

1967
Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES
CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1967

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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

JOHN FERRARO
Fourth District

EDMUND D. EDELMAN
Fifth District

L. E. TIMBERLAKE
Sixth District

ERNANI BERNARDI
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Twelfth District

PAUL H. LAMPORT
Thirteenth District

ARTHUR K. SNYDER
Fourteenth District

JOHN S. GIBSON, JR.
Fifteenth District

*Member Police, Fire and Civil Defense Committee

BOARD OF PENSION COMMISSIONERS 1966-67 ANNUAL REPORT

November 30, 1967

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, 1967 and submitted in accordance with the provisions of Section 64 of the City Charter.

During this year there was completed the most far reaching change in this Pension System since 1947. It is hoped that the improvements in benefits, described in detail in the Manager's report that follows, and approved by the electorate in the November 8, 1966 general election, will have the beneficial result of improving the recruitment of policemen and firemen, and extending the service of those recruited.

The cost of the increased benefits is substantial, and as shown herein in the actuarial report, total liabilities of the Pension System rose some 18 per cent to 923 million dollars. Off-setting the cost rise to some degree was the very favorable increase of 40 per cent in the assets of the Pension Funds, and an increase in dividend and interest earnings of 62 per cent.

The outlook for interest rates to continue at a relatively high level means that the earnings of the Pension Funds will gradually gain ground on the cost rise, and eventually will reduce the long run cost to the taxpayers.

Respectfully submitted,

BOARD OF PENSION COMMISSIONERS

By



Alfred P. Lowy, President



ALFRED P. LOWY
President



MONROE RICHMAN, M.D.
Vice President



STANLEY M. BRUMMEL



VINCENT M. BURKE



PAUL J. MARACHE

December 1, 1967

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, 1967. 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 186.1, Article XVII and 190.08, Article XVIII of the City Charter.

NEW PENSION SYSTEM

Of greatest import in the last fiscal year was the adoption of a New Pension System for Firemen and Policemen through amendment of the City Charter at the November 8, 1966 general municipal election. This was accomplished by means of the adoption of Article XVIII in the City Charter creating the New Pension System, in addition to amendments to Article XVII covering the existing system. Provision was made for the members now working to have one year in which they could transfer to the New System, if they chose. At year end, only 1,543 members had transferred, and, therefore, the number of members that will remain permanently under Article XVII of the Charter will not be known until one year following the effective date of the New System, or January 29, 1968.

Essential changes in pension provisions include the following:

1. **Cost of Living Factor:** Provision was made for annual adjustments in certain pensions in accordance with the changes in the Consumer's Price Index of the Bureau of Labor Statistics for the Los Angeles-Long Beach metropolitan area. The adjustment would be up to two percent of the amount of pension in any one year, and could reflect either an increase or a decrease, except that no pension would decrease below the point at which it stood as of the effective date of the New Pension System. Pensions covered included all service pensions, and pensions to widows of service pensioners, and minimum pensions described below. Disability pensioners and widows of disability pensioners were covered only to the extent that they were affected by the minimum pension.
2. **Minimum Pension:** All pensions paid to retired Firemen and Policemen and to their dependents that were below \$250 per month were increased to such minimum effective the first of the month following the effective date of the new provisions on

February 1, 1967. This minimum is a "floating" value and will change annually with changes in the cost of living factor.

3. **Service Pensions Increased:** Under the previous pension system, members with twenty-five years of service were entitled to fifty percent of their average rank salary, while members with thirty-five years of service received two-thirds of such salary, and intervening years were prorated. The New System provided an increased allowance of service credit for the twenty-fifth year of service of five percent, for a total of fifty-five percent for twenty-five years, and applicable to salary at date of retirement. Additional years beyond this point received increased credit at the rate of three percent per year, to a maximum of seventy percent at thirty years of service.
4. **Members' Contribution Increased:** To provide for financing the estimated cost of the cost of living provisions, there was adopted a provision that such cost would be shared half by the member and half by the City, not to exceed one per cent for members, in addition to the normal contribution rate of six percent of salary.
5. **Investment Requirements Liberalized:** In addition to the previous investment authority of sixty-five percent, or more, of the fund authorized to be invested in corporate and government bonds, and up to thirty-five percent in common stocks, the fixed investment limitations were modified to permit up to fifteen percent of the fund to be invested in mortgages, insured or guaranteed by an agency of the United States Government, and up to ten percent of the fund could be invested in real property, constituting a public improvement undertaken by the City of Los Angeles. In addition, provision was made for a portion of the bond authority to be exercised under "Prudent Man" provisions of the Financial Code of the State of California.
6. **Miscellaneous Changes:** In addition to the basic provisions outlined above, there were many other changes, including subdivision of the fund into four funds, two in each pension system; a change in the period of time to amortize the unfunded liability of the system from approximately forty-five years to seventy years; provision for reinstatement of widow's pensions discontinued on account of remarriage, where the new marriage fails within a five-year period; and other modifications.

FINANCIAL CONDITION

Assets of the Pension System showed a net increase of more than thirteen million dollars over 1966, with more than eleven million of this increase represented in growth of the Department's investment portfolio. The remaining two million dollars of increase at year end consisted of temporary investments in treasury bills planned for investment in common stocks on a dollar-averaging basis, during the summer months when no new income was being received by the pension system, and accrued taxes.

Earnings

Earnings increased substantially from \$975,000 in 1966 to \$1,586,000 in this fiscal year, an increase of more than sixty-two percent. Average yield went up from 4.0 percent on the total portfolio last year to 4.26 percent

this year. The breakdown by media for the current year shows 4.66 percent yield on bonds and 3.52 percent on common stocks. At year end, appraisal of the common stock portion of the portfolio showed a market value in excess of cost of approximately \$436,000.

ACTUARIAL COST

Major changes were made by the amendments to Article XVII and the adoption of a New Pension System in the determination of actuarial costs. Previously, it was necessary only to determine (1) entry age normal cost, and (2) the cost of amortizing the unfunded liability of the System. With the advent of the changes, it became necessary to determine the above values for each system, and as well, costs of the cost of living factor for both systems, subdivided into costs both of entry age normal, and of unfunded liability.

City Contribution Rates

The findings, as shown in the actuarial report set forth herein, may be compared with prior values, as follows:

	City Contribution as a Percent of Payroll		
	1967-1968	1968-1969	
	Article XVII	Article XVII	Article XVIII
Entry Age Contribution:			
Basic Benefits	15.1*	15.7	16.8
Cost of Living	0	1.6	1.1
Unfunded Past Service Contribution:			
Basic Benefits	25.3*	29.7	21.3
Cost of Living	0	2.5	3.3
Total	40.4	49.5	42.5

*Rates specified in Charter Amendment of November 8, 1966.

The above values will be applicable for the 1968-1969 fiscal year in accordance with the estimated total payrolls of personnel in each system. To the extent that a major transfer of membership takes place from Article XVII membership to membership in the New Pension System, the above findings will be relatively understated for the New Pension System. Thus, the valuation as of June 30, 1968 may present quite different results than the current one. The practical effect is to spread the impact of cost of the benefit increases over a two year span.

Actuarial Balance Sheet

As shown in detail in the Actuarial Balance Sheet, total actuarial liabilities increased by more than \$139 million, to a total of \$923,840,613 for both systems. This constitutes an increase of 18% above the value of the 1966 valuation. Although the assets of the System advanced 43%, and earnings on the Funds went up 62%, nevertheless the major benefit increase caused the unfunded liabilities of the system to advance some 17.5% to a new total of \$654,573,473.

MEMBERSHIP

As of June 30, 1967, there were 3,321 firemen and 5,364 policemen as members of the system including members on leave of absence without

pay, members on military leave and members on suspension. The following statement presents an analysis of the length of service of such members:

	Fire	Police	Total
25 Year Members			
Members with less than 5 years	432	1,651	2,083
With less than 10 years	709	924	1,633
With less than 20 years	1,264	1,854	3,118
With 20 years service and over	899	885	1,784
On Military Leave (eligibility dates not counted)	10	43	53
20 Year Members			
Members eligible to retire	7	7	14
TOTAL	3,321	5,364	8,685

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:

	1966-67	1965-66	1964-65	1963-64	1962-63
Total Membership July 1st	8,653	8,536	8,366	8,270	8,003
On Leave or Suspension	23	29	12	16	17
On Military Leave	41	13	48	37	62
	8,589	8,494	8,306	8,217	7,924
Additions:					
New Appointments	499	542	485	472	658
Reappointments	21	17	13	7	6
Restorations	5*	13*	7*	7*	5
Returned from Leave or Susp.	231	169	148	197	175
Restored from Military Leave	23	36	53	47	50
	9,368	9,271	9,012	8,947	8,818
Withdrawals:					
Service Retirements	230	227	131	142	158
Disability Retirements	58	48	47	70	79
Resigned	177	144	122	146	133
Discharged	5	19	23	16	18
Deaths	23	17	12	16	14
Leaves or Suspensions	229	180	148	193	174
Military Leaves Granted	35	47	35	58	25
Active Membership—June 30th	8,611	8,589	8,494	8,306	8,217
On Leave or Suspension	21	23	29	12	16
On Military Leave	53	41	13	48	37
Total Membership—June 30th	8,685	8,653	8,536	8,366	8,270

*Includes 4 disabilities granted after resignation and/or discharge in 1966-67; 7 in 1965-66; 4 in 1964-65 and 2 in 1963-64.

Appointed Fiscal Year 1966-1967

During the course of the year 520 members were appointed and became members of the system. Some 366, or 70% of such members were married at the date of entrance. Twenty-one of such members were re-appointees with an average age of 27. No members were restored from disability pension during the fiscal year. One member was restored after resignation and was above the age of 23. Of the 520 original appointments the median age was 23, the mode 21, and the average was 24.

ELIGIBILITY

There were, as of June 30, 1967, a total of 1,798 members eligible to retire. Fourteen of these were 20-year members and 1,784 were 25-year members. The following schedule shows the number of members eligible to retire at the end of each fiscal year as indicated:

Fiscal Year	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
1966-1967	906	892	1,798

During the fiscal year 1967-1968, an additional 989 twenty-five year members will become eligible if their service is continuous. Three hundred sixty-four of these are firemen.

Years of Service	20 Year Members		25 Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	388	375	763
21	---	---	1	181	182
22	---	---	---	23	23
23	---	---	48	46	94
24	---	---	69	48	117
25	---	---	127	114	241
26	---	---	120	34	154
27	---	---	---	---	---
28	---	---	4	5	9
29	---	---	20	12	32
30	---	---	39	37	76
31	---	---	33	1	34
32	---	---	10	---	10
33	---	---	1	---	1
34	---	---	16	1	17
35	---	---	7	2	9
36	---	---	3	---	3
37	---	---	3	3	6
38	---	---	9	2	11
39	---	---	---	1	1
40	1	---	1	---	2
41	1	4	---	---	5
42	3	3	---	---	6
43	2	---	---	---	2
	7	7	899	885	1,798

Members Becoming Eligible Next Ten Years

The following schedule indicates that 3,454 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years:

Fiscal Year	Fire	Police	Total
1967-1968	364	625	989
1968-1969	119	352	471
1969-1970	127	184	311
1970-1971	40	59	99
1971-1972	156	82	238
1972-1973	55	82	137
1973-1974	50	120	170
1974-1975	108	135	243
1975-1976	56	115	171
1976-1977	188	99	287
1977-1978	166	172	338
TOTALS	1,429	2,025	3,454

Thus, in addition to the 21% of the present active members already eligible to retire as indicated above, there will be an additional 40% of total Fire and Police present members who will become eligible to retire, or will have retired by 1978.

MILITARY LEAVES

On June 30, 1967 there were 53 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1966-1967:

On Leave June 30, 1966	41
Granted during 1966-1967	35
	76
Restored — Now Active	23
	53
On Leave June 30, 1967	53

All of the 53 members on military leave are twenty-five year members. Forty-eight of these members have less than five years service and 5 have more than five years service.

PENSION ROLL CHANGES

On July 1, 1966, 42 applications were pending. During the course of the fiscal year 452 petitions were received. Of the total of 494 petitions 407 were granted, 1 death occurred while application was pending, 2 were withdrawn and 6 were denied, leaving 78 pending as of June 30, 1967. The details of pensions granted and terminated during the course of the fiscal year are as follows:

	20 Year Service Article XVII	20-25 Year Service Article XVIII	Service Disability Article XVII	Service Disability Article XVIII	Nonserv. Disability Article XVII	Nonserv. Disability Article XVIII	Service Widows Article XVII	Service Widows Article XVIII	Nonserv. Widows Article XVII	Nonserv. Widows Article XVIII	Service Depend'ts Article XVII	Service Depend'ts Article XVIII	Nonserv. Depend'ts Article XVII	Nonserv. Depend'ts Article XVIII	Total Article XVII	Total Article XVIII	Total System
7-1-66	1426	1206	660	140	1285	61	20	18	4816	4816							
Granted	2	151	77	39	3	15	1	104	5	1	6	3	325	82	407		
Deaths	70	17	16	8	44	1	1		157					157			157
Death-Pending			1**						1**					1**			1**
Reinstated							1		1					1			1
Increased			2*	17*			2*		19*					19*	2*		21*
Decreased				37*			16*		58*					58*			58*
Remarriage							6	1	8					8			8
Majority									4		3	1		4			4
Withdrawn		2*							2*					2*			2*
Denied						3*	3*		6*					6*			6*
	1358	1340	77	683	3	147	1	1339	65	1	21		20	4973	82		5055

*Statistical—these figures do not affect pension roll.

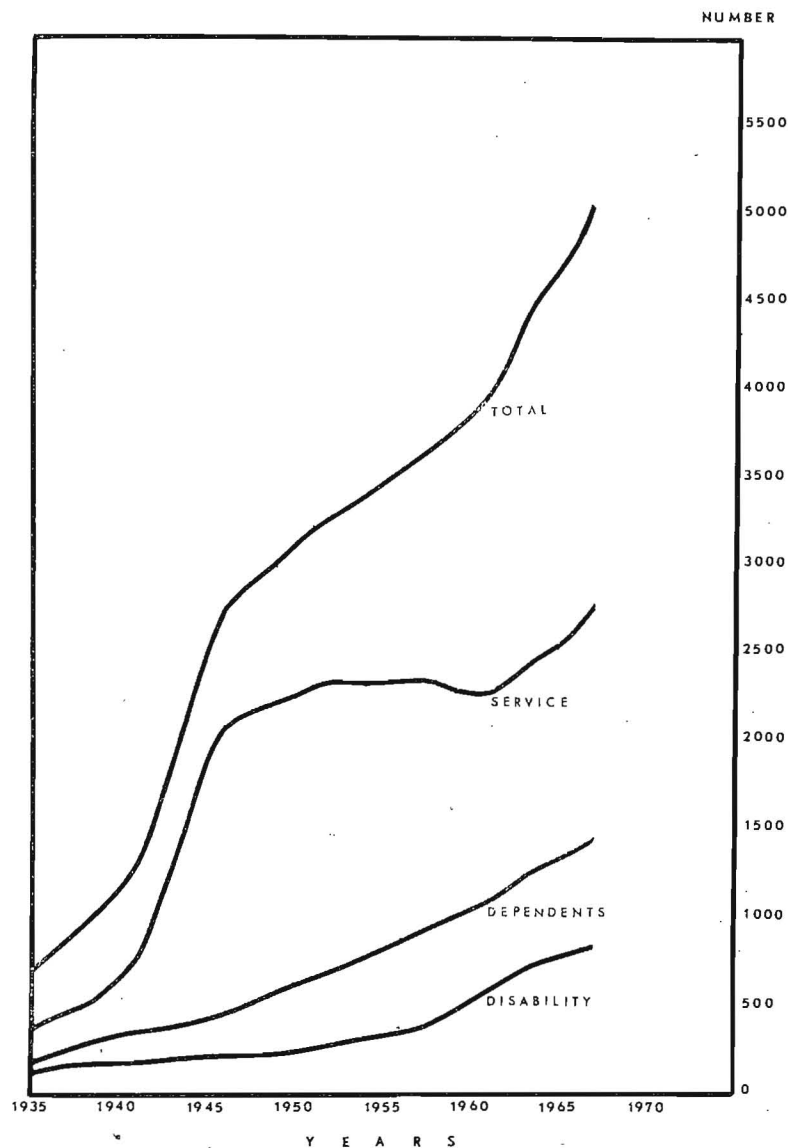
**Death—While application being processed.

PENSIONS IN EFFECT—1935 TO DATE

The accompanying chart illustrates the changing relationship of the different classifications of pensions in effect at year end for each fiscal year, 1935 to date.

During the year, service pensions increased five percent (2632 to 2775). Dependent pensions went up four percent (1384 to 1446). Disability pensions continued to show an increase with a rise of four percent (800 to 834). The total of all pensions showed an increase of some five percent.

NUMBER OF PENSIONS IN EFFECT



PENSIONS CLASSIFIED BY AMOUNTS

The following schedule shows the classification of pension 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	Total
180-219	---	---	---	1	1
220-259	407	136	184	16	743
260-299	154	116	47	7	324
300-339	418	151	44	11	624
340-379	228	89	53	2	372
380-419	524	86	515	3	1,128
420-459	295	91	265	1	652
460-499	146	66	17	---	229
500-539	173	42	193	---	408
540-579	167	25	9	---	201
580-619	84	15	45	---	144
620-659	36	6	2	---	44
660-679	73	8	1	---	82
700-739	9	1	---	---	10
740-779	4	---	20	---	24
780-819	5	1	---	---	6
820-859	19	---	---	---	19
860-899	3	---	---	---	3
900 or over	30	1	10	---	41
	2,775	834	1,405	41	5,055
Average Pension	412.28	372.28	419.34	293.62	406.68

The over-all average of \$406.68 is approximately four percent over the average for the prior fiscal year of \$391.85. The averages and numbers of fluctuating pensions, cost of living pensions and of fixed pensions is reported as follows: Cost of living pensions are those eligible for application of the cost of living formula described above, although no cost of living payment is applicable until July 1, 1967. There are 709 of these pensions classified as cost of living pensions because they received the minimum pension adjustment.

	Service	Disability	Widows	Minors	Total
Fluctuating					
Number	1,194	73	1,003	2	2,272
Average Pension	513.49	454.15	459.50	409.75	480.88
Cost of Living					
Number	911	131	251	18	1,311
Average Pension	351.51	250.00	285.28	261.71	327.45
Fixed					
Number	670	630	151	21	1,472
Average Pension	337.55	388.22	375.44	309.91	362.73

The total of 2,272 fluctuating pensions represents a net decrease of 51 during the fiscal year, while fixed pensions decreased by 1,021. The decrease in fixed pensions is largely due to the new category of 1,311 cost of living pensions.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1967:

AGES OF PENSIONERS—Continued

Ages	Service	Disability	Widows	Minors	Total
0-17	---	---	---	41	41
20-24	---	1	2	---	3
25-29	---	3	7	---	10
30-34	---	30	6	---	36
35-39	---	40	9	---	49
40-44	91	193	46	---	330
45-49	277	222	56	---	555
50-54	335	117	73	---	525
55-59	262	74	125	---	461
60-64	220	31	230	---	481
65-69	735	66	319	---	1,120
70-74	505	33	248	---	786
75-79	254	15	166	---	435
80-84	69	7	87	---	163
85-89	24	2	26	---	52
90-94	2	---	5	---	7
95-99	1	---	---	---	1
	2,775	834	1,405	41	5,055
Average Age	63	50	66	12	

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
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
1966-1967	53	47	48

Number Retiring Above or Below Age 50

It is noted that the average age of those retiring on service pension during the year dropped for both Firemen and Policemen. This change was due to the large number of Fire and Police members who became eligible to retire during the year (406 Fire) (476 Police), with 26% of them retiring with minimum service. The net effect on age and service is indicated in the following tables:

Fiscal Year	FIRE				POLICE			
	Under	Exactly	Over	Total	Under	Exactly	Over	Total
1956-1957	50	50	50	150	50	50	50	150
1957-1958	6	1	11	18	18	2	12	32
1958-1959	6	---	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
1966-1967	3	---	38	41	141	8	37	186
	16	---	37	53	138	15	24	177
	97	10	298	405	562	66	317	945
Percent of Totals:	24%	2%	74%	100%	59%	7%	34%	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	AVERAGE AGE		
	Fire	Police	Combined
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
1966-1967	26	21	22

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 large number becoming eligible to retire during the past two years:

	NUMBER OF FIREMEN AND POLICEMEN									
	FIRE					POLICE				
	Less		Exac.	Over	Total	Less		Exac.	Over	Total
20	25	25	25	20		25	25	25		
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
1965-1966	---	12	2	27	41	121	44	4	17	186
1966-1967	17	5	9	22	53	131	30	7	9	177
	65	71	27	242	405	451	282	31	181	945
Percent of Total	16%	17%	7%	60%	100%	48%	30%	3%	19%	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 1966-1967 reflects 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
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
1966-1967	42	42	42	16	16	16

SERVICE PENSIONS

Pensions Granted

A total of two hundred thirty members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1967. Of this number seventy-seven retired under the New Pension System.

Pensions Discontinued

During the course of the fiscal year a total of eighty-seven 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 one year 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	F I R E		P O L I C E		Total
	20 Year	20-25 Year	20 Year	20-25 Year	
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
1966-1967	2	51	0	177	230

DISABILITY PENSIONS

Pensions Granted

A total of fifty-eight members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1967. Of these forty-two were granted on a service-connected basis while sixteen were nonservice.

Pensions Discontinued

Twenty-four disability pensions were discontinued on account of death and it is noted that for the first time in many years no restorations were made 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	
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
1966-1967	10	5	32	11	58

Analysis of Rates

There were 686 service-connected disability pensions and 148 non-service-connected disability pensions classified by rates in the following schedule as of June 30, 1967. Of this number 3 service-connected and 1 non-service-connected disability pensions were granted under the New Pension System.

Rate	Fire	Police	Total
40%	33	115	148
50%	61	187	248
55%	21	63	84
57½%	1	—	1
60%	38	65	103
65%	46	93	139
66⅔%	1	—	1
70%	12	18	30
75%	6	44	50
80%	4	7	11
85%	3	3	6
90%	—	13	13
TOTAL	226	608	834

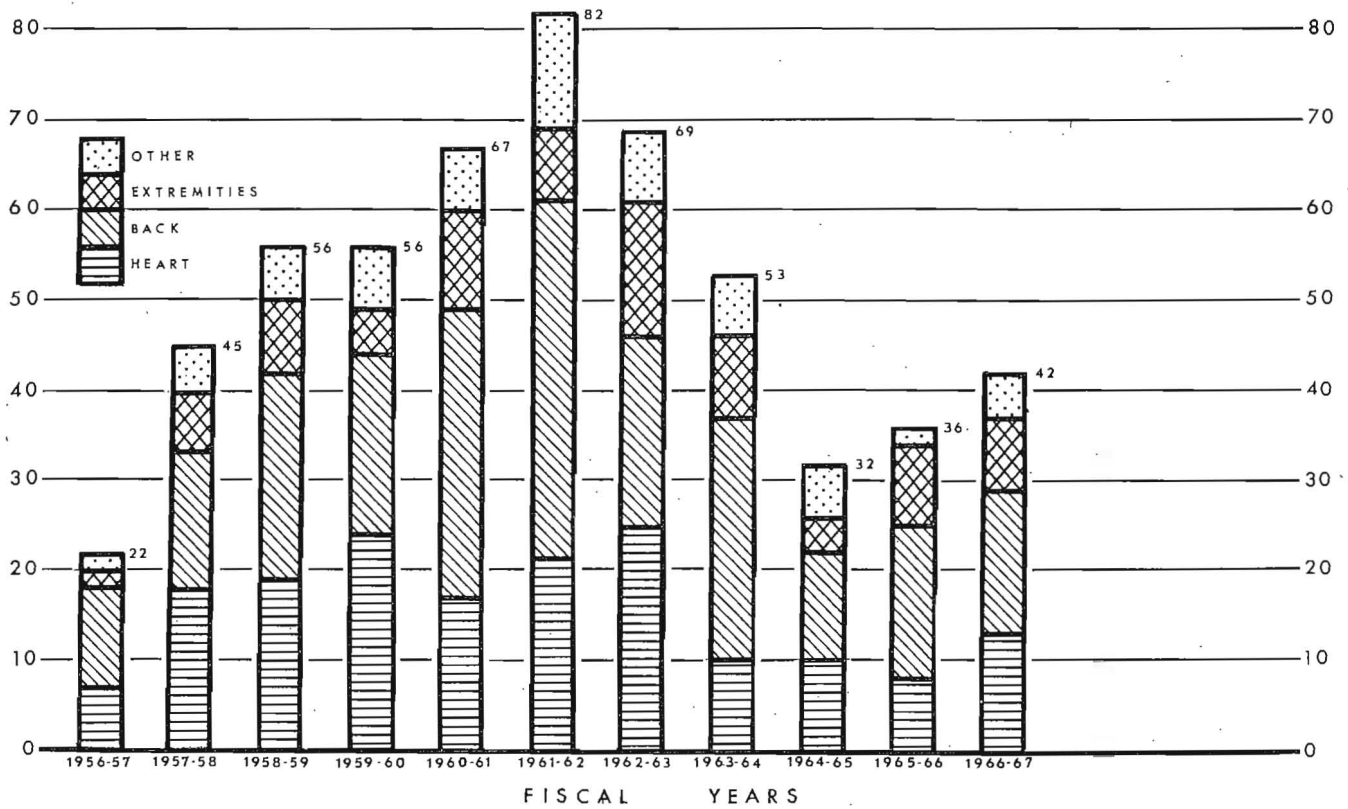
Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	—	4	4
30-34	4	26	30
35-39	9	31	40
40-44	36	157	193
45-49	36	186	222
50-54	41	76	117
55-59	31	43	74
60-64	21	10	31
65-69	27	39	66
70-74	11	22	33
75-79	7	8	15
80-84	2	5	7
85-89	1	1	2
TOTAL	226	608	834
Average Age	54	49	50

Service-Connected Disability

New service-connected disability pensions increased to 42 from 36 in 1965-66. This increase is 17% above the prior year; however it is substantially lower than the number granted in most other years since 1957, as shown on the accompanying chart.

SERVICE CONNECTED DISABILITIES
NUMBER GRANTED



LITIGATION

The status of each case hereinafter mentioned is stated as of June 30, 1967 unless otherwise indicated and, as hereinafter used, the words "this year" mean the fiscal year 1966-1967.

GRACE vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the Court of Appeal, by its decision filed on March 20, 1967 affirming the trial court's judgment, determined that plaintiff, a former member of the system, is not entitled to recover deductions which were made from his salary for pension purposes. Said decision heretofore has become final and conclusive.

EDELEN)
JORGENSEN) vs. City of Los Angeles, et al.
MILLER)

Plaintiffs, former members of the system, seek the same recovery as did the plaintiff in GRACE hereinbefore mentioned. None of the cases, all commenced prior to this year, has been set for trial.

ABBOTT, et al. 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 pension which they are receiving. The case is not at issue.

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

These cases were commenced prior to this year but have not been set for trial. Plaintiffs in ALLEN, service pensioners, contend that they are 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. Plaintiffs in ALBRIGHT, widows, contend that they are entitled, by virtue of said amendment, to greater fluctuating or fixed pensions than the fixed pensions which they are receiving and that their pensions are to be calculated upon salaries in effect at date of death rather than at date of retirement of their respective husbands. Plaintiffs in both cases further contend that they had not waived interest upon principal amounts of other pension benefits which had been made to and accepted by them in 1962. In other cases, the exact same issues were raised by the plaintiffs therein and all of the same, by the decision of the Court of Appeal filed on January 26, 1966 and which heretofore has become final and conclusive, were decided adversely to said plaintiffs except that the issue with respect to the waiver of interest was decided favorably to them. Plaintiffs in ALLEN and ALBRIGHT heretofore have been paid all moneys to which they were entitled by reason of the decision in said other cases with respect to the issue of waiver of interest.

JONES (Frank), et al. vs. City of Los Angeles, et al.

ALLEN was severed as to 18 plaintiffs therein and, as to them, is known as JONES. The Court of Appeal, by its decision filed on June 19, 1967 affirming the trial court's judgment, determined that each plaintiff is entitled to a pension calculated upon the salary which he had received at the date of his retirement instead of upon the salaries which then were in effect for the average position held by him within his rank during the three years prior thereto. The decision has not become final and conclusive.

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

In these cases, commenced prior to this year, the Court of Appeal, by its decision filed on August 2, 1966 affirming the trial court's judgment, determined: that plaintiffs in BOWERS, who theretofore had not been receiving any pensions and who had commenced their causes of action therefor more than three years after the date of death of each plaintiff's husband, are entitled to fluctuating pensions and to recover pension payments from each such respective date of death because defendants were estopped to urge their affirmative defenses of the Statute of Limitations and the claims provisions of the City Charter in bar of their causes of action; and that plaintiffs in CASEY, who theretofore had been 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 theretofore had been paid to the same because defendants were estopped to urge their affirmative defense of the claims provisions of the City Charter in bar of their causes of action. Defendants' petition for hearing by the Supreme Court was denied and the decision of the Court of Appeal has become final and conclusive.

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

In this case, commenced prior to this year, the Court of Appeal, by its decision filed on January 30, 1967, made the same determinations as were

made by it in CASEY hereinbefore mentioned. The Supreme Court granted defendants' petition for a hearing, the hearing was held before it on June 7, 1967 but it has not filed its decision.

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

In these cases, commenced prior to this year, the Court of Appeal, by its decision filed on July 12, 1966 affirming the trial court's judgment, 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. Plaintiffs' petition for hearing by the Supreme Court was denied and the decision of the Court of Appeal has become 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 is supported by substantial evidence in the light of the whole record. Petitioner's appeal from the judgment is pending in the Court of Appeal.

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

In this case, commenced prior to this year, plaintiffs' contentions are the same as are the contentions of plaintiffs in ALLEN hereinbefore mentioned. The case has not been set for trial.

FINERTY vs. City of Los Angeles, et al.

In this case, commenced prior to this year, plaintiff sought to recover the sum of the amounts deducted from his pension by reason of payments to him of Workmen's Compensation benefits. Settlement of the case was approved by the City Council and it has been concluded.

JONES (Donald) vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the trial court determined that the Board's denial of petitioner's application for a disability pension was supported by substantial evidence in the light of the whole record. Petitioner's appeal from the trial court's judgment is pending in the Court of Appeal.

CAVITT vs. City of Los Angeles, et al.

In this case, commenced prior to this year, the Court of Appeal, by its decision filed on June 6, 1967 affirming the trial court's judgment, determined that plaintiff, who had been married to her deceased husband for many years prior to the date of his retirement, who had divorced him subsequent thereto and who had remarried him more than one year prior

to the date of his death, is entitled to a widow's pension pursuant to provisions of Article XI½ of the 1889 City Charter. A petition for hearing by the Supreme Court will be filed by defendants.

ANDREWS vs. City of Los Angeles, et al.

In this case, commenced during this year, plaintiff, a policewoman, seeks credit toward retirement as such for her service in the Police Department; prior to her having become a policewoman, as a junior stenographer. The case has not been set for trial.

HILL vs. City of Los Angeles, et al.

In this case, commenced during this year, plaintiff seeks credit toward retirement as a Sergeant of Police for the period of his service in the United States Maritime Service. The case has not been set for trial.

MILLER vs. MILLER

In this case, a Judge of the Superior Court, on April 24, 1967, made an order restraining M. Lewis Thompson, Manager-Secretary, from paying defendant's pension except as ordered and ordering him to pay a specified portion thereof to defendant's former wife. Defendant, as petitioner, filed a petition in the Court of Appeal for a Writ of Mandate to compel the Superior Court to vacate and set aside the Judge's order. A brief, on behalf of Mr. Thompson, the Board and the City, was filed in the Court of Appeal in support of petitioner's position. Said Court has not made its decision in the case.

PENA, et al, vs. City of Los Angeles, et al.

In this case, commenced during this year, plaintiffs seek credit toward retirement as police officers for their periods of military service. Each of them had been certified for appointment as a police officer prior to his having entered the armed forces but had not been appointed as such until subsequent to his having been discharged from such forces. The case has not been set for trial.

Opinions and reports of the City Attorney

A report advised the Police, Fire and Civil Defense Committee of the Council of the City of Los Angeles that no legislative action could be taken whereby or pursuant to which a person could validly and bindingly waive the benefits of a nonservice-connected disability pension, as a condition to his appointment and employment as a fireman or as a policeman, because of an existing illness or physical condition which otherwise would disqualify him therefor.

An opinion advised M. Lewis Thompson, Manager-Secretary, Department of Pensions, that Section 184.6 of the City Charter, which provides for a minimum pension of \$250.00 per month, is to be construed, as to widows with minor children, to the effect: that the amount of pension, less than \$250.00 per month, which each widow would have been receiving if she had not been receiving an additional amount of pension because of minor children was not to be increased to \$250.00 per month; that the total amount of pension, less than \$250.00 per month, which each widow had been receiving was to be increased to \$250.00 per month; and that the total amount of pension, more than \$250.00 per month, which each widow had been receiving was not to be decreased to less than \$250.00 per month by reason for her ceasing to be entitled to receive an additional amount of pension because of minor children.

Guardianships

Thirty-six accountings, as well as various petitions and other documents were received and carefully examined. Eighteen requests for special notice were prepared, served and filed. Twelve guardianships of incompetents were discontinued and ten were added. Five guardianships of minors were discontinued and nine were added. There are eighty-three active guardianships, forty-two covering incompetents and forty-one covering seventy-five 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

OPERATIONS

Revenues

Revenues for the year increased \$4,350,000, a rise of 13% above the prior year, for a total of \$38,395,739. Taxes comprised the major dollar increase, while earnings advanced 62% for the largest percentage value. Total revenues included \$330,000 advanced from the General Fund by the City Council for expenditures from the New System General Pension Fund, pending revenues to be received by that Fund in December, 1967. At that time, the \$330,000 is to be repaid to the General Fund.

Expenditures

Expenditures for pensions increased in all categories, except that of dependent parents (the last dependent parent on the rolls was terminated by death during the year). The largest category of pension increase was for widows, where the increase of \$1,150,000 was nearly 20% above the cost of the prior year. Total pension expenditures exceeded an average cost of \$2,000,000 per month prior to year end, and a continued strong rise is expected as a result of the new legislation adopted during the year.

Administrative Expenses

Total administrative costs advanced by 12% over the prior year, for the first substantial increase since 1964. The major portion of the increase came in the following accounts:

Medical Services, increased some \$6,100 due largely to an increase in the basic fee schedule of the Industrial Accident Commission, which is followed by this Department.

Actuarial Expense, increased by \$5,000 to cover the expense of the periodic Actuarial Investigation, in addition to the annual Valuation.

Contractual Services, increased by \$3,600 principally because of increased cost of investment counsel services, which increase with the growth of the portfolio.

Salaries, increased by \$2,800 as a result of normal city-wide salary adjustments at the beginning of the fiscal year.

Equipment, Furniture and Fixtures, increased by \$2,100 principally reflecting the cost of replacing the Department's motor vehicle.

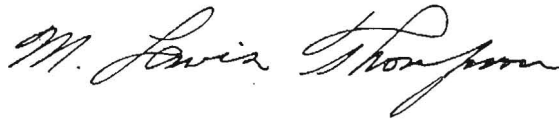
All other expense items varied by relatively nominal amounts. Overall, administrative expense amounted to six-tenths of 1% of total Budget.

Surety Bonds

Sixteen individuals were employed by the Department, including one Senior Assistant City Attorney. Fifteen 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:ct.

OFFICES IN
SAN FRANCISCO
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PASADENA

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AREA CODE 213 681-4455

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

November 29, 1967

Board of Pension Commissioners
City of Los Angeles
1308 City Hall
Los Angeles, California 90012

Gentlemen:

We are pleased to transmit herewith our Report setting forth the results of the valuations of the Fire and Police Pension System and New Pension System of the City of Los Angeles, as of June 30, 1967.

Respectfully submitted,
COATES, HERFURTH & ENGLAND
Consulting Actuaries

By /S/ Robert H. Little

RHL:th

**ACTUARIAL VALUATIONS
OF THE
FIRE AND POLICE PENSION SYSTEM
AND
NEW PENSION SYSTEM
OF THE
CITY OF LOS ANGELES
AS OF
JUNE 30, 1967**

**SECTION I
RESULTS OF VALUATIONS**

The "Proposed Charter Amendment P" which was approved by the electors in the November 8, 1966 election amended Article XVII of the City Charter to increase benefits, and added Article XVIII. These changes have been reflected in the current valuations.

As of June 30, 1967 there were 7142 active members and 4973 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 1543 active members and 82 retired persons covered under Article XVIII of the Charter (hereinafter referred to as the New Pension System).

The results of the Actuarial Valuations of the two Systems as of June 30, 1967 are shown on the following Actuarial Balance Sheet. These valuations were 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 the 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 Pension 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 contributions, amounting to 6% of salary for members under the Fire and Police Pension System and 7% of salary for members under the New Pension System, that will be received from the present members of the Systems. 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 Systems. Each portion of the City's contribution is also broken down between that portion attributable to "Basic Benefits" and that portion attributable to "Cost of Living Benefits."

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 including Cost of Living benefits.

The City Charter specifies that Cost of Living adjustments will be made to certain pensions, up to a maximum of 2% per year, in the event the Consumer Price Index changes. For the current valuation, we have assumed that the Consumer Price Index will increase in the future at an average annual rate of 1½%.

In keeping with our past practice, any future increases in pensions payable to members receiving fluctuating pensions will be reflected in future valuations as they occur.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND
ACTUARIAL BALANCE SHEET
AS OF JUNE 30,1967

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 47,421,432	\$ 388,000	\$ 47,809,432
2. Present Value of Future Contributions by Members	48,483,549	9,327,690	57,811,239
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	126,865,287	22,386,456	149,251,743
(ii) Cost of Living Benefits	12,928,946	1,465,780	14,394,726
(iii) Total	139,794,233	23,852,236	163,646,469
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	503,516,783	98,270,199	601,786,982
(ii) Cost of Living Benefits	39,943,325	12,843,166	52,786,491
(iii) Total	543,460,108	111,113,365	654,573,473
4. Total Assets	<u>\$779,159,322</u>	<u>\$144,681,291</u>	<u>\$923,840,613</u>

LIABILITIES

5. Accounts Payable	\$ 176,441	\$ 165,000	\$ 341,441
6. Reserve for Investment Losses	178,026	178,026
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	133,927,534	6,690,861	140,618,395
(b) Disability	45,823,596	298,068	46,121,664
(c) Dependents	78,440,607	63,204	78,503,811
(d) Total	258,191,737	7,052,133	265,243,870
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	56,797,568	2,734,397	59,531,965
(b) Disability	15,909,071	103,265	16,012,336
(c) Total	72,706,639	2,837,662	75,544,301
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	270,843,337	89,478,786	360,322,123
(b) Disability	56,974,991	9,188,644	66,163,635
(c) Total	327,818,328	98,667,430	426,485,758
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service	18,032,832	4,486,325	22,519,157
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	83,880,598	28,181,287	112,061,885
(b) Disability	18,174,721	3,291,454	21,466,175
(c) Total	102,055,319	31,472,741	133,528,060
12. Total Liabilities	<u>\$779,159,322</u>	<u>\$144,681,291</u>	<u>\$923,840,613</u>

SECTION II
RECOMMENDED CONTRIBUTIONS

Section 186.2 of Article XVII and Section 190.09 of Article XVIII of the Charter of the City of Los Angeles specify that the City will make the following contributions 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 Systems over a 70 year period beginning with the fiscal year commencing July 1, 1967, with specified contributions for the first year (1967-1968).
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, 1968, be as follows:

	Percentage of Members' Salaries of:	
	Fire and Police	New
	Pension System	Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	15.7%	16.8%
(b) Cost of Living Benefits	1.6	1.1
(c) Total	<u>17.3%</u>	<u>17.9%</u>
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	29.7%	21.3%
(b) Cost of Living Benefits	2.5	3.3
(c) Total	<u>32.2%</u>	<u>24.6%</u>
3. Total Contribution:		
(a) Basic Benefits	45.4%	38.1%
(b) Cost of Living Benefits	4.1	4.4
(c) Total	<u>49.5%</u>	<u>42.5%</u>

The City Charter provides that New Pension System members shall contribute 6% of salary plus such percentage, not to exceed 1%, . . . "which shall be equal to ½ of the cost of" . . . Cost of Living Benefits. The total cost of Cost of Living Benefits amounts to 5.4%. Accordingly, we recommend that New System Members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Fire and Police Pension System Members are required by the City Charter to contribute 6% of salary.

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

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
629 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA 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, 1967 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 \$654,573,473 represents the present values of amounts required to pay pensions related to service prior to June 30, 1967 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, 1967 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 after giving effect to the change in accounting policy, which we approve, as explained in note 1 of notes to the financial statements.

PEAT, MARWICK, MITCHELL & CO.

September 27, 1967

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

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

June 30, 1967
with comparative figures for 1966

ASSETS

Cash and temporary investments:	1967		1966	
Deposits with Treasurer of the City of Los Angeles	\$ 1,523,785		\$ 1,368,781	
Cash revolving funds	325		325	
United States Treasury Bills— at cost plus interest (approximate market)	8,722,260	10,246,370	6,849,104	8,218,210
Interest and dividends receivable		337,397		191,657
Taxes receivable (note 1)		983,000		638,000
Investments:				
Bonds—at amortized cost (quoted market, 1967, \$24,752,948) (note 2)....	26,702,115		18,957,071	
Preferred stock—at cost (quoted market, 1967, \$252,000)	200,633		84,121	
Common stock—at cost (quoted market, 1967, \$9,758,410)	9,321,436		5,957,962	
Treasurer's deeds—at cost	735		672	
Real property—at cost	17,748	36,242,667	17,282	25,017,108
	\$ 47,809,434		\$ 34,064,975	

LIABILITIES AND FUND CAPITAL

Accounts payable	\$ 11,441		\$ 13,306	
Loans payable	330,000			
Reserve for pensions—at actuarial valuation (note 3)	654,573,473		556,635,571	
	\$ 654,914,914		\$ 556,648,877	
Fund capital:				
Accumulated surplus (deficit)	\$(607,775,855)		\$(523,525,501)	
Workmen's compensation fund for fire and police pensioners (note 4)	492,349		713,069	
Reserve for investment losses	178,026	(607,105,480)	228,530	(522,583,902)
Contingent liabilities, and subsequent event (note 5)	\$ 47,809,434		\$ 34,064,975	

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year ended June 30, 1967

with comparative figures for 1966

Revenue:	1967	1966
Taxes (note 1)	\$31,674,601	\$28,197,144
Interest	1,311,910	794,239
Dividends	274,856	181,148
Members' contributions	5,040,255	4,892,547
Sales of unclaimed property	101,922	72,008
Donations	1,130	950
Miscellaneous	6,140	5,925
Total revenue	38,410,814	34,143,961
Expenditures:		
Pensions paid (notes 4, 5 and 6):		
Service	\$13,338,393	\$12,408,934
Disability	3,189,455	2,964,464
Widows	7,368,353	6,215,766
Minors	70,475	68,626
Dependents	2,956	5,835
Non-service:		
Disability	443,787	412,454
Widows	235,312	207,215
Minors	64,218	54,136
Administrative expenses	24,712,949	22,337,430
	231,038	207,051
Excess of revenues over expenditures	13,466,827	11,599,480
Additional reserve requirements due to increase in actuarial liability (note 3) ..	97,937,902	40,817,827
Deficiency for the year	\$84,471,075	\$29,218,347

See accompanying notes to financial statements.

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

STATEMENT OF FUND CAPITAL

Year ended June 30, 1967

with comparative figures for 1966

	1967			1966	
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses	Total	Accumulated Fund Capital (Deficit)
Balance at beginning of year	\$(523,525,500)	\$ 713,069	\$228,529	\$(522,583,902)	\$(494,126,324)
Adjustment to recognize taxes receivable (note 1)	---	---	---	---	543,000
Balance at beginning of year, as adjusted	(523,525,500)	713,069	228,529	(522,583,902)	(493,583,324)
Deficiency for the year	(84,250,355)	(220,720)	---	(84,471,075)	(29,218,347)
Gain (loss) on disposition of investments	---	---	(50,503)	(50,503)	217,769
Balance at end of year	<u>\$(607,775,855)</u>	<u>\$ 492,349</u>	<u>\$178,026</u>	<u>\$(607,105,480)</u>	<u>\$(522,583,902)</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

Notes to Financial Statements

June 30, 1967

(1) Tax Revenue

The policy of the fund relating to taxes collected by the County of Los Angeles but unremitted to the fund as of the end of the fiscal year was changed from non-recognition of taxes receivable to recognition of those taxes collected but unremitted as of the end of the fiscal year. The amounts for the fiscal years 1965, 1966 and 1967 were \$543,000; \$638,000; and \$983,000 respectively. The 1966 financial statements have been restated giving retroactive effect to this change in accounting method.

(2) 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.

(3) 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, 1967. 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, \$654,573,473 is the unfunded actuarial liability of the pension system and, in accordance with the City Charter, as amended, is to be amortized over seventy years, beginning July 1, 1967, through contributions to be made by the City, provided, however that the Board shall assume that the unfunded liabilities of the old and new Pension Systems shall be \$516,000,000 combined as of July 1, 1967 and shall include in its budget for the fiscal year 1967-68 a sum equal to 25.3% of the estimated total payrolls, for said year, of the Fire Department and of the Police Department for all members of said departments.

The primary factors in the \$97,937,902 addition to the unfunded actuarial liability were: (a) a greater number of service retirements and

a reduction in average age at retirement than was expected at the time of the December 31, 1965 actuarial investigation; (b) the enactment of charter amendment "P," on November 8, 1966, Article XVII of the charter, containing the existing pension system for Firemen, Policemen, and their dependents, and adding Article XVIII, containing a new pension system for such persons, which provided, among other things, for: (1) amortization of unfunded liabilities of each system over a period of seventy years instead of fifty years provided in the existing system; (2) increased pensions in the new system for twenty-five years of service or more; (3) minimum monthly pensions of \$250.00 in the existing system and cost of living adjustments thereof not over 2% annually; and (4) cost of living adjustments not over 2% annually of pensions based upon years of service in each system, employees of the new system to pay one-half of cost thereof not over 1% of salary in addition to regular payment of 6% of salary and (c) upward salary adjustments to active firemen and policemen resulting in increased liabilities for both fluctuating and fixed pensions.

(4) 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 \$1,222,365 thus made during the year ended June 30, 1967 are included under pensions paid.

(5) Contingent Liabilities and Subsequent Event

There were a number of legal actions pending at June 30, 1967 contesting the method of computing pensions of certain members and fluctuating pensions with recovery retroactive to date of death. Pending completion of the legal actions and final determination of the liability, if any, no provision has been made therefor in the accounts.

(6) Pension Payments

The expenditures for regular and retroactive pension payments during the year ended June 30, 1967, with comparative figures for 1966, were as follows:

Regular monthly pension payments:	1966-67	1965-66
Service	\$13,316,269	\$12,407,556
Disability	3,189,455	2,964,464
Widows	6,703,674	6,215,766
Minors	70,475	68,626
Dependents	2,956	5,835
Non-service	743,317	673,805
	<u>\$24,026,146</u>	<u>\$22,336,052</u>
Retroactive pension payments:		
Service	22,124	1,378
Disability	---	---
Widows	664,679	---
Minors	---	---
	<u>686,803</u>	<u>1,378</u>
	<u>\$24,712,949</u>	<u>\$22,337,430</u>

**PENSION DEPARTMENT
ADMINISTRATIVE EXPENSE COMPARED**

Schedule 1

Operating Expense	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61
Salaries	\$133,477	\$130,623	\$129,002	\$125,081	\$114,186	\$100,340	\$ 91,475
Communications	1,811	1,405	1,530	1,147	946	1,188	1,073
Insurance and Bond Premiums	373	353	367	372	359	365	400
Office Equipment	1,882	1,053	1,064	1,222	1,771	1,043	711
Office Supplies	3,177	1,954	1,907	1,634	1,559	1,607	1,389
Printing and Binding	3,937	2,700	1,669	1,842	2,267	3,138	2,115
Traveling	1,845	1,030	1,861	1,397	2,250	3,105	723
Contractual Services	26,574	22,937	15,675	11,545	11,042	18,548	6,220
Field Equipment	50	100	60	150	300	150	150
Maintenance and Repairs	387	---	---	---	---	---	393
Petroleum Products	111	105	153	150	151	230	150
Transportation	104	1,117	1,256	1,058	1,324	300	284
Annual Audit	2,500	2,500	2,200	2,000	1,850	1,850	1,750
Government Meetings	---	---	10	---	19	---	---
Litigation	12,343	12,144	11,545	15,827	8,474	11,136	2,391
Mailing Service	935	624	681	842	539	678	472
Medical Services	27,000	20,939	28,692	35,949	24,439	20,656	18,504
Miscellaneous	25	58	46	94	38	143	174
Actuarial Expense	9,500	4,500	4,500	4,500	4,500	9,500	10,000
Equipment, Furniture & Fixtures	5,007	2,909	2,791	2,727	2,146	2,281	1,095
	<u>\$231,038</u>	<u>\$207,051</u>	<u>\$205,009</u>	<u>\$207,537</u>	<u>\$178,160</u>	<u>\$176,258</u>	<u>\$139,469</u>

**PENSION DEPARTMENT
STATEMENT OF OPERATIONS COMPARED**

Fiscal Years 1960-61 to 1966-67

Schedule 2

REVENUES	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61
Taxes	\$ 31,674,601	\$ 28,102,144	\$ 24,798,772	\$ 20,990,559	\$ 14,530,198	\$ 12,247,624	\$ 8,476,006
Dividends	274,856	181,148	103,542	12,222	---	---	---
Interest	1,311,910	794,239	385,615	236,806	181,874	277,003	337,662
Members Contributions	5,040,255	4,892,547	4,646,004	4,482,305	4,088,863	3,854,325	3,403,660
Sales of Unclaimed Property	101,922	72,008	62,618	63,036	51,341	46,996	54,250
Donations	1,130	950	239	1,480	589	1,280	427
Miscellaneous	6,140	5,925	7,779	8,842	6,843	33,586	7,537
Appropriations	---	---	---	---	---	---	---
TOTAL REVENUES available for current year's operations	<u>\$ 38,410,814</u>	<u>\$ 34,048,961</u>	<u>\$ 30,004,569</u>	<u>\$ 25,795,250</u>	<u>\$ 18,859,708</u>	<u>\$ 16,460,814</u>	<u>\$ 12,279,542</u>
EXPENDITURES							
Pensions Paid							
Service	\$ 13,338,393	\$ 12,408,934	\$ 11,810,428	\$ 11,120,195	\$ 10,832,990	\$ 9,825,781	\$ 8,953,096
Disability	3,189,455	2,964,464	2,922,468	2,824,396	2,746,971	2,833,567	1,584,573
Widows	7,368,353	6,215,766	5,862,083	5,461,317	5,703,292	5,364,626	3,417,479
Minors	70,475	68,626	71,370	81,808	71,496	67,627	52,638
Dependents	2,956	5,835	10,509	11,023	10,783	10,555	8,549
Non-Service							
Disability	443,787	412,454	362,554	312,997	256,086	238,621	229,301
Widows	235,312	207,215	185,635	177,413	177,459	145,079	140,088
Minors	64,218	54,136	47,551	37,917	30,726	30,760	39,902
TOTAL PENSIONS	<u>\$ 24,712,949</u>	<u>\$ 22,337,430</u>	<u>\$ 21,272,598</u>	<u>\$ 20,027,066</u>	<u>\$ 19,829,803</u>	<u>\$ 18,516,616</u>	<u>\$ 14,425,626</u>
Administrative Expense	\$ 231,038	\$ 207,051	\$ 205,009	\$ 207,537	\$ 178,160	\$ 176,258	\$ 139,469
TOTAL EXPENDITURES	<u>\$ 24,943,987</u>	<u>\$ 22,544,481</u>	<u>\$ 21,477,607</u>	<u>\$ 20,234,603</u>	<u>\$ 20,007,963</u>	<u>\$ 18,692,874</u>	<u>\$ 14,565,095</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 13,466,827	\$ 11,504,480	\$ 8,526,962	\$ 5,560,647	\$(1,148,255)*	\$(2,232,060)*	\$(2,285,553)*
Provision for unpaid Pensions ..	---	---	---	166,000	---	(1,250,000)	---
Less: Provision for Prior Year ..	---	---	---	---	1,084,000	---	---
Gain (Loss) on Sale of Investments	(50,503)	217,769	160	10,601	---	(124,628)	(63,135)
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 13,416,324</u>	<u>\$ 11,722,249</u>	<u>\$ 8,527,122</u>	<u>\$ 5,737,248</u>	<u>\$(64,255)*</u>	<u>\$(3,606,688)*</u>	<u>\$(2,348,688)*</u>
Additional Actuarial Reserve ...	(97,937,902)	(40,817,827)	(16,253,458)	(32,321,342)	(40,591,467)	(45,679,864)	(52,413,886)
Deficit for the Year	\$(84,521,578)	\$(29,095,578)	\$(7,726,336)	\$(26,584,094)	\$(40,655,722)	\$(49,286,552)	\$(54,762,574)
Fund Deficit at Beginning of Year	(522,583,902)	(494,126,324)	(486,399,988)	(459,815,894)	(419,160,172)	(369,873,620)	(315,111,046)
Fund Deficit at End of Year	<u>\$(607,105,480)</u>	<u>\$(523,221,902)</u>	<u>\$(494,126,324)</u>	<u>\$(486,399,988)</u>	<u>\$(459,815,894)</u>	<u>\$(419,160,172)</u>	<u>\$(369,873,620)</u>
Adjustment to recognize taxes receivable	---	\$ 638,000	---	---	---	---	---
	<u>\$(607,105,480)</u>	<u>\$(522,583,902)</u>	<u>\$(494,126,324)</u>	<u>\$(486,399,988)</u>	<u>\$(459,815,894)</u>	<u>\$(419,160,172)</u>	<u>\$(369,873,620)</u>

*Excess of Expenditures over Revenue