were re-appointees with an average age of 26. Six were restored from disability pension and were above the age of 27. Of the 559 original appointments the median age was 23, the mode 21 and the average was 24.

ELIGIBILITY

There were, as of June 30, 1966, a total of 1,169 members eligible to retire. Sixteen of these were 20-year members and 1,153 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
1965-1966	559	610	1,169

During the fiscal year 1966-1967, an additional 894 twenty-five year members will become eligible if their service is continuous. Four hundred eleven of these are firemen.

Years of Service	20 Year Members		25 Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	1	240	241
21	---	---	---	24	24
22	---	---	52	53	105
23	---	---	71	52	123
24	---	---	135	125	260
25	---	---	128	36	164
26	---	---	---	---	---
27	---	---	5	6	11
28	---	---	21	13	34
29	---	---	42	41	83
30	---	---	36	2	38
31	---	---	11	---	11
32	---	---	2	---	2
33	---	---	19	1	20
34	---	---	7	2	9
35	---	---	3	---	3
36	---	---	4	4	8
37	---	---	12	2	14
38	---	---	---	2	2
39	1	---	1	---	2
40	1	4	---	---	5
41	3	3	---	---	6
42	3	---	---	---	3
51	1	---	---	---	1
	9	7	550	603	1,169

Members Becoming Eligible Next Five Years

The following schedule indicates that 2,783 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
1966-1967	411	483	894
1967-1968	367	636	1,003
1968-1969	118	358	476
1969-1970	126	187	313
1970-1971	40	57	97
TOTALS	1,062	1,721	2,783

These totals, together with those already eligible to retire as indicated above, demonstrate that by June 30, 1971 some 46% of total Fire and Police present members will have become eligible to retire, or will have retired.

MILITARY LEAVES

On June 30, 1966 there were 41 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1965-1966:

On Leave June 30, 1965	30
Granted during 1965-1966	47
	<u>77</u>
Restored — Now Active	36
	<u>41</u>
On Leave June 30, 1966	41

All of the 41 members on military leave are twenty-five year members. Thirty-seven of these members have less than five years service and four have more than five years service.

PENSION ROLL CHANGES

On July 1, 1965, 33 applications were pending. During the course of the fiscal year 408 petitions were received. Of the total of 441 petitions 386 were granted, 1 death occurred while application was pending, 5 were withdrawn and 7 were denied, leaving 42 pending as of June 30, 1966. The details of 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. Dep.	Non- Serv. Dep.	Total
Balance 7-1-65	1,520	999	644	134	1,243	56	24	14	4,634
Granted	3	224	36	12	95	9	2	5	386
Death-Pending	---	---	---	1**	---	---	---	---	1**
Deaths	97	17	15	5	51	2	1	---	188
Redetermined	---	---	1*	-1*	---	---	---	---	0
Restored to Duty	---	---	6	---	---	---	---	---	6
Remarriages	---	---	---	---	2	2	---	---	4
Majority	---	---	---	---	---	---	5	1	6
Increased	---	---	18*	---	2*	---	---	---	20*
Decreased	---	---	20*	---	10*	2*	---	---	32*
Withdrawn	---	4*	1*	---	---	---	---	---	5*
Denied	---	---	6*	---	1*	---	---	---	5*
	<u>1,426</u>	<u>1,206</u>	<u>660</u>	<u>140</u>	<u>1,285</u>	<u>61</u>	<u>20</u>	<u>18</u>	<u>4,816</u>

*Statistical—these figures do not affect pension roll.

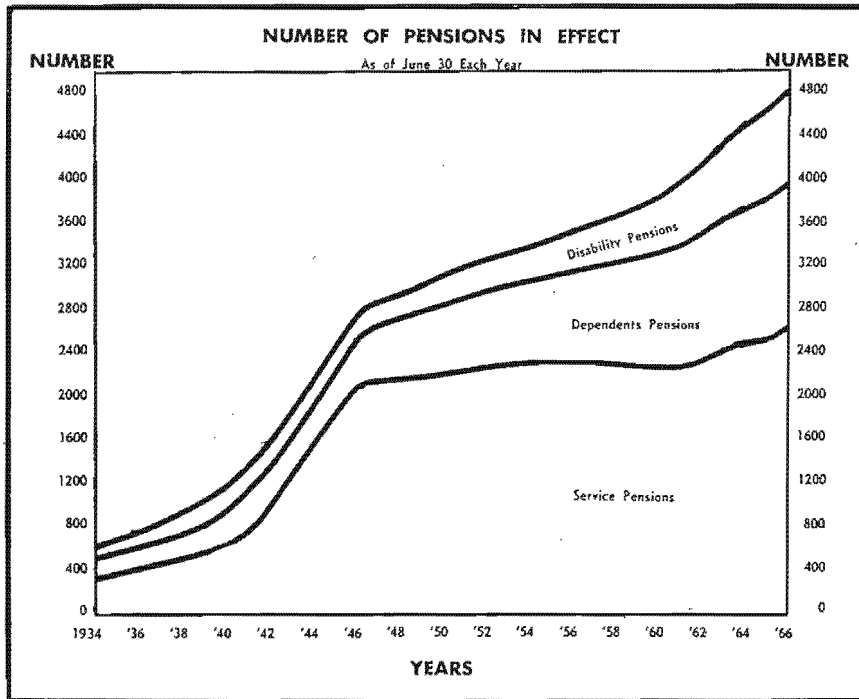
**Death—While application being processed.

PENSIONS IN EFFECT — 1934 TO DATE

The accompanying chart illustrates the changing relationship of the different classifications of pensions in effect at year end for each fiscal year, 1934 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 four and one-half percent (2519 to 2632). Dependent pensions went up three and one-half percent (1337 to 1384). Disability pensions continued to show an increase with a rise of three percent (778 to 800), which is the same percent rise as in the

prior fiscal year. The total of all pensions showed an increase of some four percent.



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	77	18	16	---	---	111
140-179	136	29	39	5	---	209
180-219	96	28	58	---	---	182
220-259	109	69	66	13	---	257
260-299	157	116	41	7	---	321
300-339	318	138	38	8	---	502
340-379	168	86	45	1	---	300
380-419	620	89	544	1	1	1,255
420-459	244	83	218	2	---	547
460-499	136	60	15	---	---	211
500-539	236	40	186	---	---	462
540-579	128	19	5	---	---	152
580-619	47	13	41	---	---	101
620-659	29	5	---	---	---	34
660-699	68	4	1	---	---	73
700-739	7	1	---	---	---	8
740-779	5	---	22	---	---	27
780-819	22	1	---	---	---	23
820-859	1	---	---	---	---	1
860-899	3	---	---	---	---	3
900 or over	25	1	11	---	---	37
	<u>2,632</u>	<u>800</u>	<u>1,346</u>	<u>37</u>	<u>1</u>	<u>4,816</u>
Average Pension	397.40	357.82	404.57	270.42	398.75	391.85

The over-all average of \$391.85 is approximately two percent over the average for the prior fiscal year of \$383.40. The averages and numbers of fluctuating pensions and of fixed pensions is reported as follows:

Fluctuating	Service	Disability	Widows	Minors	Dependents	Total
Number	1,254	76	990	2	1	2,323
Average Pension	486.82	442.10	448.38	416.50	398.75	468.88
Fixed						
Number	1,378	724	356	35	---	2,493
Average Pension	316.02	348.98	282.74	262.07	---	320.08

The total of 2,323 fluctuating pensions represents a net decrease of 59 during the fiscal year, while fixed pensions increased by 241.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1966:

Ages	Service	Disability	Widows	Minors	Dependents	Total
0-17	---	---	---	37	---	37
20-24	---	---	1	---	---	1
25-29	---	3	4	---	---	7
30-34	---	27	6	---	---	33
35-39	---	52	15	---	---	67
40-44	64	198	40	---	---	302
45-49	213	195	46	---	---	454
50-54	287	100	74	---	---	461
55-59	233	70	132	---	---	435
60-64	315	30	245	---	---	590
65-69	758	77	299	---	---	1,134
70-74	462	29	237	---	---	728
75-79	216	10	139	---	---	365
80-84	66	6	82	---	1	155
85-89	14	3	19	---	---	36
90-94	3	---	5	---	---	8
95-99	1	---	2	---	---	3
	2,632	800	1,346	37	1	4,816
Average Age	64	50	65	12	81	

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	Fire	Average Age	
		Police	Combined
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
1965-1966	56	48	49

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 Firemen, but dropped for Policemen. This change was due to the large number of Police members who became eligible to retire during the year (360), with 31% of them retiring with minimum service. The net effect on age and service is indicated in the following tables:

Fiscal Year	FIRE			Total	POLICE			Total
	Under	Exactly	Over		Under	Exactly	Over	
1955-1956	50	50	50	31	50	50	50	38
1956-1957	6	3	22	31	18	2	38	38
1957-1958	6	1	11	18	13	4	12	32
1958-1959	2	1	19	25	13	4	9	26
1959-1960	2	1	32	35	15	1	19	35
1960-1961	1	---	35	36	5	6	23	34
1961-1962	9	---	25	34	20	2	22	44
1962-1963	22	2	26	50	62	1	30	93
1963-1964	15	3	33	51	53	8	46	107
1964-1965	9	2	19	30	59	10	43	112
1965-1966	8	1	23	32	38	9	52	99
	3	---	38	41	141	8	37	186
	87	13	283	383	424	51	331	806
Per cent of Totals:	23%	3%	74%	100%	53%	6%	41%	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:

Fiscal Year	Fire	Police	Combined
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
1965-1966	29	22	23

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 greater number becoming eligible to retire during the past year than in the previous fiscal year:

Fiscal Year	FIRE				Total	POLICE				Total
	Less	Exac.	Over	Over		Less	Exac.	Over	Over	
1955-1956	20	25	25	25	31	20	25	25	25	38
1956-1957	4	4	1	22	31	3	4	3	28	38
1957-1958	5	5	1	7	18	19	2	1	10	32
1958-1959	2	6	1	16	25	16	1	---	9	26
1959-1960	---	3	1	31	35	7	13	---	15	35
1960-1961	1	1	---	34	36	---	19	---	15	34
1961-1962	8	3	---	23	34	16	12	2	14	44
1962-1963	17	8	5	20	50	51	21	10	11	93
1963-1964	8	9	4	30	51	42	30	6	29	107
1964-1965	6	7	4	13	30	35	54	---	23	112
1965-1966	1	12	---	19	32	13	56	1	29	99
	---	12	2	27	41	121	44	4	17	186
	52	70	19	242	383	323	256	27	200	806
Percent of Totals:	14%	18%	5%	63%	100%	40%	32%	3%	25%	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 1965-1966 reflects approximately the same picture 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
1965-1966	41	41	41	15	16	16

SERVICE PENSIONS

Pensions Granted

A total of two hundred twenty-seven members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1966.

Pensions Discontinued

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

Service Retirements by Years

The total number of members who retired upon service pension is presented by Department 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	
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
1965-1966	2	39	1	185	227

DISABILITY PENSIONS

Pensions Granted

A total of forty-eight members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1966. Of these thirty-six were granted on a service-connected basis while twelve were nonservice.

Pensions Discontinued

Twenty disability pensions were discontinued on account of death and six 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	F I R E		P O L I C E		Total
	Service	Nonservice	Service	Nonservice	
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
1965-1966	7	0	29	12	48

Analysis of Rates

There were 660 service-connected disability pensions and 140 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1966:

Rate	Fire	Police	Total
40%	31	109	140
50%	62	180	242
55%	18	53	71
57½%	1		1
60%	39	62	101
65%	43	92	135
66½%	1		1
70%	10	22	32
75%	7	35	42
80%	5	11	16
85%	3	1	4
90%	1	14	15
TOTAL	221	579	800

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29		3	3
30-34	3	24	27
35-39	13	39	52
40-44	32	166	198
45-49	33	162	195
50-54	41	59	100
55-59	28	42	70
60-64	22	8	30
65-69	32	45	77
70-74	9	20	29
75-79	5	5	10
80-84	1	5	6
85-89	2	1	3
TOTAL	221	579	800
Average Age	54	49	50

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

In these cases, commenced prior to this year, the District Court of Appeal on January 26, 1966, in affirming the trial court's judgments, determined: that plaintiffs in ARMSTRONG AND MITCHELL, service pensioners, 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 than the fixed pensions which they are receiving based upon 25 to 35 years of service; that plaintiffs in BURNS, widows, 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 none of said plaintiffs had waived interest upon principal amounts of other pension benefits which had been made to and accepted by them prior to trial but all of them are entitled to interest thereon and to have said payments first applied to the payment of accrued interest. Plaintiffs' Petition for Rehearing by the District Court of Appeal was denied on February 23, 1966, their Petition for Hearing by the Supreme Court was denied on March 22, 1966 and, therefore, the aforementioned determinations now are final and conclusive.

ABBOTT vs. City of Los Angeles, et al.

In this case, commenced prior to this year, plaintiffs 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.

These cases were commenced prior to this year. The issues in ALLEN are the same as those which were determined in ARMSTRONG and MITCHELL and the issues in ALBRIGHT are the same as those which were determined in BURNS. The cases have not been set for trial.

JONES vs. City of Los Angeles, et al.

ALLEN was severed as to 18 plaintiffs therein and, as to them, is known as JONES, and the trial court determined that each of them is entitled to a pension based upon the salary which he had received at the date of his retirement instead of upon the salaries which were in effect at the date of his retirement for the average position held by him within his rank during the three years prior thereto. Defendants' appeal from the trial court's judgment is pending in the District Court of Appeal but no date for hearing has been set.

DRISCOLL vs. City of Los Angeles, et al.

In this case, commenced prior to this year, plaintiffs, who are widows of members who were appointed prior to July 1, 1925, contend that they are entitled to fluctuating pensions upon the ground that they were married for at least one year prior to the date of death of their respective husbands. The trial court determined: 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 their affirmative defense of the Statute of Limitations as a bar to each of such plaintiff's causes of action

which was not commenced until more than three years after the date of the death of her husband; that each such plaintiff is entitled to a fluctuating pension; and that each such plaintiff is entitled, by reason of defendants' affirmative defense of the claims provisions of the City Charter, to recover only those pension payments which had accrued to her within six months prior to the date upon which she filed her claim therefor and not retroactively to the date of death of her husband. The excepted plaintiff's application for pension was denied upon the advice of the City Attorney and the trial court's judgment was in favor of defendants with respect to her. Both plaintiffs' appeal and defendants' appeal from the trial court's judgment are pending in the District Court of Appeal but no date for hearing has been set.

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

In these cases, commenced prior to this year, the trial court determined: that plaintiffs in BOWERS, who are not receiving pensions and who commenced their causes of action more than three years after the date of death of each plaintiff's respective husband, are entitled to fluctuating pensions and to recover pension payments from each such respective date of death because defendants are estopped to urge their affirmative defenses of the Statute of Limitations and the claims provisions of the City Charter as bars to their causes of action; and that plaintiffs in CASEY, who are receiving fluctuating pensions, are entitled to recover pension payments from each such respective date of death to the first date upon which each of them heretofore had been paid the same because defendants are estopped to urge their affirmative defense of the claims provisions of the City Charter as a bar to their causes of action. A hearing was had on June 28, 1966 by the District Court of Appeal upon defendant's appeals from the trial court's judgments but no decision by it has been filed.

CUNNINGHAM vs. City of Los Angeles, et al.

In this case, commenced prior to this year, plaintiff, a widow, seeks a service-connected death pension rather than the nonservice-connected death pension which she is receiving. The case has not been set for trial.

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

In these cases, commenced prior to this year, the trial court determined that plaintiffs, some service-connected disability pensioners and some nonservice-connected disability pensioners, are not entitled, without first having been restored to active duty in the Fire Department or in the Police Department, to service pensions based upon the total of years of service prior to retirement and years which have elapsed since retirement. A hearing was had on April 26, 1966 by the District Court of Appeal upon plaintiff's appeals from the trial court's judgments but no decision by it has been filed.

HOSTETTER vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the District Court of Appeal determined, by its decision filed on April 7, 1966, that "I.O.D. pay," as provided by Section 24 of Ordinance No. 89,935, is Workmen's Compensation and that respondent's deductions, for pension purposes, of 6% of the amounts thereof which had been paid to petitioner were in violation of Labor Code provisions and that respondents may not make such deductions. Said decision now is final and conclusive.

HOSTETTER vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the trial court determined that the Board's determination that petitioner's disability is nonservice-connected and not service-connected is supported by substantial evidence in the light of the whole record. Petitioner's appeal from the trial court's judgment is pending in the District Court of Appeal but no date for hearing has been set.

BROWN vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the issues are the same as those which have been determined by the District Court of Appeal in ARMSTRONG and MITCHELL. The case has not been set for trial.

CONRAD vs. City of Los Angeles, et al.

In this case, commenced prior to this year, petitioner sought to have the Board's determination that he was 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 trial court determined, by its judgment entered on October 5, 1965, that the Board had failed to make findings as required by the City Charter and that a peremptory writ of mandate issue commanding respondents to set aside their order and decision denying petitioner's application for a disability pension until such time as they shall make findings with respect thereto in compliance with the provisions of the City Charter. Thereafter, a peremptory writ of mandate so commanding respondents was issued but both petitioner and respondents appealed from the judgment. Subsequent thereto, the Board considered the request of petitioner's attorney for a rehearing and, on March 2, 1966, granted petitioner a nonservice-connected disability pension. As a result thereof, the attorneys for the parties abandoned their appeals from the trial court's judgment and the case now is concluded.

FINERTY vs. City of Los Angeles, et al.

In this case, commenced prior to 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 case, commenced prior to this year, plaintiff, who is a nonservice-connected disability pensioner, sought a service-connected disability pension. After defendants had served and filed their answer to plaintiff's complaint and plaintiff had served upon defendants his interrogatories, the Board reconsidered plaintiff's application, and on March 2, 1966, granted him a service-connected disability pension. Thereafter, the case was dismissed with prejudice and now is concluded.

PATTERSON vs. City of Los Angeles, et al.

In this case, commenced prior to this year, petitioner sought to have the Board's determination that he, prior to termination of employment, was 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 trial court, by its judgment entered on February 14, 1966, determined that petitioner had not been given a fair and unbiased hearing by the Board and that the matter should be remanded to the Board for a new hearing. Petitioner and the Board now are preparing the record for the purpose of having a new hearing.

JONES vs. City of Los Angeles, et al.

In this case, commenced during this year, petitioner seeks to have the Board's determination that he, prior to termination of employment, was 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.

CAVITT vs. City of Los Angeles, et al.

In this case, commenced during this year, plaintiff, who had been married to her deceased husband for many years prior to the date of his retirement, who had divorced him subsequent to the date of his retirement and who had remarried him more than one year prior to the date of his death, seeks a widow's pension. Defendants contend that she is not entitled to a pension because her marriage to her deceased husband prior to the date of his retirement was not continuous up to the date of his death, that any rights which she may have had to a pension as a result of such marriage were lost when she divorced him and that any such rights could not be reinstated by her remarriage to him after the date of his retirement. The trial court's judgment was entered in plaintiff's favor. Defendant's appeal from said judgment is pending in the District Court of Appeal but no date for hearing has been set.

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

In these cases, the California Supreme Court held that the City was entitled to credit for a percentage of each payment from the pension fund as Workmen's Compensation payment. The Court said that since the City contributed about two dollars for every one deducted from salaries of policemen and firemen, the City should receive credit in that ratio. The Court did not pass upon whether the payment from separated funds would fully satisfy the obligation to pay Workmen's Compensation and pension.

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

In these cases, the California Supreme Court held that the claims for Workmen's Compensation were barred by the Statute of Limitations. The court held the City was not estopped to plead the statute even though it had erroneously advised the pensioners that they were not entitled to Workmen's Compensation.

Opinions of the City Attorney

An opinion of the City Attorney advised the Board: that all gifts to the Fire Department or to the Police Department for services by any member or members thereof, which are not made to provide for any medal or permanent competitive award, are required, by the provisions of Section 186(b) of the Charter, to be paid into the Fire and Police Pension Fund; that each such department is without authority to accept gifts for any reason other than for services by any member or members thereof; that the authority of each such department to dispose of any gift is limited either to use it to provide for any medal or permanent competitive award or to pay it into said fund; that any proposed gifts, which are made in some manner or for some purpose which is beyond the authority of either such department to act upon, should be referred to the Council; and that any gift to either such department may not be given by it to any organization such as the Los Angeles Firemen's Relief Association, Inc., or the Los Angeles Police Relief Association, Inc.

A report of the City Attorney to the Board, to the Board of Fire Commissioners, to the Board of Police Commissioners and to the Controller, with respect to the effect of the decision of the District Court of Appeal in the case of Hostetter v. City of Los Angeles, et al., advised: that the Court had determined that Section 24 of Ordinance No. 89,935 provides for payments of Workmen's Compensation, that the full amounts of such payments are Workmen's Compensation, and that defendants were not entitled to deduct, for pension purposes, 6% of the amounts of such payments which had been made to Hostetter; that Hostetter is entitled to be paid the sum of the moneys which were deducted from the payments which were made to him pursuant to said Section 24 for the period February 16, 1963 to January 22, 1964, both dates inclusive, together with 7% interest per annum upon the amount of each deduction from the date upon which it was made up to the date of payment to him in full and that it is the duty of the Board and the Controller to pay the same to him; that it is the duty of the Board to cause the records of the Department of Pensions to be changed to show that Hostetter has not been given any credit toward his aggregate service in the Fire Department for any day of the aforementioned period; that it is the duty of the Board of Fire Commissioners and the Controller or the Board of Police Commissioners and the Controller to cause no deduction for pension purposes to be made in the future from any payments made pursuant to said Section 24 to any fireman or policeman; and that it is the duty of the Board to cause no credit to be given to any fireman or policeman toward his aggregate service in the Fire Department or in the Police Department for any day in the future for which he shall be paid pursuant to said Section 24.

Guardianships

Forty-seven accountings, as well as various petitions and other documents, were received and carefully examined. Nineteen requests for special notice were prepared, served and filed. Seven guardianships of incompetents were discontinued and fifteen were added. Six guardianships of minors were discontinued and seven were added. There are eight-one active guardianships, forty-four covering incompetents and thirty-seven covering seventy-two minors.

Miscellaneous

The City Attorney prepared contracts, and approved the same as to form, between the Board and

Lionel D. Edie & Company, Incorporated, Investment Counsel
Coates, Herfurth & England, Actuaries
Peat, Marwick, Mitchell and Co., Auditors

OPERATIONS

Revenues

Revenues for the year increased \$4,000,000 largely accruing from the \$3,300,000 increase in taxes because of the annual increase in the amortization schedule to pay for the unfunded liability of the system. In addition, there were increases of nearly \$77,000 in dividends, \$408,000 in interest, and \$246,000 in member contributions. Total revenues were \$34,059,344 and exceeded expenditures by \$11,503,610 for the year. Included in such revenue figures is the \$1,250,000 of tax moneys which the Board authorized to be deposited into the "Special Trust Fund for Fire and Police Pensioners," which was described earlier in the Workmen's Compensation discussion. Interest income continued to improve through active use of short term investment 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, or for temporary employment of funds intended

for permanent investment. In all, \$36,150,000 par value of Treasury Bills were purchased at a net interest advantage to the fund of \$238,796.

Expenditures

Expenditures for pensions increased in all categories of pensions and were also affected by the gradual rise in Workmen's Compensation claims. These are included as pension payments in the Operating Statement of this report. Total pension payments increased by \$1,074,000, including an increase of approximately \$128,000 in Workmen's Compensation claims.

Administrative Expense

Total administrative costs for the year rose approximately \$2,000 compared to the prior year, but remained below the 1963-1964 fiscal year. This controlled level of expense is due principally to the continued reduction in the cost of medical services, arising out of the reduction in the total number of cases undergoing periodic review.

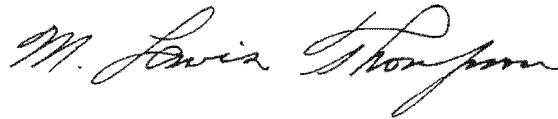
With respect to other expense items, the salary account increased some \$1,600 in the year. The printing and binding costs were up approximately \$1,000, partly because of a substantial increase in the printing of Service Certificates. For the next two years, this type of expense will continue to increase because of the large number of men achieving twenty years of service. The major increase in expense items came under contractual services, with the increase largely attributable to the growing cost of investment counsel services. The cost of this service is based on portfolio size; as the portfolio continues to increase, this element of cost will continue to rise. All other expense items varied by relatively nominal amounts. Over-all, administrative expense amounted to six-tenths of 1% 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:

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

Respectfully submitted,



Manager-Secretary

MLT:GRW:ar

OFFICES IN
SAN FRANCISCO
DENVER
PASADENA

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

TELEPHONE
MURRAY 1-4455

September 19, 1966

Board of Pension Commissioners
Fire and Police Pension System of
the City of Los Angeles
1108 City Hall
Los Angeles, California 90012

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, 1966.

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, 1966**

**SECTION I
RESULTS OF VALUATION**

The results of the Actuarial Valuation of the Fire and Police Pension System as of June 30, 1966, 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, 1965, 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 September 16, 1966.

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 15.7% 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 from members receiving fluctuating pensions when they occur.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
ACTUARIAL BALANCE SHEET
AS OF JUNE 30, 1966

ASSETS

1. Assets from Accounting Balance Sheet		\$ 33,426,975
2. Present Value of Future Contributions by Members of 6% of Compensation		53,724,111
3. Present Value of Future Contributions by the City for:		
(a) Entry Age Cost (15.7% of Compensation)	\$140,578,091	
(b) Fifty Year Amortization of "Unfunded Liability"	556,635,571	697,213,662
4. Total Assets		<u>\$784,364,748</u>

LIABILITIES

5. Accounts Payable		\$ 13,306
6. Reserve for Investment Losses		228,530
7. Present Value of Present Pensions to Pensioners now on Pension Roll:		
(a) Service	\$117,007,944	
(b) Disability	41,784,084	
(c) Dependents	69,983,524	228,775,552
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:		
(a) Service	\$ 49,708,259	
(b) Disability	14,439,348	64,147,607
9. Present Value of Prospective Pensions to Presently Active Members:		
(a) Service	\$294,661,728	
(b) Disability	62,216,372	356,878,100
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service		21,287,805
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:		
(a) Service	\$ 92,859,696	
(b) Disability	20,174,152	113,033,848
12. Total Liabilities		<u>\$784,364,748</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 (1/10th) 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, 1967, be as follows:

1. An Entry Age Contribution equal to 15.7% of the total payroll of members; plus
2. An amortization contribution equal to 25.9% 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, 1966

Year of Amortization Program	Fiscal Year Beginning July	Contribution as Percentage of Members' Compensation
9	1967	25.9%
10	1968	29.2%
11 through 50	1969 through 2008	32.4%

The amortization contribution rate of 25.9% shown above for the fiscal year beginning July 1, 1967 is about 2½% higher than the 25.3% contribution rate for the same fiscal year developed from the June 30, 1965 actuarial valuation. The entry age contribution rate of 15.7% shown above is about 4% higher than the 15.1% rate computed on the basis of the actuarial assumptions developed as of December 31, 1961 which has been applicable since June 30, 1963.

The increase in the City's contribution rates developed by this valuation totals 1.2% of Members' compensation for the year beginning July 1, 1967 and will reach 1.4% of Members' compensation when full amortization payments are made on and after July 1, 1969. These increases are the result of many diverse factors, the most important being the substantial increases in the rates of service retirement developed during the course of the actuarial investigation carried out as of December 31, 1965.

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

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

We have examined the statement of assets, liabilities, reserves and fund capital of the City of Los Angeles Fire and Police Pension Fund as of June 30, 1966 and the related statements of revenues and expenditures 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 \$556,635,571 represents the present values of amounts required to pay pensions related to service prior to June 30, 1966 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 statement of assets, liabilities, reserves and fund capital and statements of revenues and expenditures and fund capital present fairly the financial position of the City of Los Angeles Fire and Police Pension Fund at June 30, 1966 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.

October 5, 1966

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

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND CAPITAL**

June 30, 1966

with comparative figures for 1965

	1966		1965	
ASSETS				
Cash and temporary investments:				
Deposits with Treasurer of the City of Los Angeles	\$ 1,368,781		\$ 1,418,838	
Cash revolving funds	325		325	
United States Treasury Bills— at cost plus interest (approximate market)	6,849,104	8,218,210	4,672,679	6,091,842
Interest and dividends receivable		191,657		102,459
Investments:				
Bonds—at amortized cost (quoted market, 1966, \$17,571,301) (note 1) ..	18,957,071		10,600,058	
Preferred stock—at cost (quoted market, 1966, \$81,200)	84,121		84,121	
Common stock—at cost (quoted market, 1966, \$5,632,972)	5,957,962		4,805,541	
Trust deed receivable			1,960	
Treasurer's deeds—at cost	672		657	
Real property—at cost	17,282	25,017,108	17,064	15,509,401
		\$ 33,426,975		\$ 21,703,702

LIABILITIES AND FUND CAPITAL

Accounts payable	\$ 13,306		\$ 12,282	
Reserve for pensions at actuarial valuation (note 2)		556,635,571		515,817,744
		\$ 556,648,877		\$ 515,830,026
Fund capital:				
Accumulated surplus (deficit)	\$(524,163,501)		(494,746,485)	
Workmen's compensation fund for fire and police pensioners (note 3)	713,069		609,400	
Reserve for investment losses	228,530	(523,221,902)	10,761	(494,126,324)
Contingent liabilities, and subsequent event (note 4)	\$ 33,426,975		\$ 21,703,702	

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year ended June 30, 1966
with comparative Figures for 1965

Revenue:	1966	1965
Taxes	\$28,102,144	\$24,798,772
Interest	794,239	385,615
Dividends	181,148	103,542
Members' contributions	4,892,547	4,646,004
Sales of unclaimed property	72,008	62,618
Donations	950	239
Miscellaneous	5,925	7,779
Revenues	<u>34,048,961</u>	<u>30,004,569</u>
Expenditures:		
Pensions paid (notes 3, 4 and 5):		
Service	\$12,408,934	\$11,810,428
Disability	2,964,464	2,922,468
Widows	6,215,766	5,862,083
Minors	68,626	71,370
Dependents	5,835	10,509
Non-service:		
Disability	412,454	362,554
Widows	207,215	185,635
Minors	54,136	47,551
	<u>22,337,430</u>	<u>21,272,598</u>
Administrative expenses	207,051	205,009
	<u>22,544,481</u>	<u>21,477,607</u>
Excess of revenues over expenditures	\$11,504,480	\$ 8,526,962
Additional reserve requirements due to increase in actuarial liability (note 2)	40,817,827	16,253,458
Deficiency for the year	<u>\$29,313,347</u>	<u>\$ 7,726,496</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUND CAPITAL

Year ended June 30, 1966
with comparative figures for 1965

	1966				1965
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses	Total	Accumulated Fund Capital (Deficit)
Balance at beginning of year	\$(494,746,485)	\$609,400	\$ 10,761	\$(494,126,324)	\$(486,399,988)
Deficiency for the year	(29,417,016)	103,669	---	(29,313,347)	(7,726,496)
Gain on disposition of investments	---	---	217,769	217,769	160
Balance at end of year	<u>\$(524,163,501)</u>	<u>\$713,069</u>	<u>\$228,530</u>	<u>\$(523,221,902)</u>	<u>\$(494,126,324)</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

Notes to Financial Statements

June 30, 1966

(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 redeemed substantially at par. Bond premiums and discounts are amortized to maturity date by adjusting the nominal interest rate to the increase or decrease in the book basis of the bonds each year computed at the yield basis upon which they were acquired.

(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, 1966. 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 investigation that was made as of December 31, 1965 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, \$556,635,571 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 primary factor in the \$40,817,827 addition to the unfunded actuarial liability was a greater number of service retirements and a reduction in average age at retirement than was expected at the time of the December 31, 1961 actuarial investigation. In addition, upward salary adjustments to active firemen and policemen resulted in increased liabilities for both fluctuating and fixed pensions.

(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 \$1,146,331 thus made during the year ended June 30, 1966 are included under pensions paid.

(4) Contingent Liabilities and Subsequent Event

There were a number of legal actions pending at June 30, 1966 contesting the method of computing pensions of certain members and fluctuating pensions with recovery retroactive to date of death of two members. Pending completion of the legal actions and final determination of the liability, if any, no provision has been made therefor in the accounts. The Council of the City of Los Angeles has adopted a resolution for the submission of a proposed amendment to the Charter of the City of Los Angeles to the qualified electors of the City at the special municipal election to be held in conjunction with the State general election on November 8, 1966. Said proposed amendment provides, among other things, for a new pension system and amortization of unfunded actuarial liabilities over a period of 70 years, cost of living adjustments in the existing system of not over 2% annually, and cost of living adjustments of not over 2% annually of pensions based on years of service in the new system. This proposed Charter amendment will not become effective until and unless approved by the voters; therefore, no determination of, and no provision for, any effect on the financial position of the fund has been made.

(5) Pension Payments

The expenditures for regular and retroactive pension payments during the year ended June 30, 1966, with comparative figures for 1965, were as follows:

Regular monthly pension payments:	1965-66	1964-65
Service	\$12,407,556	\$11,810,428
Disability	2,964,464	2,917,556
Widows	6,215,766	5,862,083
Minors	68,626	71,370
Dependents	5,835	10,509
Non-service	673,805	595,740
	<u>\$22,336,052</u>	<u>\$21,267,686</u>
Retroactive pension payments:		
Service	1,378	---
Disability	---	4,912
Widows	---	---
Minors	---	---
	<u>\$22,337,430</u>	<u>\$21,272,598</u>

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

Operating Expense	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60
Salaries	\$130,623	\$129,002	\$125,081	\$114,186	\$100,340	\$ 91,475	\$ 88,515
Communications	1,405	1,530	1,147	946	1,188	1,073	761
Insurance and Bond Premiums	353	367	372	359	365	400	424
Office Equipment	1,053	1,064	1,222	1,771	1,043	711	937
Office Supplies	1,954	1,907	1,634	1,559	1,607	1,389	865
Printing and Binding	2,700	1,669	1,842	2,267	3,138	2,115	1,471
Traveling	1,030	1,861	1,397	2,250	3,105	723	1,372
Contractual Services	22,937	15,675	11,545	11,042	18,548	6,220	5,114
Field Equipment	100	60	150	300	150	150	250
Maintenance and Repairs	---	---	---	---	---	393	---
Petroleum Products	105	153	150	151	230	150	153
Transportation	1,117	1,256	1,058	1,324	300	284	292
Annual Audit	2,500	2,200	2,000	1,850	1,850	1,750	1,500
Governmental Meetings	---	10	---	19	---	---	---
Litigation	12,144	11,545	15,827	8,474	11,136	2,391	2,039
Mailing Service	624	681	842	539	678	472	470
Medical Services	20,939	28,692	35,949	24,439	20,656	18,504	13,456
Miscellaneous	58	46	94	38	143	174	9
Actuarial	4,500	4,500	4,500	4,500	9,500	10,000	5,000
Equipment, Furniture and Fixtures	2,909	2,791	2,727	2,146	2,281	1,095	4,214
	<u>\$207,051</u>	<u>\$205,009</u>	<u>\$207,537</u>	<u>\$178,160</u>	<u>\$176,258</u>	<u>\$139,469</u>	<u>\$126,842</u>

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
STATEMENT OF OPERATIONS COMPARED
Fiscal Years 1959-60 to 1965-66**

REVENUES	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60
Taxes	\$ 28,102,144	\$ 24,798,772	\$ 20,990,559	\$ 14,530,198	\$ 12,247,624	\$ 8,476,006	\$ 6,301,170
Dividends	181,148	103,542	12,222	---	---	---	---
Interest	794,239	385,615	236,806	181,874	277,003	337,662	546,769
Members Contributions	4,892,548	4,646,004	4,482,305	4,088,863	3,854,325	3,403,660	3,300,677
Sales of Unclaimed Property	72,008	62,618	63,036	51,341	46,996	54,250	55,913
Donations	950	239	1,480	589	1,280	427	367
Miscellaneous	17,177	9,624	8,842	6,843	33,586	7,537	7,827
TOTAL REVENUES available for current year's operations	\$ 34,060,214	\$ 30,006,414	\$ 25,795,250	\$ 18,859,708	\$ 16,460,814	\$ 12,279,542	\$ 10,212,723
EXPENDITURES							
Pensions Paid							
Service	\$ 12,409,298	\$ 11,810,858	\$ 11,120,195	\$ 10,832,990	\$ 9,825,781	\$ 8,953,096	\$ 9,544,655
Disability	2,965,493	2,922,787	2,824,396	2,746,971	2,833,567	1,584,573	1,343,438
Widows	6,225,130	5,862,818	5,461,317	5,703,292	5,364,626	3,417,479	3,459,800
Minors	68,626	71,731	81,808	71,496	67,627	52,638	52,648
Dependents	5,835	10,509	11,023	10,783	10,555	8,549	9,287
Non-Service							
Disability	412,454	362,554	312,997	256,086	238,621	229,301	187,035
Widows	207,711	185,635	177,413	177,459	145,079	140,088	122,693
Minors	54,136	47,551	37,917	30,726	30,760	39,902	28,640
TOTAL PENSIONS	\$ 22,348,683	\$ 21,274,443	\$ 20,027,066	\$ 19,829,803	\$ 18,516,616	\$ 14,425,626	\$ 14,748,196
Administrative Expense	\$ 207,051	\$ 205,009	\$ 207,537	\$ 178,160	\$ 176,258	\$ 139,469	\$ 126,842
TOTAL EXPENDITURES	\$ 22,555,734	\$ 21,479,452	\$ 20,234,603	\$ 20,007,963	\$ 18,692,874	\$ 14,565,095	\$ 14,875,038
EXCESS OF REVENUES OVER EXPENDITURES	\$ 11,504,480	\$ 8,526,962	\$ 5,560,647	\$ (1,148,255)*	\$ (2,232,060)*	\$ (2,285,553)*	\$ (4,662,315)*
Provision for Unpaid Pensions	---	---	166,000	---	(1,250,000)	---	---
Less: Provision for Prior Year	---	---	---	1,084,000	---	---	---
Gain (Loss) on Sale of Investments	217,769	160	10,601	---	(124,628)	(63,135)	---
EXCESS OF REVENUES OVER EXPENDITURES	\$ 11,722,249	\$ 8,527,122	\$ 5,737,248	\$ (64,255)*	\$ (3,606,688)*	\$ (2,348,688)*	\$ (4,662,315)*
Additional Actuarial Reserve	(40,817,827)	(16,253,458)	(32,321,342)	(40,591,467)	(45,679,864)	(52,413,886)	(623,700)
Deficit for the Year	\$ (29,095,578)	\$ (7,726,336)	\$ (26,584,094)	\$ (40,655,722)	\$ (49,286,552)	\$ (54,762,574)	\$ (5,286,015)
Fund Deficit at Beginning of Year	\$ (494,126,324)	\$ (486,399,988)	\$ (459,815,894)	\$ (419,160,172)	\$ (369,873,620)	\$ (315,111,046)	\$ (309,825,031)
Fund Deficit at End of Year	\$ (523,221,902)	\$ (494,126,324)	\$ (486,399,988)	\$ (459,815,894)	\$ (419,160,172)	\$ (369,873,620)	\$ (315,111,046)

*Excess of Expenditures over Revenues