

**1968
Annual Report**

BOARD OF PENSION COMMISSIONERS

**CITY OF LOS ANGELES
CALIFORNIA**



FOR THE FISCAL YEAR ENDED JUNE 30, 1968

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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
Seventh District

BILLY G. MILLS
Eighth District

GILBERT W. LINDSAY
Ninth District

THOMAS BRADLEY*
Tenth District

MARVIN BRAUDE
Eleventh District

ROBERT M. WILKINSON*
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

1967-68 ANNUAL REPORT

March 5, 1969

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, 1968 and submitted in accordance with the provisions of Section 64 of the City Charter.

The past year was the first full year of operation under the extensive amendments that constituted Proposition "P" at the November, 1967 election. One result was a doubling of service retirements, from 230 the prior year, to 464. Another, and related result, was a drop in disability pensions, from 42 the prior year, to 22. Overall, costs of the pension system rose substantially, but with the prospect that increased benefit levels were having the desired result of improving recruitment of police officers.

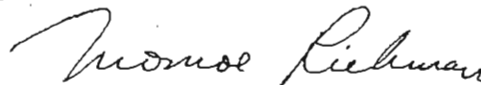
Financial management of the System continued to show good results, with total earnings up 42%, and average yield on the Funds rising to 4.62%. Therefore the Board was enabled to increase the assumed interest rate for the June 30, 1968 actuarial valuation, and this will have the effect of reducing the ensuing year's tax cost by some \$2,000,000.

At year-end, the Board was examining the desirability of increasing the legal limit for common stocks in the Pension funds, in an effort to increase long run earnings, and thus reduce the burden on the taxpayer.

Respectfully submitted,

BOARD OF PENSION COMMISSIONERS

By



Monroe Richman, President



MONROE RICHMAN, M.D.
President



STANLEY M. BRUMMEL
Vice President



ALFRED P. LOWY



PAUL J. MARACHE



JOSE G. VILLARREAL

January 24, 1969

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, 1968. 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.

SERVICE PENSIONS INCREASE

The past fiscal year experienced the largest number of service retirements since the beginning of the Pension System. A total of 464 firemen and policemen took service retirement, compared with 230 the prior year. The highest previous total was 345 in the 1943-1944 fiscal year. Conversely, service-connected disability pensions dropped from 42 in 1967, to only 22 last year. This reduction is attributed in considerable measure to the fact that a service pension had become relatively more attractive, since the disability pensioner was not eligible for cost of living benefits. Principal reasons for the surge in service retirements were the large number of men eligible during the year, the increase of the maximum in the New Pension System from 66 $\frac{2}{3}$ % of pay to 70% of pay, and the fact that it is payable at 30 years of service instead of the earlier requirement of 35 years.

POLICE MEMBERSHIP RISES

During the past year, the number of Police members of the Pension System increased by 407, while Fire members declined by 67. Thus, the proportion of Fire to Police members shifted to a 36%-64% ratio—in contrast to ratios of 38%-62% last year, and 40%-60% that prevailed in past years. City policy for increasing the strength of the Police Department, and the constant manning program in the Fire Department, would indicate a continuing trend in this experience.

NEW SYSTEM MEMBERS

Transfer of members of the Fire and Police Pension System to the New Pension System continued until one year following the effective date of the New System, or January 29, 1968. By that date, all members had transferred to the New System except for 99 Firemen and 533 Policemen who remained in the Fire and Police Pension System under Article XVII of the Charter. This number included members on military leave who, in

accordance with Charter Provisions, may elect to transfer within 90 days after their return from military leave. At fiscal year end, there were 95 Firemen and 506 Policemen remaining under Article XVII.

FINANCIAL CONDITION

Assets of the Pension System increased by more than \$16 million with this growth taking place entirely within the New Pension System. Fire and Police Pension System assets decreased by some \$2.6 million, as stocks were sold and bonds matured, and the proceeds were expended on pensions. This practice will continue in the future, with all investment growth taking place in the New System. The objective will be to have all assets of the older system used up during the lifetime of these retired members. Necessary funds for pensions will be transferred as required from the New Pension System as provided by the Charter.

The "reserve for investment losses" increased by about \$55,000, reflecting sales of common stocks at a realized profit.

U.S. Treasury Bills on hand at year end amounted to a total of some \$12 million, an increase of \$3.5 million over the prior year. This increase reflected an increase in pensions to be paid from these moneys, a growing balance of these credit instruments in the New System Service Pension Fund, and the spreading of a larger amount of money intended for permanent investment over a period of time.

Investments

The net increase in the investment portfolio amounted to \$12,800,000 for a year end total of about \$50 million. Yield continued to improve, both for bonds and common stocks, with overall purchase yield going up from 4.26% last year to 4.62%. Earnings from investments amounted to more than \$2,250,000, an increase of 42% above the 1967 experience.

The proportion of common stocks in the total of investments continues to grow, with 27% of portfolio in stocks at year end. As a practical matter, the proportion is higher, approaching the 35% legal limit, in the Fund where all new investments are being made—the New System General Pension Fund. With the adoption of the New Pension System, the existing single fund was divided into four funds, with all prior investment being placed in the Fire and Police General Pension Fund, under Article XVII. All new permanent investment will be made in the New System General Pension Fund. The other three funds will have only transactions in U.S. Treasury Bills, or other short-term media.

ACTUARIAL COST

The actuarial cost values as of June 30, 1967 were understated because of the relatively small number of members transferring to the New System at that date. Therefore, a special actuarial valuation was done as of January 31, 1968, at the completion of the transfer period, and became effective for the City contribution rates for the 1968-1969 fiscal year. The regular annual valuation was then done at fiscal year end to provide a basis for the 1969-1970 contribution rates.

Special Valuation, January 31, 1968

The special valuation determined total liabilities of the two Systems to be \$982,335,592, a rise of some \$58 million, while the "unfunded liability" to be amortized over the extended 70-year period, rose approximately \$38

million to a total of \$692,350,401. The recommended City contribution rates were:

	Percentage of Members' Salaries of:	
	Fire & Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	15.7%	16.8%
(b) Cost of Living Benefits	1.6	1.1
(c) Total	17.3	17.9
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	197.6	18.0
(b) Cost of Living Benefits	11.6	2.3
(c) Total	209.2	20.3
3. Total Contribution:		
(a) Basic Benefits	213.3	34.8
(b) Cost of Living Benefits	13.2	3.4
(c) Total	226.5%	38.2%

The findings of this special actuarial valuation, in effect, determined the increase in cost of the New Pension System over the Fire and Police Pension System. The budgetary cost rise for the 1968-1969 fiscal year, resulting from the above findings amounted to more than \$13 million over the prior year. Since this was in part a rise in salary levels, and number of personnel, the net annual cost increase of the New Pension System was reported as follows:

1968-1969 Taxes per 1/31/68 Actuarial Rates:	\$49,799,687
1968-1969 Taxes per 6/30/66 Actuarial Rates:	40,510,120
Approximate annual increase in cost of New Pension System:	\$ 9,289,567

The total Pension tax levy for 1967-1968 was \$36,770,756, and for 1968-1969 was \$49,799,687. This total increase of \$13,028,931 may be divided into the annual cost of the new benefits, as shown above, and the portion attributable to manpower and salary increases of \$3,739,364.

Annual Valuation, June 30, 1968

For the annual valuation at fiscal year end, the Board recognized the improvement in the earnings level of the Pension funds by increasing the assumed rate of interest by $\frac{1}{4}\%$ to $4\frac{1}{4}\%$. The valuation found relatively small increases in total liabilities, and in the "unfunded liability," and required City contribution rates declined. The detail is shown in the actuarial report in later pages, but in summary there was a contribution rate increase of .6 of 1% for the Fire and Police Pension System, and a reduction of $2\frac{1}{2}\%$ for the New Pension System. The weighted average effect is some 2% lower actuarial cost to the City, primarily attributable to the increase in the assumed interest rate.

MEMBERSHIP

As of June 30, 1968, there were 3,254 firemen and 5,771 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	289	2,142	2,431
With less than 10 years	772	1,015	1,787
With less than 20 years	1,059	1,385	2,444
With 20 years service and over	1,118	1,185	2,303
On Military Leave (eligibility dates not counted)	12	40*	52*
20 Year Members			
Members eligible to retire	4	4	8
TOTAL	3,254	5,771	9,025

*1 eligible to retire

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:

	1967-68	1966-67	1965-66	1964-65	1963-64
Total Membership July 1st	8,685	8,653	8,536	8,366	8,270
On Leave or Suspension	21	23	29	12	16
On Military Leave	53	41	13	48	37
	8,611	8,589	8,494	8,306	8,217
Additions:					
New Appointments	1,063	499	542	485	472
Reappointments	30	21	17	13	7
Restorations	4*	5*	13*	7*	7*
Returned from Leave or Susp...	260	231	169	148	197
Restored from Military Leave ..	40	23	36	53	47
	10,008	9,368	9,271	9,012	8,947
Withdrawals:					
Service Retirements	464	230	227	131	142
Disability Retirements	26	58	48	47	70
Resigned	230	177	144	122	146
Discharged	12	5	19	23	16
Deaths	25	23	17	12	16
Leaves or Suspensions	286	229	180	148	193
Military Leaves Granted	39	35	47	35	58
Active Membership—June 30th	8,926	8,611	8,589	8,494	8,306
On Leave or Suspension	47	21	23	29	12
On Military Leave	52	53	41	13	48
Total Membership—June 30th	9,025	8,685	8,653	8,536	8,366

*Includes 2 disabilities granted after resignation and/or discharged in 1963-64; 4 in 1964-65; 7 in 1965-66; 4 in 1966-67 and 2 in 1967-68.

Appointed Fiscal Year 1967-1968

During the course of the year 1,093 members were appointed and became members of the system. Some 714, or 65% of such members were married at the date of entrance. Thirty of such members were re-appointees with an average age of 27. One member was restored from disability pension and was above the age of 49. One member was reinstated after resignation and was above the age of 22. Of the 1,093 original appointments the median age was 23, the mode 21, and the average 24.

ELIGIBILITY

There were, as of June 30, 1968, a total of 2,311 members eligible to retire. Eight of these were 20-year members and 2,303 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
1967-1968	1,122	1,189	2,311

During the fiscal year 1968-1969, an additional 472 twenty-five year members will become eligible if their service is continuous. One hundred nineteen of these are firemen.

Service of Present Eligibles

Years of Service	20 Year Members		25 Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	343	478	821
21	---	---	364	293	657
22	---	---	1	152	153
23	---	---	---	20	20
24	---	---	47	44	91
25	---	---	64	40	104
26	---	---	110	91	201
27	---	---	110	31	141
28	---	---	---	---	---
29	---	---	4	5	9
30	---	---	12	7	19
31	---	---	21	17	38
32	---	---	16	1	17
33	---	---	5	---	5
34	---	---	---	---	---
35	---	---	9	---	9
36	---	---	4	1	5
37	---	---	3	---	3
38	---	---	1	2	3
39	---	---	4	2	6
40	---	---	---	1	1
41	1	---	---	---	1
42	---	3	---	---	3
43	2	1	---	---	3
44	1	---	---	---	1
	4	4	1,118	1,185	2,311

Members Becoming Eligible Next Ten Years

The following schedule indicates that 2,447 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
1968-1969	119	353	472
1969-1970	124	183	307
1970-1971	39	58	97
1971-1972	155	81	236
1972-1973	54	81	135
1973-1974	50	117	167
1974-1975	108	134	242
1975-1976	57	114	171
1976-1977	189	97	286
1977-1978	164	170	334
TOTALS	1,059	1,388	2,447

Thus, in addition to the 26% of the present active members already eligible to retire as indicated above, there will be an additional 27% of total Fire and Police present members who will become eligible to retire, or will have retired by 1979.

MILITARY LEAVES

On June 30, 1968 there were 52 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1967-1968:

On Leave June 30, 1967	53
Granted during 1967-1968	39
	<u>92</u>
Restored — Now Active	40
	<u>52</u>
On Leave June 30, 1968	52

All of the 52 members on military leave are twenty-five year members and one is eligible to retire. Forty of these members have less than five years service and 12 have more than five years service.

PENSION ROLL CHANGES

On July 1, 1967, 78 applications were pending. During the course of the fiscal year 640 petitions were received. Of the total of 718 petitions, 616 were granted, 1 death occurred while application was pending, 15 were withdrawn, 11 denied and action to reopen one disability case was rescinded, leaving 74 pending as of June 30, 1968. The details of pensions granted and terminated during the course of the fiscal year are as follows:

	20 Year Service Article		20-25 Year Service Article		Service Disability Article		Nonservice Disability Article		Service Widows Article		Nonservice Widows Article		Service Dependents Article		Nonservice Dependents Article		Total Article		Total System
	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	
7-1-67	1358	...	1340	77	683	3	147	1	1339	...	65	1	21	...	20	...	4973	82	5055
Granted	3	2	9	450	11	11	3	1	105	8	6	5	1	...	1	...	139	477	616
Withdrawn .....	...	...	...	10*	1*	4*	...	...	...	...	...	...	...	...	...	...	1*	14*	15*
Rescinded .....	...	...	...	...	1*	...	...	...	...	...	...	...	...	...	...	...	1*	...	1*
Death-Pending ..	...	...	...	...	...	...	1**	...	...	...	...	...	...	...	...	...	1**	...	1**
Deaths	82	...	32	3	21	...	4	...	43	...	1	...	...	...	...	...	183	3	186
Increased .....	...	...	...	3*	22*	...	...	...	...	...	...	...	...	...	...	...	22*	3*	25*
Decreased .....	...	...	...	27*	...	...	...	...	8*	...	5*	...	...	...	...	...	40*	...	40*
Restored to Duty ..	...	...	...	...	...	...	1	...	...	...	...	...	...	...	...	...	1	...	1
Remarriage .....	...	...	...	...	...	...	...	...	2	...	...	...	...	1	...	...	3	...	3
Majority .....	...	...	...	...	...	...	...	...	...	...	...	...	3	...	1	...	4	...	4
Denied .....	...	...	...	...	7*	...	3*	...	1*	...	...	...	...	...	...	...	8*	3*	11*
	1279	2	1317	524	673	14	145	2	1399	8	70	6	18	...	20	...	4921	556	5477

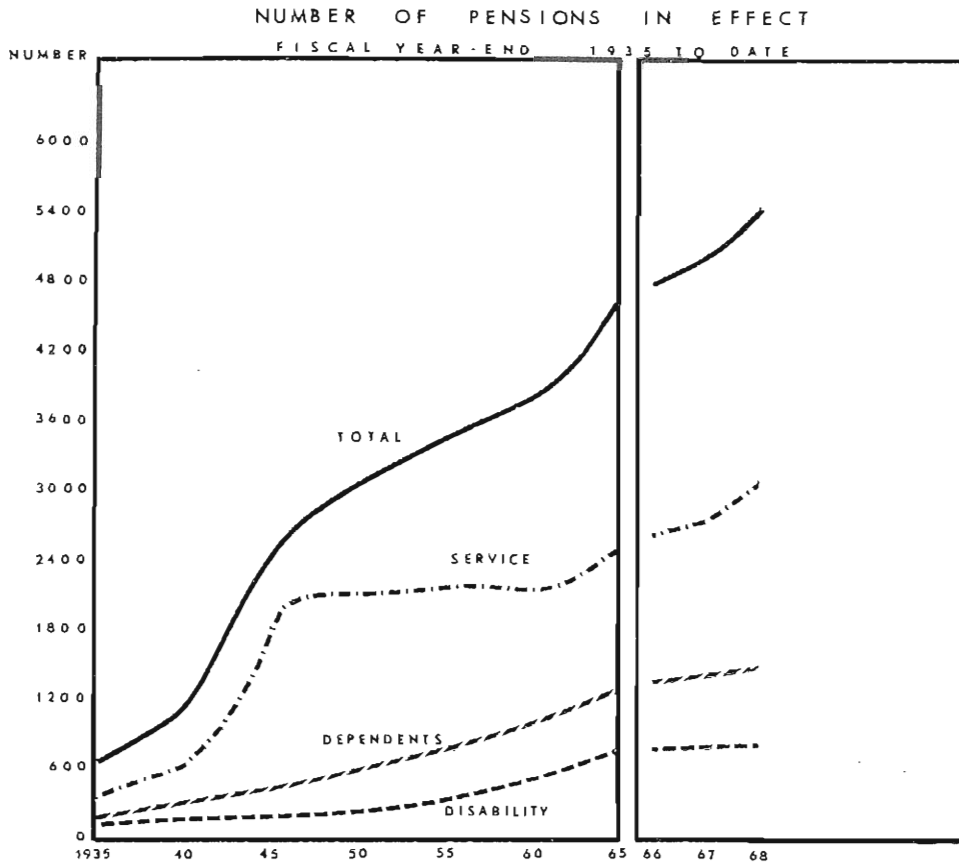
*Statistical—these figures do not affect pension roll.

**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 since 1935.

During the year, service pensions increased twelve and one-half percent (2775 to 3122). Dependent pensions went up five percent (1446 to 1521). Disability pensions did not show an increase for the first time in many years (834 to 834). The total of all pensions showed an increase of eight percent.



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
225-264	388	133	197	15	733
265-304	186	124	51	8	369
305-344	378	140	42	11	571
345-384	470	95	60	1	626
385-424	137	74	33	1	245
425-464	582	89	591	2	1,264
465-504	235	78	220	—	533
505-544	108	41	15	—	164
545-584	203	28	193	—	424
585-624	122	17	5	—	144
625-664	110	7	44	—	161
665-704	44	5	3	—	52
705-744	55	1	1	—	57
745-784	37	1	—	—	38
785-824	4	—	18	—	22
825-865	22	—	—	—	22
900 or over	41	1	10	—	52
Totals	3,122	834	1,483	38	5,477
Average Pension	\$433.06	\$377.98	\$437.22	\$296.05	\$424.85

The overall average of \$424.85 is approximately four percent over the average for the prior fiscal year of \$406.68. The average and numbers of fluctuating pensions, cost of living pensions and of fixed pensions is reported as follows: Cost of living pensions are eligible for application of the cost of living formula described above, which is applicable on July 1st of each year. There are 694 of these pensions classified as cost of living pensions because they received the minimum pension adjustment.

	Service	Disability	Widows	Minors	Total
Fluctuating					
Number	1,120	67	1,036	1	2,224
Average Pension	\$530.31	\$476.50	\$483.46	\$422.75	\$506.82
Cost of Living					
Number	1,040	129	275	17	1,461
Average Pension	\$405.72	\$255.00	\$296.52	\$267.65	\$370.25
Fixed					
Number	962	638	172	20	1,792
Average Pension	\$349.38	\$392.49	\$383.67	\$313.36	\$367.62

The total of fluctuating pensions represents a net decrease of 48 during the fiscal year, while fixed pensions increased by 320. The increase in fixed pensions is due to the heavy retirement during this fiscal year, with most such pensions not being eligible for cost of living benefits until later years.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1968:

Ages	Service	Disability	Widows	Minors	Total
0-17	---	---	---	38	38
20-24	---	1	1	---	2
25-29	---	3	7	---	10
30-34	---	20	11	---	31
35-39	---	47	7	---	54
40-44	161	167	47	---	375
45-49	401	232	64	---	697
50-54	418	131	79	---	628
55-59	332	79	113	---	524
60-64	242	38	224	---	504
65-69	643	55	338	---	1,036
70-74	538	37	267	---	842
75-79	275	12	199	---	486
80-84	85	10	85	---	180
85-89	25	2	34	---	61
90-94	2	---	7	---	9
	3,122	834	1,483	38	5,477
Average Age	62	51	66	13	

Average Age at Date of Retirement

An 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
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
1967-1968	55	48	50

Number Retiring Above or Below Age 50

It is noted that the average age of those retiring on service pension increased during the year for both Firemen and Policemen. Of the 989 members becoming eligible to retire during the year (369 Fire) (620 Police) 16% of them retired with the minimum service. The net effect on age and service is indicated in the following tables:

Fiscal Year	FIRE			Total	POLICE			Total
	Under 50	Exactly 50	Over 50		Under 50	Exactly 50	Over 50	
1956-1957	6	1	11	18	18	2	12	32
1957-1958	6	---	19	25	13	4	9	26
1958-1959	2	1	32	35	15	1	19	35
1959-1960	1	---	35	36	5	6	23	34
1960-1961	9	---	25	34	20	2	22	44
1961-1962	22	2	26	50	62	1	30	93
1962-1963	15	3	33	51	53	8	46	107
1963-1964	9	2	19	30	59	10	43	112
1964-1965	8	1	23	32	38	9	52	99
1965-1966	3	---	38	41	141	8	37	186
1966-1967	16	---	37	53	138	15	24	177
1967-1968	39	5	105	149	223	15	77	315
	136	15	403	554	785	81	394	1,260
Percent of Totals:	24%	3%	73%	100%	62%	7%	31%	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 Years	AVERAGE YEARS		
	Fire	Police	Combined
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
1967-1968	27	22	24

Years of Service at Retirement

It is again 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. However, below it is also noted that a greater number of Firemen retired with minimum service than has occurred in the past 12 years. 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 three years:

Fiscal Year	FIRE					POLICE				
	20	Less		Over	Total	20	Less		Over	Total
		25	Exac.				25	25			Exac.	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
1967-1968	36	12	12	89	149	190	63	18	44	315
	101	83	39	331	554	641	345	49	225	1,260
Percent of Total	18%	15%	7%	60%	100%	51%	27%	4%	18%	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 schedules. The data for 1967-1968 reflects a slight difference in average age and a drop in average years of service for disability pensioners.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
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
1967-1968	42	40	40	12	13	13

SERVICE PENSIONS**Pensions Granted**

A total of 464 members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1968. Of this number 452 retired under the New Pension System.

Pensions Discontinued

During the course of the fiscal year a total of 117 service pensions were discontinued on account of death. These individuals were on the pension rolls an average of twenty years although the range of life after retirement varied from one month to forty-one 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	
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	---	177	230
1967-1968	3	146	2	313	464

DISABILITY PENSIONS**Pensions Granted**

A total of twenty-six members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1968. Of these, twenty-two were granted on a service-connected basis while four were nonservice.

Pensions Discontinued

Twenty-five disability pensions were discontinued on account of death and one was restored to active duty 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	
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	---	23	15	47
1965-1966	7	---	29	12	48
1966-1967	10	5	32	11	58
1967-1968	3	---	19	4	26

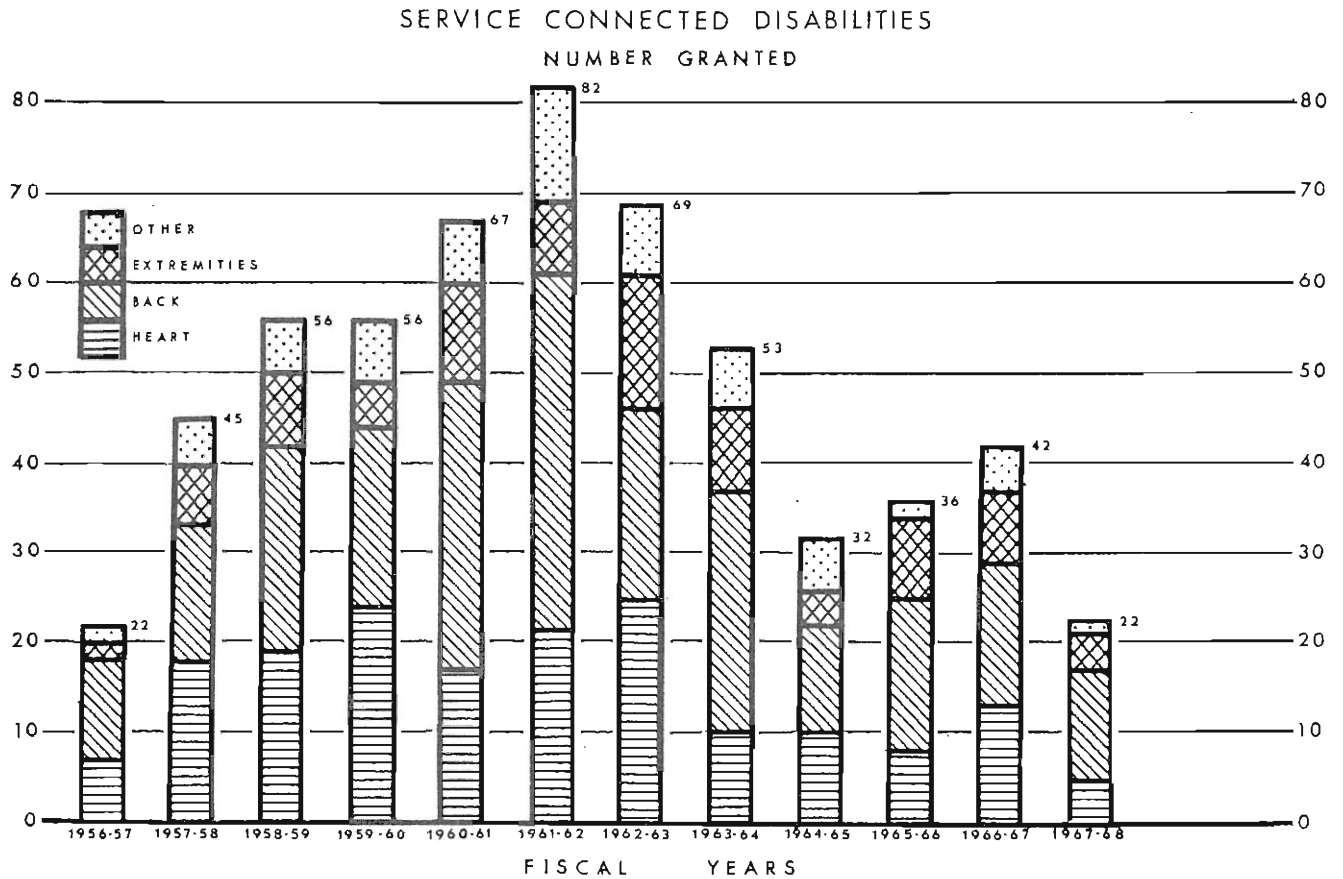
Analysis of Rates

There were 687 service-connected disability pensions and 147 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1968. Of this number 11 service-connected and 2 nonservice-connected disability pensions were granted under the New Pension System.

Rate	Fire	Police	Total
40%	32	115	147
50%	59	188	247
55%	21	64	85
57½%	1	—	1
60%	33	70	103
65%	45	96	141
66⅓%	1	—	1
70%	9	26	35
75%	6	37	43
80%	3	8	11
85%	3	4	7
90%	—	13	13
TOTAL	213	621	834

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
21-24	—	1	1
25-29	—	3	3
30-34	1	19	20
35-39	10	37	47
40-44	29	138	167
45-49	36	196	232
50-54	38	93	131
55-59	31	48	79
60-64	24	14	38
65-69	25	30	55
70-74	11	26	37
75-79	4	8	12
80-84	3	7	10
85-89	1	1	2
TOTAL	213	621	834
Average Age	55	49	51



Service-Connected Disability

New service-connected disability pensions decreased to 22 from 42 in 1966-1967. This number is 48% below the prior year and substantially lower than the number granted in previous years, as shown on the accompanying chart.

LITIGATION

The status of each case hereinafter mentioned is stated as of June 30, 1968 unless otherwise indicated.

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

Plaintiffs, former members of the Fire and Police Pension System, seek to recover deductions which were made from their salaries for pension purposes. None of the cases has been set for trial.

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

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

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

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. 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 favorable 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. Neither case has been set for trial.

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

The Supreme Court, by its decision filed on September 13, 1967, determined: that each of certain widow plaintiffs, who theretofore had not been receiving any pension and who had commenced her causes of action more than three years after the date of death of her husband, is entitled to the payment of a fluctuating pension in the future; that defendants were estopped to urge their affirmative defense of the Statute of Limitations in total bar of the causes of action of each of such certain plaintiffs; and that defendants were not estopped to urge their affirmative defense of the claims provisions of the City Charter in partial bar of the causes of action of each of such certain plaintiffs and that each of them was entitled to recover only those pension payments which had accrued to her within six months prior to the filing of her claim therefor. The decision, as to each of such certain plaintiffs, has become final and conclusive. As to two other plaintiffs, however, the Court remanded the case back to the trial court.

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

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.

HOSTETTER vs. City of Los Angeles, et al.

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 was dismissed by the Court of Appeal on October 4, 1967 and the judgment has become final and conclusive.

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

Plaintiffs' contentions are the same as are the contentions of plaintiffs in ALLEN hereinbefore mentioned. The case has not been set for trial.

JONES vs. City of Los Angeles, et al.

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 judgment was abandoned by him on July 24, 1967 and the judgment has become final and conclusive.

CAVITT vs. City of Los Angeles, et al.

The Court of Appeal, by its decision filed on June 6, 1967, 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 XI ½ of the 1889 City Charter. Defendants' petition for hearing by the Supreme Court was denied on July 26, 1967 and the decision has become final and conclusive.

ANDREWS vs. City of Los Angeles, et al.

Plaintiff, a policewoman, sought credit toward retirement as such for her service in the Police Department, prior to her having become a policewoman, as a junior stenographer. Judgment was entered in favor of defendants on April 9, 1968, plaintiff did not appeal therefrom and it has become final and conclusive.

HILL vs. City of Los Angeles, et al.

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 (Virginia Ann) vs. MILLER (William L.)

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 plaintiff, defendant's former wife. Defendant 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. After said Court had filed its decision in favor of defendant, plaintiff petitioned the Supreme Court for a hearing. A brief, on behalf of Mr. Thompson, the Board and the City, was filed in the Supreme Court in opposition to said petition. On September 21, 1967, said Court granted a hearing but it has not filed its decision in the case.

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

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.

EGGERT vs. City of Los Angeles, et al.

Plaintiff seeks to recover deductions which were made for pension purposes from payments to him of Workmen's Compensation benefits pursuant to Section 24 of Ordinance No. 89,935. The case has not been set for trial.

MILLER (Stephen) vs. City of Los Angeles, et al.

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. Judgment was entered in favor of respondents on February 23, 1968, petitioner did not appeal therefrom and it has become final and conclusive.

TAYLOR vs. City of Los Angeles, et al.

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.

TURNER vs. City of Los Angeles, et al.

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. Judgment was entered in favor of respondents on June 25, 1968 but, since petitioner's time to appeal therefrom has not expired, it has not become final and conclusive.

Charter Amendments

The City Attorney prepared Charter amendments, thereafter adopted, which amended Article XVII of the Charter by having added Section 186.6 thereto and which amended Article XVIII of the Charter by having added Section 190.105 thereto to provide that overtime work by firemen and policemen or payments to them therefor shall not cause any increase in the amount of any pension as otherwise provided and shall not cause any pension to become payable earlier than as otherwise provided.

The City Attorney also prepared Charter amendments, thereafter adopted, which amended Article XVII of the Charter by having added Section 185.1 thereto and which amended Article XVIII of the Charter by having added Section 190.021 thereto to provide that no pension shall be paid to any person or to any dependent of any person deputized or appointed as a reserve or an auxiliary policeman, police officer or peace officer of the City to perform police duties or functions upon a part-time basis.

Opinion and Reports of the City Attorney

A report advised the Board and others: (1) that the duties of a fireman always should be referred to as "the duties of a fireman" and never should be referred to as "the regular duties of a fireman" or as "the duties of a regular fireman" and that the duties of a policeman always should be referred to as "the duties of a policeman" and never should be referred to as "the regular duties of a policeman" or as "the duties of a regular policeman"; (2) that a fireman or a policeman, even though he is disabled from performing some of the duties of a fireman or of a policeman, is not entitled to a disability pension and should not be cited therefor if he is not disabled from performing the duties to which he is assigned; and (3) that any physician who is to make a determination as to whether a fireman is capable of or is disabled from the performance of the duties of a fireman or as to whether a policeman is capable of or is disabled from the performance of the duties of a policeman should do so in the light of those duties which the particular fireman or policeman involved is assigned to perform.

An opinion advised the Manager-Secretary that the widow of a member of the Police Department who had resigned and thereafter had filed an application for a disability pension but had died before his application could be processed would be entitled to a widow's pension only if he had become entitled to receive a disability pension prior to the date of his resignation.

An opinion advised the Manager-Secretary that a member of the Fire and Police Pension System, who had died without having filed his theretofore completed request to become a System Member of the New Pension System, never had become such a System Member and, therefore, that his widow was not entitled to a pension pursuant to any of the provisions of Section 190.13 of Article XVIII of the Charter but was entitled to a pension pursuant to only applicable provisions of Section 183 of Article XVII of the Charter.

An opinion advised the Manager-Secretary: (1) that the Board, subject to the Charter limitations governing the investment of moneys in the particular pension fund involved, may invest pension funds under the control of the Board in short-term unsecured promissory notes; (2) that the Board may not permit the custody of any such securities so purchased by it to be placed in the custody of anyone but the City Treasurer; and (3) that the use of so-called safekeeping receipts by a holding bank in lieu of actual custody by the City Treasurer is not permitted.

A report advised the Board and the City Controller that any person may waive payment of the whole or any portion of his pension payable pursuant to Article XVII or to Article XVIII of the Charter forever or for a definite or indefinite period of time and that he, at any time, may cancel any such waiver, provided, however, that any such waiver or any cancellation of any such waiver must be in writing.

An opinion advised the City Administrative Officer: (1) that the position of General Manager and the office of Chief Administrative Officer of the Pension Department and the position of General Manager and the office of Chief Administrative Officer of the City Employees' Retirement System may not be combined as one position and office without a Charter amendment which would authorize the same; (2) that each such position and office could be utilized as a part-time position and office; and (3) that the same person may be appointed to both such positions and offices without a Charter amendment to provide therefor.

An opinion advised the Manager-Secretary that: (1) whether or not a doctor at the Receiving Hospital is a full-time employee is a matter to be determined by the Receiving Hospital initially and by the City Council finally; (2) in determining the status of a doctor at the Receiving Hospital as being that of a full-time employee for salary and pension purposes, it is proper to consider, in addition to his hours of attendance at the hospital, his obligation to respond to duty on a twenty-four hour per day call basis; and (3) a doctor employed at the Receiving Hospital on a full-time basis may not discharge his obligation to render service to the City by securing another doctor to render such service to the City on his behalf, but if he is fully discharging his obligation by rendering the required minimum hours of service there would be no legal objection to his securing, even at his own expense, the services of another doctor as a volunteer to assist at the Receiving Hospital.

A report to the Board advised: (1) that Section 3212, Section 3212.5 or Section 3212.6 of the Labor Code does not give rise to any pension right whatsoever but provides only a disputable presumption which, if not controverted by other evidence, is merely evidence that a therein specified physical condition or sickness, for Workmen's Compensation purposes, arose out of and in the course of employment; and (2) that, in the case of a member of the Police Department whose death was caused by heart trouble, the Board may not consider as evidence the presumption with respect thereto which is provided by Section 3212.5 of the Labor Code because he had not served the required minimum period of five years.

A report advised the Board that no action should be commenced against plaintiffs, in the cases of Casey, et al. v. City of Los Angeles, etc., et al.,

and Bowers, et al. v. City of Los Angeles, etc., et al., to recover moneys paid to them pursuant to the judgments in said cases which would not have been paid to them if said judgments had been in accordance with the decision in the case of Driscoll, et al. v. City of Los Angeles, etc., et al.

An opinion advised the City Administrative Officer that it is not necessary to amend the provisions of either Article XVII or Article XVIII of the Charter in order to employ a former fireman or a former policeman, retired upon a service pension, in the department for which he retired in any position other than the position of fireman or the position of policeman.

An opinion advised the City Administrative Officer that it would be desirable to amend Articles XVII and XVIII of the Charter, prior to the effective date of any amendment to Ordinance No. 89,480 providing for the expansion of the Police Reserve Corps, to specifically provide that members thereof are not and shall not be construed to be or to have been members of the Police Department for any of the purposes of said articles.

Guardianships

The City Attorney carefully examined fifty-one accountings, as well as various petitions and other documents, which were received by the Department and also prepared, served and filed twelve requests for special notice. Ten guardianships of incompetents were discontinued and ten were added. Five guardianships of minors were discontinued and two were added. There are eighty active guardianships, forty-two covering incompetents and thirty-eight covering sixty-seven 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 \$5,663,000, a rise of 15% above the prior year, for a total of \$44,073,247. Taxes comprised the major dollar increase, while earnings advanced 42% for the largest relative increase. Member contributions also increased some 15%. U. S. Treasury Bills continued to be the major factor in cash management, with a turnover of \$37,460,000 in Bills, resulting in earnings of \$381,894.

Expenditures

Expenditures for pensions increased nearly \$3,000,000, for an advance of 11%. However, for the first time in recent years, a major pension category showed a decrease: service-connected widows' pensions, the second most costly pension group, showed a slight decrease from the year before. This drop was due to the fact that the increase in cost of new pensions and fluctuating pensions, was more than offset by the number of deaths during the year, particularly among those receiving fluctuating pensions. Pension payments for years of service rose almost 19%, accounted for by the major increase in new service retirements.

Administrative Expenses

Total administrative costs advanced by 14%, slightly less than the increase in total costs. The detail of major changes is as follows:

Salaries, increased by \$24,000, primarily reflecting an increase in staff of two positions as a preliminary step in meeting the increased work load of the New Pension System. An additional factor was the prevailing rate pay increase applicable to most positions at the start of the fiscal year.

Contractual Services. The increase of \$5,400 in this expense was principally due to the cost rise for investment counsel service, which is based on total portfolio. As total investments increase, this expense will continue to rise in accordance with contract provisions.

Actuarial Expense. This item increased by \$2,000 as a result of the decision to do a special actuarial valuation as of January 31, 1968, as well as the routine valuation at the end of the fiscal year. The special valuation was requested in order to determine actual cost of the New Pension System, since the transfer of members to the New System was not completed until January 29, 1968, and very few transfers had been completed at the end of the previous June.

Medical Services. The expense of medical examinations decreased almost \$4,000, accounted for by the decrease in the number of new disability pensions, and because there was some decrease in the number of disabled pensioners being regularly examined.

Travel Expense, rose about \$1,300 as a result of increased transportation charges to conferences held at more distant locations than in recent years.

Printing and Binding, increased about \$3,600 to cover the greater cost of service certificates, revised to reflect the interests of the Fire and Police Departments.

All other cost items varied only nominally from expenses of the prior year. Overall, administrative expense amounted to six-tenths of 1% of total budget.

Surety Bond

Eighteen individuals were employed by the Department, including one Senior Assistant City Attorney. 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

A SHORT HISTORY OF FIRE AND POLICE PENSION SYSTEM

1899-1901. A pension system for policemen was authorized by the California State Legislature and became effective in the City of Los Angeles on June 7, 1899. A pension system for firemen, similarly authorized, became effective on June 10, 1901. Basic retirement provisions were one-half of salary of rank held after 20 years of service and attainment of age 60, and a service-connected pension of one-half of the salary of the rank held at the date of retirement. There were also dependent benefits.

1913-1919. The Los Angeles City Council, by ordinances effective September 16, 1913, adopted the substance of the systems authorized by statute, but reduced the minimum retirement age to 55 and eliminated contributions. In 1919 such ordinances were amended to provide for a pension of one-half of the salary attached to the rank after 20 years of service, without limitation as to age.

1923-1925. Effective January 29, 1923, the substance of these two ordinances was adopted into the Charter. The system was placed upon an actuarial basis. Also $1\frac{2}{3}\%$ for each year of service, in addition to the minimum of 20 required, was authorized up to a maximum pension of $\frac{2}{3}$ of the salary of the rank held. This was continued in the new City Charter which became effective July 1, 1925. Added was a provision that service and disability pensions would remain fixed amounts.

1927. Effective January 17, 1927, the Charter was amended to provide that all members entering the service after that date would receive 50% of the average salary during the last three years for 25 years' service, plus $1\frac{2}{3}\%$ for each of the next 10 years of service. This amendment imposed a limit upon service pensions at a pension of \$1800 per year. Members' contributions to the cost of the system were set at 4% of salaries. Pensions for widows were made fixed amounts.

1933. Effective May 15, 1933, the Charter was amended to eliminate the actuarial requirements and place the system essentially upon a "pay-as-you-go" basis of operation.

1947. Effective June 16, 1947, the Charter was amended to create an off duty disability pension of 40% of the highest salary attached to the rank of firemen or policemen. A nonservice dependent's pension provided a pension of 40% of the highest salary attached to the rank of fireman or policeman at the date of death. Additional percentages were allowed the widow for minor children under 18 and unmarried. Members entering subsequent to January 17, 1927, could retire after 20 years' service upon 40% of the average salary for the last three years of service. In addition, they would receive 2% for each of the next five years of service, and $1\frac{2}{3}\%$ for each of the next ten years of service. The maximum pension of $\frac{2}{3}$ of average salary was retained, but the 1927 limitation was raised to accord with salary level of a police captain or fire battalion chief. Contributions were increased from 4% to 6% of salaries.

1957. Effective April 18, 1957, an amendment removed the maximum limit attached to rank on service pensions.

1958. The California Supreme Court ruled that the 1925 Charter provision for fixed pensions did not apply to members employed prior to July 1, 1925, nor to widows of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the Charter was amended to re-establish the System on an actuarial basis, with a 50-year amortization period for the unfunded liabilities, and the investment provisions were changed to permit investing up to 35% of the fund in common stocks.

1961. Effective July 1, 1961, a Charter amendment provided a one time cost of living increase on all members' or widows' pensions that were based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension System in Article XVIII was adopted, effective January 29, 1967, to provide: annual cost of living adjustments to all members' or widows' pensions that were based on length of service retirement; an increase in the percentage of salary for service retirement, to 55% at 25 years of service, plus 3% per year for a maximum of 70% at 30 years of service; a minimum pension of \$250.00 per month, to be adjusted each year by the cost of living formula; an extension of the funding period to 70 years; changes in the investment authority to provide for mortgage investments and public improvement financing; and other changes.

1968. Articles XVII and XVIII were amended to exclude overtime compensation from computation, either for contributions or for benefits.

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PASADENA, CALIFORNIA 91101

December 31, 1968

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, 1968.

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, 1968**

**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, 1968 there were 601 active members and 4,921 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 8,424 active members and 556 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, 1968 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 Resolution adopted by the Board of Pension Commissioners, upon a 4¼% interest assumption. The actuarial assumptions are discussed in detail in our report to the Board of Pension Commissioners dated September 16, 1966. Previous valuations have been based on a 4% interest assumption.

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, 1968**

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 45,129,289	\$ 19,924,830	\$ 65,054,119
2. Present Value of Future Contributions by Members	4,359,558	66,837,980	71,197,538
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	10,462,940	147,043,556	157,506,496
(ii) Cost of Living Benefits	1,089,890	8,593,455	9,683,345
(iii) Total	\$ 11,552,830	\$155,637,011	\$ 167,189,841
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	277,334,021	355,625,530	632,959,551
(ii) Cost of Living Benefits	17,449,162	47,877,073	65,326,235
(iii) Total	\$294,783,183	\$403,502,603	\$ 698,285,786
4. Total Assets	<u>\$355,824,860</u>	<u>\$645,902,424</u>	<u>\$1,001,727,284</u>

LIABILITIES

5. Accounts Payable	\$	\$ 17,669	\$ 17,669
6. Reserve for Investment Losses	232,939	.....	232,939
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	128,914,980	44,713,536	173,628,516
(b) Disability	43,729,272	1,339,416	45,068,688
(c) Dependents	82,284,534	1,199,748	83,484,282
(d) Total	\$254,928,786	\$ 47,252,700	\$ 302,181,486
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	53,468,774	13,096,738	66,565,512
(b) Disability	15,053,945	355,993	15,409,938
(c) Total	68,522,719	13,452,731	81,975,450
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	18,051,721	369,255,280	387,307,001
(b) Disability	5,945,363	65,043,148	70,988,511
(c) Total	23,997,084	434,298,428	458,295,512
10. Present Value of Prospective Pensions to Dependents of Presently Active Mem- bers who will die in Active Service	1,268,921	21,333,744	22,602,665
11. Present Value of Prospective Pensions to Dependents of Presently Active Mem- bers who will die after Retirement:			
(a) Service	5,275,154	109,471,138	114,746,292
(b) Disability	1,599,257	20,076,014	21,675,271
(c) Total	6,874,411	129,547,152	136,421,563
12. Total Liabilities	<u>\$355,824,860</u>	<u>\$645,902,424</u>	<u>\$1,001,727,284</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, 1969, be as follows:

	Percentage of Members' Salaries of:	
	Fire and Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	14.4%	15.4%
(b) Cost of Living Benefits	1.5	.9
(c) Total	15.9%	16.3%
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	198.7%	17.1%
(b) Cost of Living Benefits	12.5	2.3
(c) Total	211.2%	19.4%
3. Total Contribution:		
(a) Basic Benefits	213.1%	32.5%
(b) Cost of Living Benefits	14.0	3.2
(c) Total	227.1%	35.7%

Section 190.10 of the City Charter refers to Cost of Living contributions by New Pension System members as follows:

"That percentage of the amount of salary, as shown on each such payroll, of each System Member whose name appears thereon, but not to exceed 1% thereof, which shall be equal to ½ of the cost of benefits provided by Section 190.14 as shall be determined by the Board upon an actuarial valuation obtained by it pursuant to Section 190.08, . . ."

The total cost of Cost of Living Benefits amounts to 4.2%. 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, 1968 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 \$698,285,786 represents the present values of amounts required to pay pensions related to service prior to June 30, 1968 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, 1968 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.

November 12, 1968

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

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

June, 30, 1968

with comparative figures for 1967

ASSETS

	1968	1967
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles	\$ 1,629,518	\$ 1,523,785
Cash revolving funds	325	325
United States Treasury Bills— at cost plus interest (approximate market)	12,798,135	8,722,260
	14,427,978	10,246,370
Interest and dividends receivable	473,613	337,397
Taxes receivable	1,115,000	983,000
Investments:		
Bonds—at amortized cost (quoted market, 1968, \$32,048,540) (note 1) —\$	35,468,777	\$ 26,702,115
Preferred stock—at cost (quoted market, 1968, \$369,250)	245,796	200,633
Common stock—at cost (quoted market, 1968, \$15,499,970)	13,304,472	9,321,436
Treasurer's deeds—at cost	735	735
Real property—at cost	17,748	17,748
	\$ 65,054,119	\$ 47,809,434

LIABILITIES AND FUND CAPITAL

Accounts payable	\$ 17,669	\$ 11,441
Loans payable	----	330,000
Reserve for pensions—at actuarial valuation (note 2)	698,285,786	654,573,473
	698,303,455	654,914,914
Fund capital:		
Accumulated surplus (deficit)	\$(633,936,154)	\$(607,775,855)
Workmen's Compensation Fund for fire and police pensioners (note 3)	453,879	492,349
Reserve for investment losses	232,939	178,026
	(633,249,336)	178,026
Contingent liability (note 4)	\$ 65,054,119	47,809,434

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended June 30, 1968

with comparative figures for 1967

Revenue:	1968	1967
Taxes	\$36,993,830	\$31,674,601
Interest	1,977,077	1,311,910
Dividends	418,561	274,856
Members' contributions	5,786,094	5,040,255
Sales of unclaimed property	117,625	101,922
Donations	274	1,130
Miscellaneous	16,697	6,140
Total revenue	45,310,158	38,410,814
Expenditures:		
Pensions paid (notes 3 and 5):		
Service	\$15,818,310	\$13,338,393
Disability	3,325,270	3,189,455
Widows	7,329,947	7,368,353
Minors	80,708	70,475
Dependents	---	2,956
Non-service:		
Disability	445,611	443,787
Widows	464,247	235,312
Minors	69,438	64,218
	27,533,531	24,712,949
Administrative expenses	263,083	231,038
Excess of revenues over expenditures	17,513,544	13,466,827
Additional reserve requirements due to increase in actuarial liability (note 2)..	43,712,313	97,937,902
Deficiency for the year	\$26,198,769	\$84,471,075

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION FUND

STATEMENT OF FUND CAPITAL

Year Ended June 30, 1968

with comparative figures for 1967

	1968			Total	1967
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses		Accumulated Fund Capital (Deficit)
Balance (deficit) at beginning of year	\$(607,775,855)	\$492,349	\$178,026	\$(607,105,480)	\$(522,583,902)
Deficiency for the year	26,160,299	38,470	---	26,198,769	84,471,075
Gain (loss) on disposition of investments	---	---	54,913	54,913	(50,503)
Balance (deficit) at end of year	<u>\$(633,936,154)</u>	<u>\$453,879</u>	<u>\$232,939</u>	<u>\$(633,249,336)</u>	<u>\$(607,105,480)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June, 30, 1968

(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 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, 1968. Such liability represents computed amounts that, 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 actuarial assumptions adopted as a result of an investigation made as of December 31, 1965, and upon a 4¼% assumed rate of interest. Previous valuations have been based upon a 4% interest assumption.

The reserve for pensions, \$698,285,786 is the unfunded actuarial liability of the pension system and, in accordance with the City Charter, is to be amortized over seventy years, beginning July 1, 1967, through contributions to be made by the City. Subsequent to fiscal year 1967-68 the Charter of the City of Los Angeles specifies that the City will make the following contributions each year: (1) An amount equal to the City's share of defined entry age cost; (2) An amount equal to a percentage of 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 (1967-68); and (3) An amount to provide for administrative expense.

Accordingly, the actuaries for the Fire and Police Pension Fund have determined the contributions for items 1 and 2 above for the fiscal year commencing July 1, 1969 to be as follows:

	Percentages of Members Salaries of:	
	Fire and Police Pension System	New Pension System
(1) Entry age contribution	15.9%	16.3%
(2) Unfunded past service	211.2	19.4
Total contribution	227.1%	35.7%

The primary factors in the \$43,712,313 addition to the unfunded actuarial liability were: (a) a greater number of service retirements than was expected at the time of the December 31, 1965 actuarial investigation, and (b) upward salary adjustments to active firemen and policemen resulting in increased liabilities for both fluctuating and fixed pensions.

The disparity of the percentages of City contributions to members salaries required to amortize the unfunded past services cost is due to the unfunded past service liability of the Fire and Police Pension System, amounting to \$294,783,183 as of June 30, 1968, being amortized at a rate applicable to the current payroll of approximately 600 active members compared to the unfunded past service liability of the New Pension System, amounting to \$403,502,603 as of June 30, 1968, being amortized at a rate applicable to the current payroll of approximately 8,400 active members.

(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 \$838,470 thus made during the year ended June 30, 1968 are included under pensions paid.

(4) Contingent Liability

Several legal actions were pending at June 30, 1968; counsel for the Fire and Police Pension Fund believes there is a possibility of only nominal liability upon completion of the litigation.

(5) Pension Payments

The expenditures for regular and retroactive pension payments during the year ended June 30, 1968, with comparative figures for 1967, were as follows:

Regular monthly pension payments:	1967-68	1966-67
Service	\$15,727,177	\$13,316,269
Disability	3,325,270	3,189,455
Widows	7,194,750	6,703,674
Minors	80,708	70,475
Dependents .....	.....	2,956
Non-service	979,296	743,317
	<u>\$27,307,201</u>	<u>\$24,026,146</u>
Retroactive pension payments:		
Service	91,133	22,124
Widows	135,197	664,679
	<u>226,330</u>	<u>686,803</u>
	<u>\$27,533,531</u>	<u>\$24,712,949</u>

**PENSION DEPARTMENT
ADMINISTRATIVE EXPENSE COMPARED**

Schedule 1

Operating Expense	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62
Salaries	\$157,343	\$133,477	\$130,623	\$129,002	\$125,081	\$114,186	\$100,340
Communications	1,902	1,811	1,405	1,530	1,147	946	1,188
Insurance and Bond Premiums	423	373	353	367	372	359	365
Office Equipment	1,367	1,882	1,053	1,064	1,222	1,771	1,043
Office Supplies	3,502	3,177	1,954	1,907	1,634	1,559	1,607
Printing and Binding	7,544	3,937	2,700	1,669	1,842	2,267	3,138
Traveling	3,182	1,845	1,030	1,861	1,397	2,250	3,105
Contractual Services	31,940	26,574	22,937	15,675	11,545	11,042	18,548
Field Equipment	150	50	100	60	150	300	150
Maintenance and Repairs	---	387	---	---	---	---	---
Petroleum Products	103	111	105	153	150	151	230
Transportation	115	104	1,117	1,256	1,058	1,324	300
Annual Audit	2,500	2,500	2,500	2,200	2,000	1,850	1,850
Governmental Meetings	---	---	---	10	---	19	---
Litigation	12,670	12,343	12,144	11,545	15,827	8,474	11,136
Mailing Service	950	935	624	681	842	539	678
Medical Services	23,130	27,000	20,939	28,692	35,949	24,439	20,656
Miscellaneous	36	25	58	46	94	38	143
Actuarial Expense	11,500	9,500	4,500	4,500	4,500	4,500	9,500
Equipment, Furniture and Fixtures	4,726	5,007	2,909	2,791	2,727	2,146	2,281
	<u>\$263,083</u>	<u>\$231,038</u>	<u>\$207,051</u>	<u>\$205,009</u>	<u>\$207,537</u>	<u>\$178,160</u>	<u>\$176,258</u>

PENSION DEPARTMENT
STATEMENT OF OPERATIONS COMPARED
Fiscal Year 1961-62 to 1967-68
Schedule 2

	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62
REVENUES							
Taxes	\$ 36,993,830	\$ 31,674,601	\$ 28,102,144	\$ 24,798,772	\$ 20,990,559	\$ 14,530,198	\$ 12,247,624
Dividends	418,561	274,856	181,148	103,542	12,222	---	---
Interest	1,977,077	1,311,910	794,239	385,615	236,806	181,874	277,003
Members Contributions	5,786,094	5,040,255	4,892,547	4,646,004	4,482,305	4,088,863	3,854,325
Sales of Unclaimed Property ..	117,625	101,922	72,008	62,618	63,036	51,341	46,996
Donations	274	1,130	950	239	1,480	589	1,280
Miscellaneous	16,697	6,140	5,925	7,779	8,842	6,843	33,586
TOTAL REVENUES available for current year's expenditures	<u>\$ 45,310,158</u>	<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>
EXPENDITURES							
Pensions Paid							
Service	\$ 15,818,310	\$ 13,338,393	\$ 12,408,934	\$ 11,810,428	\$ 11,120,195	\$ 10,832,990	\$ 9,825,781
Disability	3,325,270	3,189,455	2,964,464	2,922,468	2,824,396	2,746,971	2,833,567
Widows	7,329,947	7,368,353	6,215,766	5,862,083	5,461,317	5,703,292	5,364,626
Minors	80,708	70,475	68,626	71,370	81,808	71,496	67,627
Dependents	---	2,956	5,835	10,509	11,023	10,783	10,555
Non-Service							
Disability	445,611	443,787	412,454	362,554	312,997	256,086	238,621
Widows	464,247	235,312	207,215	185,635	177,413	177,459	145,079
Minors	69,438	64,218	54,136	47,551	37,917	30,726	30,760
TOTAL PENSIONS	<u>\$ 27,533,531</u>	<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>
Administrative Expense	\$ 263,083	\$ 231,038	\$ 207,051	\$ 205,009	\$ 207,537	\$ 178,160	\$ 176,258
TOTAL EXPENDITURES	<u>\$ 27,796,614</u>	<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>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 17,513,544</u>	<u>\$ 13,466,827</u>	<u>\$ 11,504,480</u>	<u>\$ 8,526,962</u>	<u>\$ 5,560,647</u>	<u>\$ (1,148,255)*</u>	<u>\$ (2,232,060)*</u>
Provision for unpaid Pensions ..	---	---	---	---	166,000	---	(1,250,000)
Less: Provisions for prior years ..	---	---	---	---	---	1,084,000	---
Gain (Loss) on Sale of Investments	54,914	(50,503)	217,769	160	10,601	---	(124,628)
Adjustment to recognize taxes receivable	---	---	638,000	---	---	---	---
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 17,568,458</u>	<u>\$ 13,416,324</u>	<u>\$ 12,360,249</u>	<u>\$ 8,527,122</u>	<u>\$ 5,737,248</u>	<u>\$ (64,255)</u>	<u>\$ (3,606,688)</u>
Additional Actuarial Reserve	(43,712,313)	(97,937,902)	(40,817,827)	(16,253,458)	(32,321,342)	(40,591,467)	(45,679,864)
Deficit for the Year	<u>\$(26,143,855)</u>	<u>\$(84,521,578)</u>	<u>\$(28,457,578)</u>	<u>\$(7,726,336)</u>	<u>\$(26,584,094)</u>	<u>\$(40,655,722)</u>	<u>\$(49,286,552)</u>
Fund Deficit at beginning of Year	(607,105,481)	(522,583,902)	(494,126,324)	(486,399,988)	(459,815,894)	(419,160,172)	(369,873,620)
Fund Deficit at End of Year	<u>\$(633,249,336)</u>	<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>

*Excess of expenditures over revenue