

1969
Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES
CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1969

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ELECTIVE OFFICERS OF THE CITY OF LOS ANGELES



SAM YORTY
Mayor

ROGER ARNEBERGH
City Attorney

CHARLES NAVARRO
City Controller

LOS ANGELES CITY COUNCIL

LOUIS R. NOWELL*
First District

JAMES B. POTTER, JR.*
Second District

DONALD D. LORENZEN
Third District

JOHN FERRARO
Fourth District

EDMUND D. EDELMAN
Fifth District

PAT RUSSELL
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

ROBERT J. STEVENSON
Thirteenth District

ARTHUR K. SNYDER
Fourteenth District

JOHN S. GIBSON, JR.
Fifteenth District

*Member Police, Fire and Civil Defense Committee

BOARD OF PENSION COMMISSIONERS 1968-69 ANNUAL REPORT

January 8, 1970

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, 1969, and submitted in accordance with the provisions of Section 64 of the City Charter.

Our financial management of the System has continued to show excellent results. Total assets increased by nearly 47%, and earnings rose 57%, not including a substantial profit realized on the sale of common stocks. Average yield of dividend and interest income rose from 4.62% in the prior year, to 4.95% for the year just ended.

Common stock authority was raised to 50% of the Pension funds at the urging of the Board, to provide for long run growth in Pension System earnings. The Board's adoption of a higher assumed interest rate, for the 1968 actuarial valuation, resulted in a reduction in the Pension System tax rate for the ensuing fiscal year of 4.8 cents, and current experience indicates the probability that this step can be repeated following the December 1970 actuarial investigation.

Service retirements slackened from the levels reached in the prior year, but remained at a high rate. Early service retirement of highly qualified personnel continues to be a problem among police officers. On the other hand, there was continued favorable experience in service-connected disability pensions, with only 18 recorded for the year, the lowest number since 1956.

Respectfully submitted,

BOARD OF PENSION COMMISSIONERS

By



Stanley M. Brummel, President



STANLEY M. BRUMMEL
President



ALFRED P. LOWY
Vice President



JOHN T. LA FOLLETTE



MONROE RICHMAN, M.D.



JOSE G. VILLARREAL

December 5, 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, 1969. 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.

FINANCIAL CONDITION

Total assets of the Pension Systems increased by nearly 47% in the past year, to a total of \$95.4 million. As a result, earnings on the Pension Funds also increased dramatically, by 57% above 1968. This showing was made possible by the addition of \$21.5 million in bond investments at substantially increased yields, and by intensive use of short-term money instruments, principally U. S. Treasury Bills, with occasional use of Commercial Paper.

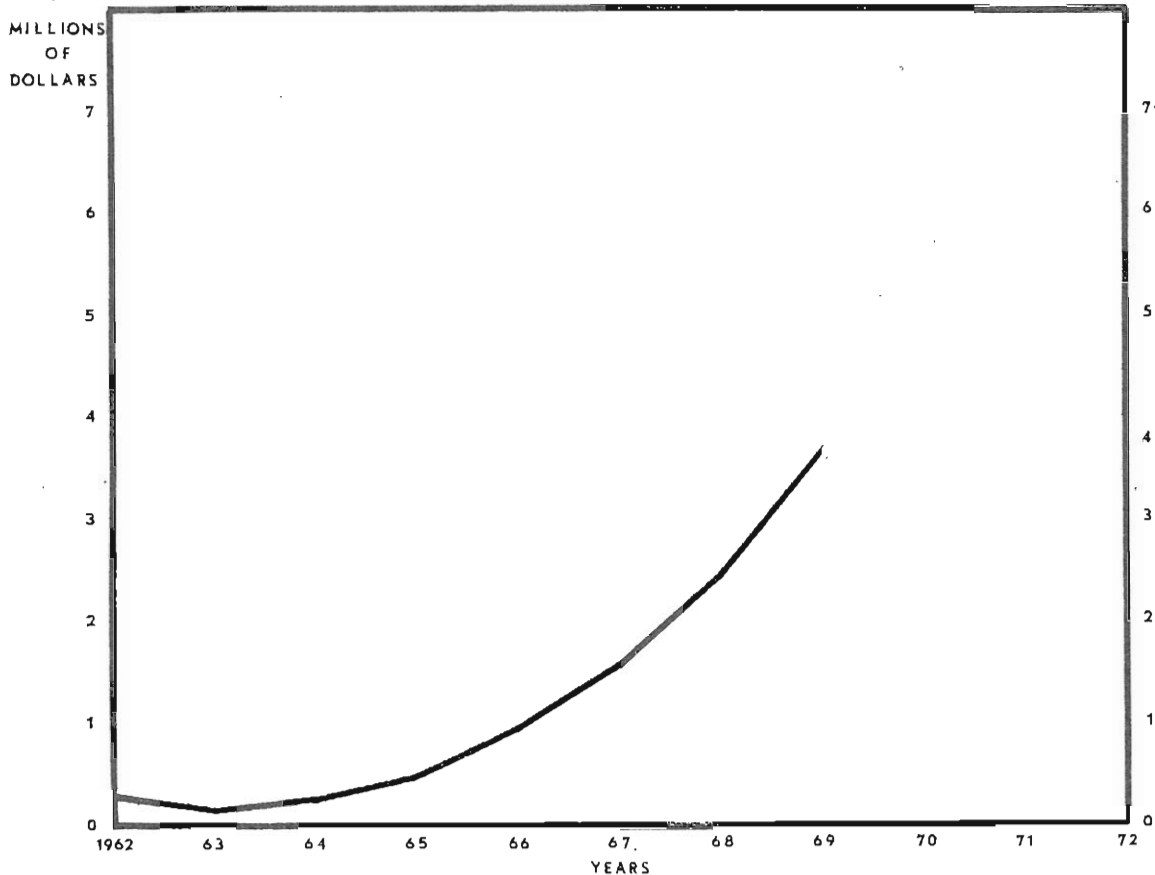
The high yields in fixed income securities made easier the task of increasing current income, even while dollar averaging investments in common stocks. A total of \$10,500,000 was added to the common stock portfolio, for a combined total of \$23.3 million in all common stocks held at year end. In addition to common stocks purchased, more than \$3.7 million in convertible bonds were added, and convertible preferreds were increased by \$735,000.

Improved Yield

With continued high interest rates in the economy, the average yield on Pension System investments continued to rise. For 1968, dividend and interest income reached 4.95%, compared with 4.62% the previous year. At fiscal year end, the total of all stocks showed a substantial unrealized appreciation amounting to \$1.6 million which has not been reflected in the reported yield values. Similarly, sales of stocks resulted in realized appreciation of \$700,000, which also has been omitted from yield values. Studies are proceeding on the best procedure for this System to follow in taking realized and unrealized stock appreciation into account in calculating investment performance. Bonds in the total par value amount of \$2.0 million were sold at a realized loss of \$250,000. However, these sales permitted additional new investment at high current yields, and this added to the improved performance for the year.

The accompanying chart illustrates earnings improvement since 1962:

PENSION SYSTEM EARNINGS
FISCAL YEARS 1962 TO PRESENT



Lower Tax Cost

With the rise in yield, the Board of Pension Commissioners increased the assumed interest rate for actuarial valuations from 4% to 4 $\frac{1}{4}$ %. The result, applied at year end to the 1969-1970 fiscal year, resulted in a reduction in the property tax rate for this System of 4.8 cents.

Short Term Investments

During the year continued use of short-term securities, predominantly U. S. Treasury Bills, gained substantial earnings for the Funds on money earmarked for expenditure as pensions, or for later permanent investment. For example, in the New System Service Pension Fund, income in the fund still exceeds expenditures, with the result that it has been possible to purchase six-month maturities in Bills, and thus gain maximum advantage in Bill yields. For the year, over \$100,000 in interest was earned on Bills in this fund. Altogether, for all Funds, there were maturities or sales of short-term securities amounting to \$68.7 million, with earnings of \$700,000. Use of other instrumentalities, such as Commercial Paper or Federal Agency Paper, continues to be limited to occasional opportunity because of the requirement to take local delivery.

1969 PENSION SYSTEM CHANGES

The municipal election in April, 1969 witnessed a number of improvements in the Pension System provisions. Of principal interest, and increased cost, was the inclusion of disability pensions in the application of cost of living benefits of 2% per year.

Other changes included the provisions for a return to duty, within 3 years of retirement, of those service pensioners who had found retirement not to their liking. This provision was added because the 20-year retirement minimum permitted many men in their mid-40's to retire while still very active. It was believed by advocates of the provision that many valuable members could be restored to the police service after a year or two of trying greener pastures that would prove not so green. This measure could reduce Pension System cost if a substantial number of members take advantage of it.

A minor revision in the Pension System provisions, was the change whereby widows were enabled to receive cost of living adjustments in their pensions without waiting for five years after the death of the member. Instead, the widows hereforth will be eligible for this factor when five years have elapsed from the date of their late husbands' retirement.

ACTUARIAL REPORT

The April 1, 1969 amendments to the Pension System extended cost of living benefits to disability pensioners and their dependents, and resulted in a rise in actuarial cost of 1.1% of payroll for the members in the New System. There was a larger increase, 12.6% of payroll in the Old System, because of the cost of amortizing past service liability, but the tax cost of this increase will be less because of the small payroll involved.

Overall, the average increase in actuarial cost, related to 1969-1970 estimated payrolls, amounted to about 1½%. Applied to estimated payrolls for the 1970-1971 fiscal year, this increase may be less than 1% in that budget because of diminishing membership in Article XVII, and increasing membership in Article XVIII.

In dollars, the unfunded liability increased from \$698 million to \$741 million, while total liabilities moved from \$1,001 million to \$1,113 million. The unfunded liability continues to be amortized over a 70-year period, but will rise when benefits are increased as they were for the valuation period.

MEMBERSHIP

As of June 30, 1969, there were 3,177 firemen and 6,148 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	283	2,520	2,803
With less than 10 years	686	1,293	1,979
With less than 20 years	1,054	1,019	2,073
With 20 years service and over	1,146	1,277	2,423
On Military Leave (eligibility dates not counted)	6	36*	42*
20-Year Members			
Members eligible to retire	2	3	5
TOTAL	3,177	6,148	9,325

*2 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:

	1968-69	1967-68	1966-67	1965-66	1964-65
Total Membership July 1st	9,025	8,685	8,653	8,536	8,366
On Leave or Suspension	47	21	23	29	12
On Military Leave	52	53	41	13	48
	<u>8,926</u>	<u>8,611</u>	<u>8,589</u>	<u>8,494</u>	<u>8,306</u>
Additions:					
New Appointments	1,008	1,063	499	542	485
Reappointments	35	30	21	17	13
Restorations	3*	4*	5*	13*	7*
Returned from Leave or Susp...	290	260	231	169	148
Restored from Military Leave..	19	40	23	36	53
	<u>10,281</u>	<u>10,008</u>	<u>9,368</u>	<u>9,271</u>	<u>9,012</u>
Withdrawals:					
Service Retirements	337	464	230	227	131
Disability Retirements	25	26	58	48	47
Resigned	357	230	177	144	122
Discharged	6	12	5	19	23
Deaths	21	25	23	17	12
Leaves or Suspensions	278	286	229	180	148
Military Leaves Granted	9	39	35	47	35
Active Membership—June 30th....	<u>9,248</u>	<u>8,926</u>	<u>8,611</u>	<u>8,589</u>	<u>8,494</u>
On Leave or Suspension	35	47	21	23	29
On Military Leave	42	52	53	41	13
Total Membership—June 30th ...	<u>9,325</u>	<u>9,025</u>	<u>8,685</u>	<u>8,653</u>	<u>8,536</u>

*Includes 4 disabilities granted after resignation and/or discharge in 1964-65; 7 in 1965-66; 4 in 1966-67; 2 in 1967-68 and 2 in 1968-69.

Appointed Fiscal Year 1968-1969

During the course of the year 1,043 members were appointed and became members of the system. Some 667, or 64% of such members were married at the date of entrance. Thirty-five of such members were re-appointees with an average age of 25. One member was restored from disability pension and was above the age of 36. Of the 1,043 original appointments the median age was 24, the mode 21, and the average 24.

ELIGIBILITY

There were, as of June 30, 1969, a total of 2,430 members eligible to retire. Five of these were 20-year members and 2,425 were 25-year members. Twenty-three of these members are under the Old Pension System. 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
1968-1969	1,148	1,282	2,430

During the fiscal year 1969-1970, an additional 306 twenty-five year members will become eligible if their service is continuous. One hundred and twenty-four of these are firemen. Of this 306 there are 5 remaining under the Old Pension System.

Service of Present Eligibles

Years of Service	20-Year Members		25-Year Members		Total
	Fire	Police	Fire	Police	
20	---	---	113	296	409
21	---	---	326	367	693
22	---	---	358	261	619
23	---	---	1	139	140
24	---	---	---	19	19
25	---	---	43	34	77
26	---	---	58	33	91
27	---	---	94	81	175
28	---	---	102	27	129
29	---	---	---	---	---
30	---	---	1	4	5
31	---	---	5	2	7
32	---	---	15	13	28
33	---	---	12	1	13
34	---	---	5	---	5
35	---	---	---	---	---
36	---	---	4	---	4
37	---	---	3	1	4
38	---	---	3	---	3
39	---	---	1	---	1
40	---	---	2	---	2
41	---	---	---	1	1
42	1	---	---	---	1
43	---	2	---	---	2
44	1	1	---	---	2
	2	3	1,146	1,279	2,430

Members Becoming Eligible Next Ten Years

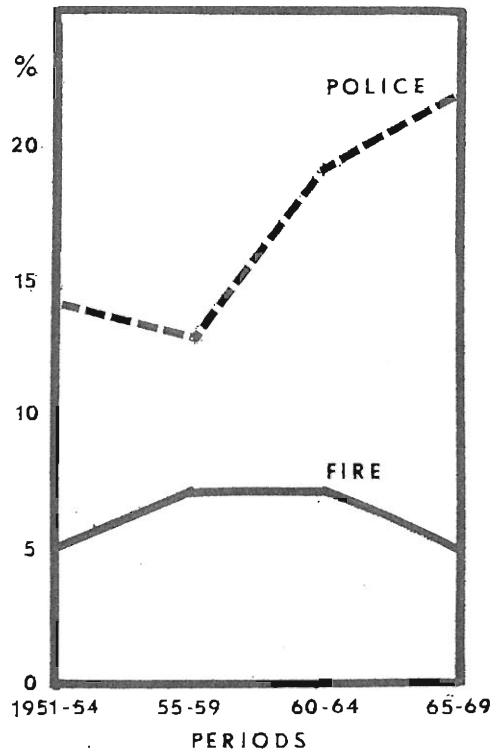
The following schedule indicates that 2,239 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 154 are under the Old Pension System:

Fiscal Year	Fire	Police	Total
1969-1970	124	182	306
1970-1971	38	57	95
1971-1972	153	78	231
1972-1973	55	81	136
1973-1974	51	117	168
1974-1975	108	132	240
1975-1976	56	114	170
1976-1977	186	96	282
1977-1978	163	167	330
1978-1979	120	161	281
TOTALS	1,054	1,185	2,239

Thus, in addition to 26% of the present active members already eligible to retire as indicated above, there will be an additional 24% of total Fire and Police present members who will become eligible to retire or will have retired by 1980.

Analysis of rates of retirement among those becoming newly eligible to retire, illustrated in the accompanying chart, shows diverging experience as between Policemen and Firemen. Year to year experience fluctuates widely, but when these differences are averaged by grouping into 5-year periods (4-year period for 1950-1954) a definite pattern emerges. Since 1954, among Firemen, there has been a small reduction in the proportion of those retiring as soon as they were eligible—from 7% to 5%. But among Policemen, the rates have gone from 13% to 22%; that is, from only twice the rate of Firemen retirements, to four times that rate. The detail of this data shows that the peak of this early retirement rate among Policemen came in 1965-1966, and further experience may demonstrate that solutions to early retirements are being found.

PERCENTAGE OF NEW ELIGIBLES RETIRED



RETIREMENTS OF NEW ELIGIBLES

PERIOD	NEW ELIGIBLES			RETIREMENTS			
	Fire	Police	Total	Fire	%	Police	%
1950-1954*	134	100	234	8	5	14	14
1954-1959	220	248	468	15	7	33	13
1959-1964	499	635	1,134	33	7	120	19
1964-1969	902	1,865	2,767	46	5	405	22
TOTAL	1,755	2,848	4,603	102	6	572	20

*4 year period—data for before 1950 unavailable.

MILITARY LEAVES

On June 30, 1969 there were 42 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1968-1969:

On Leave June 30, 1968	52
Granted during 1968-1969	9
	<u>61</u>
Restored — Now Active	19
On Leave June 30, 1969	<u>42</u>

All of the 42 members on military leave are twenty-five year members and two are eligible to retire. Twenty-nine of these members have less than five years service and 13 have more than five years service.

PENSION ROLL CHANGES

On July 1, 1968, 74 applications were pending. During the course of the fiscal year 521 petitions were received. Of the total of 595 petitions, 491 were granted, 12 withdrawn and 7 denied, leaving 85 pending as of June 30, 1969. The details of pensions granted and terminated during the course of the fiscal year are as follows:

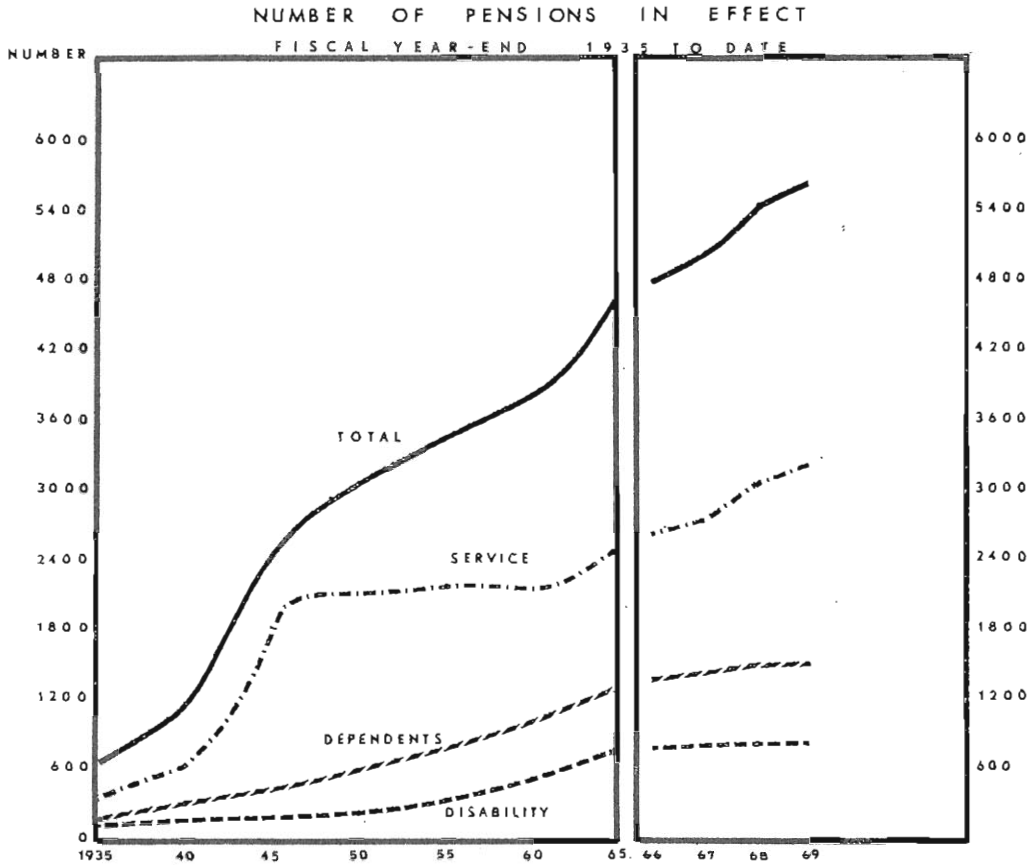
	20 Year Service		20-25 Year Service		Service Disability		Nonservice Disability		Service Widows		Nonservice Widows		Service Dependents		Nonservice Dependents		Total Article		Total System
	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	
7-1-68	1279	2	1317	524	673	14	145	2	1399	8	70	6	18	...	20	...	4921	556	5477
Granted	2	1	12	322	7	11	4	3	100	13	3	5	7	...	1	...	136	355	491
Withdrawn .....	...	...	...	9*	2*	1*	...	...	...	...	...	...	...	...	...	...	2*	10*	12*
Deaths	77	...	35	5	14	...	3	1	53	...	...	...	...	...	...	...	182	6	188
Increased .....	...	...	...	...	11*	...	...	...	...	...	...	...	...	...	...	...	11*	...	11*
Decreased .....	...	...	...	...	30*	2*	...	...	9*	...	5*	1*	...	...	...	...	44*	3*	47*
Majority .....	...	...	...	...	...	...	...	...	...	...	...	...	2	...	2	...	4	...	4
Remarriage .....	...	...	...	...	...	...	...	...	5	1	1	...	...	...	...	...	6	1	7
Denied .....	...	...	...	...	...	...	2*	4*	1*	...	...	...	...	...	...	...	3*	4*	7*
Restored to Duty .....	...	...	...	...	1	...	...	...	...	...	...	...	...	...	...	...	1	...	1
Disability Ceased .....	...	...	...	...	...	1	...	...	...	...	...	...	...	...	...	...	...	1	1
	<u>1204</u>	<u>3</u>	<u>1294</u>	<u>841</u>	<u>665</u>	<u>24</u>	<u>146</u>	<u>4</u>	<u>1441</u>	<u>20</u>	<u>72</u>	<u>11</u>	<u>23</u>	...	<u>19</u>	...	<u>4864</u>	<u>903</u>	<u>5767</u>

*Statistical—These figures do not affect pension roll.

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 seven percent (3122 to 3342). Dependent pensions went up four percent (1521 to 1586). Disability pensions increased one percent (834 to 839). The total of all pensions showed an increase of five 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	357	127	203	17	704
265-304	178	123	51	7	359
305-344	384	143	42	12	581
345-384	571	102	72	1	746
385-424	224	76	38	2	340
425-464	461	61	560	3	1,085
465-504	255	83	272	—	610
505-544	152	49	16	—	217
545-584	120	40	14	—	174
585-624	231	19	196	—	446
625-664	120	7	2	—	129
665-704	81	5	44	—	130
705-744	36	2	2	—	40
745-784	56	1	1	—	58
785-824	48	—	1	—	49
825-864	5	—	7	—	12
865-899	2	—	13	—	15
900 or over	61	1	10	—	72
Totals	3,342	839	1,544	42	5,767
Average Pension	\$448.55	\$382.87	\$457.14	\$304.06	\$440.24

The overall average of \$440.24 is approximately three and one-half percent over the average for the prior fiscal year of \$424.85. 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 680 of these pensions classified as cost of living pensions because they received the minimum pension adjustment.

	Service	Disability	Widows	Minors	Total
Fluctuating					
Number	1,052	63	1,057	1	2,173
Average Pension	\$559.23	\$504.14	\$510.84	\$457.25	\$534.05
Cost of Living					
Number	1,047	126	286	20	1,479
Average Pension	\$412.94	\$260.10	\$300.75	\$279.37	\$376.42
Fixed					
Number	1,243	650	201	21	2,115
Average Pension	\$384.87	\$394.92	\$397.28	\$320.28	\$388.50

The total of fluctuating pensions represents a net decrease of 51 during the fiscal year, while fixed pensions increased by 323. 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, 1969:

Ages	Service	Disability	Widows	Minors	Total
0-17	---	---	---	42	42
20-24	---	---	1	---	1
25-29	---	5	6	---	11
30-34	---	19	12	---	31
35-39	---	47	8	---	55
40-44	159	128	33	---	320
45-49	500	245	77	---	822
50-54	487	149	86	---	722
55-59	402	83	106	---	591
60-64	272	51	210	---	533
65-69	526	39	353	---	918
70-74	572	46	297	---	915
75-79	284	14	206	---	504
80-84	115	9	97	---	221
85-89	23	2	40	---	65
90-94	2	2	11	---	15
95-99	---	---	1	---	1
	3,342	839	1,544	42	5,767
Average Age	61	51	67	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
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
1968-1969	54	48	49

Number Retiring Above or Below Age 50

It is noted that the average age of those retiring on service pension decreased during the year for Firemen and remained the same for Policemen. Of the 469 members becoming eligible to retire during the year (119 Fire) (350 Police) 12% of them retired with the minimum service. The net effect on age and service is indicated in the following tables:

Fiscal Year	FIRE				POLICE			
	Under 50	Exactly 50	Over 50	Total	Under 50	Exactly 50	Over 50	Total
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
1968-1969	26	5	55	86	178	17	56	251
	162	20	458	640	963	98	450	1,511
Percent of Totals:	25%	3%	72%	100%	64%	6%	30%	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	Fire	AVERAGE YEARS	
		Police	Combined
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
1968-1969	27	22	23

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. It is noted, below, that the number of Firemen and Policemen retiring is less than in the previous year.

Fiscal Year	NUMBER OF FIREMEN				AND POLICEMEN					
	20	Less 25	Exac. 25	Over 25	Total	20	Less 25	Exac. 25	Over 25	Total
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
1968-1969	14	13	6	53	86	135	73	9	34	251
	115	96	45	384	640	776	418	58	259	1,511
Percent of Total	18%	15%	7%	60%	100%	51%	28%	4%	17%	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 1968-1969 shows a slight decrease in average age for Firemen as well as in years of active service. Policemen remain fairly consistent with prior years.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
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
1968-1969	37	40	39	9	14	13

SERVICE PENSIONS

Pensions Granted

A total of 337 members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1969. Of this number 323 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 nineteen and one-half years although the range of life after retirement varied from one month to forty-four years.

Service Retirements by Years

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

Fiscal Year	FIRE		POLICE		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
1968-1969	2	84	1	250	337

DISABILITY PENSION

Pensions Granted

A total of twenty-five members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1969. Of these, eighteen were granted on a service-connected basis while seven were nonservice.

Pensions Discontinued

Eighteen disability pensioners were discontinued on account of death and one was restored to active duty during the past year. During this same period of time one disability was discontinued after it was determined that the disability for which the pension was granted had ceased.

Disability Retirements by Years

The total number of members retiring upon disability pension is represented by departments for the last thirteen fiscal years in the following statement:

Fiscal Year	FIRE		POLICE		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
1968-1969	3	2	15	5	25

Analysis of Rates

There were 689 service-connected disability pensions and 150 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1969. Of this number 24 service-connected and 4 nonservice-connected disability pensions were granted under the New Pension System.

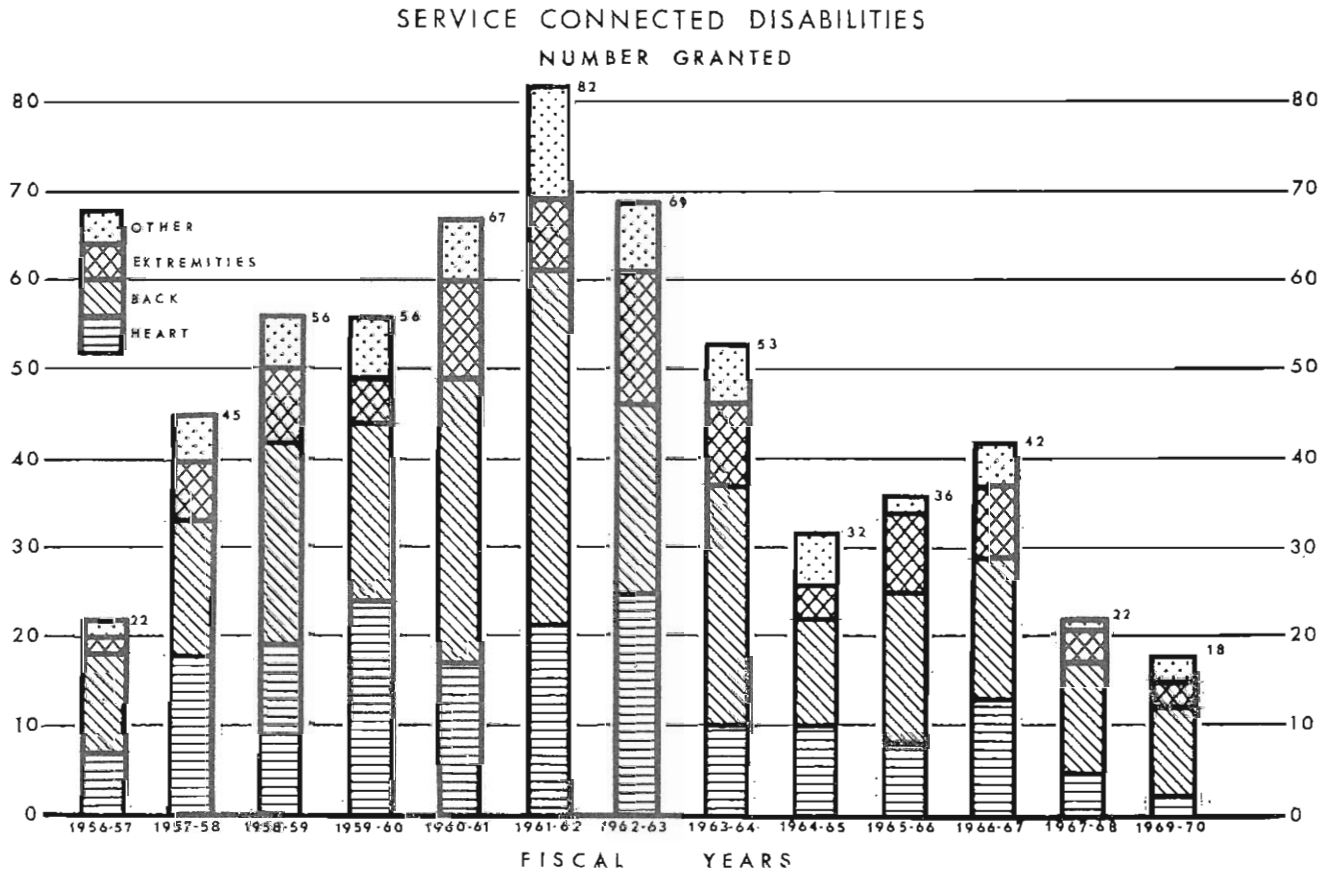
Rate	Fire	Police	Total
40%	33	117	150
50%	57	199	256
55%	21	66	87
57½%	1	---	1
60%	32	67	99
65%	46	96	142
66⅔%	1	---	1
70%	9	23	32
75%	7	34	41
80%	2	9	11
85%	4	3	7
90%	---	12	12
TOTAL	213	626	839

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	---	5	5
30-34	1	18	19
35-39	13	34	47
40-44	24	104	128
45-49	38	207	245
50-54	33	116	149
55-59	32	51	83
60-64	27	24	51
65-69	22	17	39
70-74	14	32	46
75-79	3	11	14
80-84	4	5	9
85-89	1	1	2
90-94	1	1	2
TOTAL	213	626	839
Average Age	55	50	51

Service-Connected Disability

New service-connected disability pensions decreased to 18 from 22 in 1967-1968. This number is 8% 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, 1969 unless otherwise indicated.

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

Plaintiffs, former members of the Fire and Police Pension System, each sought to recover deductions which were made from his salary for pension purposes. Defendants obtained an order of dismissal of plaintiff's complaint in each of JORGENSEN and MILLER, it was filed on March 11, 1969 and, therefore, each of said cases is concluded. In EDELEN, defendants' motion for summary judgment was granted and judgment thereafter was entered in their favor on May 21, 1969 but it, since plaintiff's time to appeal therefrom has not expired, is not final and conclusive.

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

Plaintiffs sought fluctuating disability pensions instead of the fixed disability pensions which they are receiving. Defendants' motion for an

order of dismissal of plaintiffs' complaint was granted, it was filed on March 10, 1969 and, therefore, the case is concluded.

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

Plaintiffs in ALLEN and BROWN, 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 also are entitled, by virtue of said amendment, to greater fluctuating or fixed pensions and, further, 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 each case 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 each case 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. None of the cases is set for trial.

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

The Supreme Court, by its September 13, 1967 decision, determined that each of two widow plaintiffs, who commenced her causes of action for a fluctuating pension more than three years after the date of death of her husband, is not entitled to any pension because she had failed to establish that defendants were estopped to urge their affirmative defense of the Statute of Limitations in total bar of her said causes of action. While said court, with respect to said widows, remanded the case to the trial court for retrial, the case is not set therefor.

CUNNINGHAM vs. City of Los Angeles, et al.

Plaintiff, a widow, sought a service-connected death pension instead of the nonservice-connected death pension which she is receiving. Defendants' motion for an order of dismissal of plaintiff's complaint was granted, it was filed on March 10 1969 and, therefore, the case is concluded.

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 is not set for trial.

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

In this case, the Supreme Court determined that the Superior Court was without jurisdiction to order a portion of a retired member's pension to be paid by the Pension Department directly to his former wife for delinquent alimony and child support and that an order to that effect was in excess of said court's jurisdiction, was invalid and of no legal effect and is to be vacated and set aside which was done by the Superior Court's August 20, 1968 Peremptory Writ of Mandate. The decision of the Supreme Court is final and conclusive.

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

Plaintiffs seek credit toward retirement as policemen for their periods of military service. Each of them had been certified for appointment as a policeman prior to his having entered the armed forces but had not been appointed as such until subsequent to his having been discharged therefrom. Judgment in favor of defendants was entered on January 29, 1969 and plaintiffs' appeal therefrom still is pending with the Court of Appeal.

EGGERT vs. City of Los Angeles, et al.

Plaintiff seeks to recover deductions made for pension purposes from payments made to him of Workmen's Compensation benefits. The case is not set for trial.

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 is not 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, petitioner did not appeal therefrom and it is final and conclusive.

FISHMAN vs. City of Los Angeles, et al.

Plaintiff, a former policeman, seeks to recover deductions made for pension purposes from his salary. Defendants' motion for Summary Judgment was granted on June 23, 1969 but, as yet, judgment is not entered.

MORGAN vs. City of Los Angeles, et al.

After a hearing upon petitioner's application for a disability pension, the Board found that she, a former policewoman, was disabled from performing duties as such and that her disability was nonservice-connected but it denied her application because she had less than the required five years of service. She filed a petition for a Peremptory Writ of Mandate to compel the Board to grant her a pension and the trial court, after a hearing thereon, determined that the Board had not made sufficient findings with respect to her service and, therefore, that she was entitled to a new hearing by the Board. Judgment in her favor was entered on April 25, 1969 and a Peremptory Writ of Mandate issued and served on respondents. The matter still is pending before the Board.

McLEOD vs. City of Los Angeles, et al.

After the Board denied petitioner's application for a disability pension, he filed a petition for a Peremptory Writ of Mandate to compel the Board to grant him a pension. Because of a certain matter, not of sufficient interest to mention herein, the attorneys for petitioner and respondents stipulated to place the proceeding off calendar and to have the Board grant him a new hearing. The matter is still pending before the Board.

Charter Amendments

Three amendments to Articles XVII and XVIII of the Charter, respectively governing the Fire and Police Pension System and the New Pension System, were prepared for submission to the qualified electors of

the City at its Primary Nominating Election held on April 1, 1969. Said electors voted favorably thereon and the provisions thereof became effective on May 2, 1969. For the purposes hereof, the provisions of each amendment may be adequately summarized by quoting, in part, the ballot title thereof.

The first of said amendments added Section 181.1 to Article XVII and Sections 190.041 and 190.111 to Article XVIII "to authorize Fire Chief or Police Chief, with consent of retired member receiving service pension: (1) to recall member, for not exceeding ninety days per year, to active duty in rank held by him at retirement, if lower than Chief, with payment of salary and pension but without right to increased pension benefits for any person; and (2) to return member, not retired over three years and if under age fifty-five and capable of performing duties, to active duty in rank held by him at retirement, if no higher than Fire Engineer or Police Sergeant, with payment of salary but not pension and with rights for him or dependents to service-connected disability or death pension and increased pension benefits for years served after such return which, if granted before five complete such years, would be calculated upon less than full salary".

The second of said amendments added Sections 183.6 and 184.9 to Article XVII and Section 190.141 to Article XVIII "to provide cost of living increases or decreases, not exceeding 2% annually: (1) for any member's disability pension (a) under Article XVII, after his fifty-fifth birthday or the fifth anniversary of his pension, whichever be earlier, or (b) under Article XVIII, after 25 years service, the date he would have had such service if theretofore not retired or the fifth anniversary of his pension, whichever be earliest; and (2) for any dependent's pension (a) under Article XVII, after the deceased member's fifty-fifth birthday, the fifth anniversary of his pension or the fifth anniversary of the dependent's pension, whichever be earliest, or (b) under Article XVIII, after the deceased member's 26 years service, the date he would have had such service if theretofore not deceased, the fifth anniversary of his pension or the fifth anniversary of the dependent's pension, whichever be earliest".

The third of said amendments added Section 180.1 to Article XVII and Section 190.071 to Article XVIII "to authorize the Board of Pension Commissioners to invest up to but not exceeding fifty percent*** of the Fire and Police Service Pension Fund and the Fire and Police General Pension Fund created by Article XVII and of the New System Service Pension Fund and the New System General Pension Fund created by Article XVIII in equity-type securities such as, but not limited to, common stocks or preferred stocks".

Ordinances

Three ordinances were prepared, were forwarded to the City Council and thereafter were adopted.

The first of said ordinances, which became Ordinance No. 137,603, created and established a Police Reserve Corps and provides, among many other matters, for the expansion of the membership thereof and for its use and control and that of its members.

The second of said ordinances, which became Ordinance No. 137,604 and amended Sec. 3 and Sec. 4 of Ordinance No. 95,733, the Receiving Hospital Ordinance, provides, among other matters, for hospitalization and medical and surgical care for members of the Police Reserve Corps and volunteers in training to become members thereof upon the happening of any service-connected contingency therein set forth therefor.

The third of said ordinances, which became Ordinance No. 137,721 and amended Subsection (k) of Sec. 20 of Ordinance No. 89,935, contains provisions which conform with the provisions of Section 186.6 and 190.105 of the City Charter with respect to the effect of overtime work, by firemen and policemen, for pension purposes.

Opinions and Reports

The City Administrative Officer was advised, in an August 20, 1968 opinion: (1) that Mr. M. Lewis Thompson, the incumbent General Manager and Chief Administrative Officer of the Pension Department upon a full-time basis, then legally could not be given a "regular appointment", as defined by Section 1.5(d) of the Rules of the Civil Service Commission, as General Manager of the City Employees' Retirement System upon a part-time basis because there then was no existing civil service reserve or eligible list for the applicable class of Retirement Plan Manager from which such an appointment could be made; and (2) that Mr. Thompson, then legally could be given a temporary appointment, pursuant to Subsection (d) of Section 109 of the City Charter, as General Manager and Chief Administrative Officer of the City Employees' Retirement System upon certain conditions therein stated but which are not of sufficient interest to mention them at length herein.

The Manager-Secretary was advised, in a July 26, 1968 opinion based upon an assumption that many items of information and advice therein mentioned were true and correct, that it would be legal for the Board, if the then proposed merger of Fund American Companies into American Express Company were to be consummated, to exchange its common stock of Fund American Companies for convertible preferred stock of American Express Company.

The City Controller, the City Treasurer, the Manager and the Manager of the City Employees' Retirement System were advised in an August 30, 1969 report, that decisions of the Supreme Court of the State of California, in the cases of **Ogle v. V. A. Heim, et al.**, and **Miller v. The Superior Court of Los Angeles, et al.**, then were final and conclusive and that the effect thereof, with one exception, is that "All money held, controlled or in process of distribution by the *** city *** for retirement or pension purposes or the payment of disability, death or other benefits *** are exempt from attachment or execution" and may not be reached by any court or otherwise through the use of any process of law, the one exception being that said decisions would not be binding upon the federal government in at least some situations.

The Police, Fire and Civil Defense Committee of the City Council was advised, in a February 14, 1969 report, that it does not have the power or authority to transfer the case of a former policeman who had resigned and had applied for a disability pension, to the Board of Referred Powers.

The Board and the Public Health and Welfare Committee of the City Council were advised, in an April 30, 1969 opinion: (1) that any determination by the former Industrial Accident Commission or the Workmen's Compensation Appeal Board that the injury, disability or death of a fireman or a policeman was or is either service-connected or nonservice-connected is not res judicata on the Board for pension purposes; and (2) that any presumption contained in Labor Code Section 3212 (hernia, heart trouble and pneumonia as to firemen and hernia as to policemen), Section 3212.5 (pneumonia and, after five years or more of service, heart trouble as to policemen) or Section 3212.6 (tuberculosis as to policemen), is not applicable to pension proceedings before the Board.

The Board was advised, in a May 19, 1969 opinion, that a discharged policeman with less than 20 years of service is not eligible to retirement upon a service pension, that the Board has no authority to determine that he is eligible thereto, that the Board may not transfer such person's application therefor to the Board of Referred Powers and that it is the duty of the Board to act upon and to deny such application.

The Board was advised, in a June 20, 1969 opinion, that it is its legal obligation to compensate physicians for time lost by them when a member has failed to keep appointments made for him with such physicians either by the Department or by the member upon the request of the Department for him to do so but that the Board, if the Department were to compensate physicians for time so lost by them, has no authority to charge the member for the cost thereof.

Guardianships

Forty-one accountings, as well as various petitions and other documents which were received by the Department, were carefully examined and twenty-two requests for special notice were prepared, served and filed. Thirteen guardianships of incompetents were discontinued and fourteen were added. Four guardianships of minors were discontinued and eight were added. There are eighty-five active guardianships, forty-three covering incompetents and forty-two covering seventy-two minors.

Miscellaneous

Contracts were prepared for the fiscal year 1968-1969, and approved as to form, between the Board and

Lionel D. Edie & Company, Incorporated, Investment Counsel

Coates, Herfurth & England, Actuaries

Peat, Marwick, Mitchell & Co., Auditors

OPERATIONS

Revenues

Revenues for the fiscal year increased \$15 million, the major part of which came from a \$13 million increase in taxes. This reflected the major cost increases of the pension improvements adopted in 1967, with the cost of such improvements not calculable until applied by last year's actuarial study. Earnings on investments also rose substantially, reaching a total of \$3.7 million, or an increase of 57% above the prior year. Member contributions rose 15% to a total of \$6,677,000, with this sharp rise due to the growth in personnel, higher salary levels, and a full year of all members at the increased contribution rate of 7% adopted with Proposition "P".

Expenditures

Expenditures for pensions increased \$2.5 million, a smaller increase than in the prior year, showing the effect of a drop in the number of new service pensions this year.

Administrative Expenses

Total administrative costs advanced only 6% above the prior year, and constituted less than one-half of one percent of total revenues. The detail of changes in administrative cost is as follows:

Salaries. Salary costs were up 7% representing principally the prevailing rate increase over the salaries of the prior year for all city employees.

Office Equipment—Office Supplies. These two expense items offset each other, with a \$500 increase in office supplies, and nearly a \$400 drop in office equipment. The increased item came from the added expense of pension checks.

Printing and Binding. This expense showed a drop of more than \$2,400, but is misleading in that much of the expense of printing service certificates was not charged to the account within the fiscal year.

Contractual Services. The \$7,250 increase in this expense primarily reflects the increased cost of investment counsel, as the total investment portfolio continued to increase. As is the practice in the industry, investment counsel fees are related directly to the size of the portfolio being advised.

Litigation. The reduction of nearly \$2,700 in this account was due to reduced cost of hearing reporters for the year.

Mailing Services. The \$700 increase in this expense arose from special mailings to pensioners for actuarial data, and from increased mail rates.

Medical Services. This expense rose some \$5,700 as a result of extensive medical reviews of special problem cases, and the increase, for the full year, of medical examination fees that were increased midway during the past fiscal year.

Actuarial Expense. This account was reduced by \$5,000 because only the regular actuarial valuation was performed during the year, in contrast with two valuations required in the prior year.

Other Expenses. All other expenses varied within nominal limits.

Surety Bonds

Nineteen individuals were employed by the Department, including one Senior Assistant City Attorney and one Deputy City Attorney IV. 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 limitations 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 provisions 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.

1969. Articles XVII and XVIII were amended effective May 2, 1969, to apply cost of living adjustments to disability pensioners and to their dependents' pensions. Service pensioners were authorized to apply for return to active duty under specified limitations. The authorized limit for common stock investments was raised to 50% of the funds.

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CONSULTING ACTUARIES
301 EAST COLORADO BLVD.
PASADENA, CALIFORNIA 91101

November 3, 1969

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, 1969.

Respectfully submitted,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By /s/ Harry M. Church

HMC:th

**ACTUARIAL VALUATIONS
OF THE
FIRE AND POLICE PENSION SYSTEM
AND
NEW PENSION SYSTEM
OF THE
CITY OF LOS ANGELES
AS OF
JUNE 30, 1969**

**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. The "Proposed Charter Amendment No. 2" which was approved by the electors in the April 1, 1969 election extended cost of living benefits to members and dependents who were previously excluded. These changes have been reflected in the current valuations.

As of June 30, 1969, there were 553 active members and 4,864 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 8,772 active members and 903 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, 1969 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.

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, 1969

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 42,673,164	\$ 51,322,172	\$ 93,995,336
2. Present Value of Future Contributions by Members	4,224,617	74,293,332	78,517,949
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	10,139,081	163,445,331	173,584,412
(ii) Cost of Living Benefits	1,971,488	23,349,333	25,320,821
(iii) Total	12,110,569	186,794,664	198,905,233
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	278,145,419	382,686,365	660,831,784
(ii) Cost of Living Benefits	26,914,665	54,126,165	81,040,830
(iii) Total	305,060,084	436,812,530	741,872,614
4. Total Assets	<u>\$364,068,434</u>	<u>\$749,222,698</u>	<u>\$1,113,291,132</u>

LIABILITIES

5. Accounts Payable	\$	\$ 21,153	\$ 21,153
6. Reserve for Investment Losses	626,667	51,341	678,008
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	123,951,048	71,756,844	195,707,892
(b) Disability	49,416,684	2,866,944	52,283,628
(c) Dependents	88,722,477	3,017,759	91,740,236
(d) Total	262,090,209	77,641,547	339,731,756
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	52,183,731	20,991,524	73,175,255
(b) Disability	15,509,717	819,485	16,329,202
(c) Total	67,693,448	21,811,009	89,504,457
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	18,224,076	395,385,070	413,609,146
(b) Disability	6,821,206	85,237,800	92,059,006
(c) Total	25,045,282	480,622,870	505,668,152
10. Present Value of Prospective Pensions to Dependents of Presently Active Mem- bers who will die in Active Service	1,520,522	27,342,405	28,862,927
11. Present Value of Prospective Pensions to Dependents of Presently Active Mem- bers who will die after Retirement:			
(a) Service	5,315,211	117,176,163	122,491,374
(b) Disability	1,777,095	24,556,210	26,333,305
(c) Total	7,092,306	141,732,373	148,824,679
12. Total Liabilities	<u>\$364,068,434</u>	<u>\$749,222,698</u>	<u>\$1,113,291,132</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, 1970, 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	2.8	2.2
(c) Total	<u>17.2%</u>	<u>17.6%</u>
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	202.9%	16.8%
(b) Cost of Living Benefits	19.6	2.4
(c) Total	<u>222.5%</u>	<u>19.2%</u>
3. Total Contribution:		
(a) Basic Benefits	217.3%	32.2%
(b) Cost of Living Benefits	22.4	4.6
(c) Total	<u>239.7%</u>	<u>36.8%</u>

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 the 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 5.6%. 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 System as of June 30, 1969 and the related statements of revenues and expenditures and fund capital and source and application of funds and changes in working 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 \$741,872,614 represents the present values of amounts required to pay pensions related to service prior to June 30, 1969 as they mature and are presented in accordance with a report certified by Coates, Herfurth & England, consulting actuaries of the system.

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 System at June 30, 1969 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. Also, in our opinion, the accompanying statement of source and application of funds and changes in working capital for the year ended June 30, 1969 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

November 13, 1969

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

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

June 30, 1969

with comparative figures for 1968

ASSETS

	1969	1968
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles	\$ 1,028,597	\$ 1,629,518
Cash revolving funds	325	325
United States Treasury Bills— at cost plus interest (approximate market)	14,945,793	12,798,135
	15,974,715	14,427,978
Interest and dividends receivable	841,333	473,613
Taxes receivable	1,413,000	1,115,000
 Investments:		
Bonds—at amortized cost (quoted market, 1969, \$63,571,445) (note 1) ...	\$ 52,825,356	\$ 35,468,777
Preferred stock—at cost (quoted market, 1969, \$1,221,179)	1,082,096	245,796
Common stock—at cost (quoted market, 1969, \$24,580,259)	23,323,070	13,304,472
Treasurer's deeds—at cost	735	735
Real property—at cost	18,136	49,037,528
	\$ 95,478,441	\$ 65,054,119

LIABILITIES AND FUND CAPITAL

Accounts payable	\$ 21,153	\$ 17,669
Reserve for pensions—at actuarial valuation (note 2)	741,872,614	698,285,786
	741,893,767	698,303,455
 Fund capital:		
Accumulated surplus (deficit)	\$(647,395,036)	\$(633,936,154)
Workmen's Compensation Fund for fire and police pensioners (note 3) ...	301,702	453,879
Reserve for investment losses	678,008	232,939
	\$ 95,478,441	(633,249,336)
Contingent liability (note 4)	\$ 95,478,441	\$ 65,054,119

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year Ended June 30, 1969

with comparative figures for 1968

Revenue:	1969	1968
Taxes	\$49,826,636	\$36,993,830
Interest	3,153,521	1,977,077
Dividends	621,296	418,561
Members' contributions	6,677,287	5,786,094
Sales of unclaimed property	72,807	117,625
Donations	526	274
Miscellaneous	6,657	16,697
Total revenue	<u>\$60,358,730</u>	<u>\$45,310,158</u>
Expenditures:		
Pensions paid (notes 3 and 5):		
Service	\$17,770,007	\$15,818,310
Disability	3,348,590	3,325,270
Widows	7,793,515	7,329,947
Minors	81,195	80,708
Non-service:		
Disability	476,632	445,611
Widows	551,778	464,247
Minors	81,258	69,438
	<u>\$30,102,975</u>	<u>\$27,533,531</u>
Administrative expenses	279,986	263,083
Excess of revenues over expenditures	29,975,769	17,513,544
Additional reserve requirements due to increase in actuarial liability (note 2) ..	43,586,828	43,712,313
Deficiency for the year	<u>\$13,611,059</u>	<u>\$26,198,769</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENT OF FUND CAPITAL

Year Ended June 30, 1969

with comparative figures for 1968

	1969			Total	1968
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses		Accumulated Fund Capital (Deficit)
Balance (deficit) at beginning of year	\$(633,936,154)	\$453,879	\$232,939	\$(633,249,336)	\$(607,105,480)
Deficiency for the year	13,458,882	152,177	....	13,611,059	26,198,769
Gain on disposition of investments	---	---	445,069	445,069	54,913
Balance (deficit) at end of year	<u>\$(647,395,036)</u>	<u>\$301,702</u>	<u>\$678,008</u>	<u>\$(646,415,326)</u>	<u>\$(633,249,336)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 1969

(1) Investments

It is the accounting policy of the system 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 System 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, 1969. 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.

The reserve for pensions, \$741,872,614, is the unfunded actuarial liability of the pension system and, in accordance with the City Charter, is to be amortized over the next 68 years, 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 expenses.

Accordingly, the actuaries for the Fire and Police Pension System have determined the contributions for items 1 and 2 on the preceding page for the fiscal year commencing July 1, 1970 to be as follows:

	Percentages of Members' Salaries of:	
	Fire and Police Pension System	New Pension System
(1) Entry age contribution	17.2%	17.6%
(2) Unfunded past service	222.5	19.2
Total contribution	<u>239.7%</u>	<u>36.8%</u>

The primary factors in the \$43,586,828 addition to the unfunded actuarial liability were: (a) upward salary adjustments to active firemen and policemen resulting in increased liabilities for both fluctuating and fixed pensions, (b) an extension of the coverage of the cost of living adjustment to include disability pensioners and dependent survivors, and (c) a greater number of service retirements than was expected at the time of the December 31, 1965 actuarial investigation. 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 \$305,060,084 as of June 30, 1969, being amortized at a rate applicable to the current payroll of approximately 550 active members compared to the unfunded past service liability of the New Pension System, amounting to \$436,812,530 as of June 30, 1969, being amortized at a rate applicable to the current payroll of approximately 8,800 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 \$552,176 thus made during the year ended June 30, 1969 are included under pensions paid.

(4) Contingent Liability

Several legal actions were pending at June 30, 1969; counsel for the Fire and Police Pension System 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, 1969, with comparative figures for 1968, were as follows:

Regular monthly pension payments:

	1968-69	1967-68
Service	\$17,770,007	\$15,727,177
Disability	3,348,590	3,325,270
Widows	7,789,903	7,194,750
Minors	81,195	80,708
Nonservice	1,109,668	979,296
	<u>\$30,099,363</u>	<u>\$27,307,201</u>

Retroactive pension payments:

Service	-----	91,133
Widows	3,612	135,197
	<u>3,612</u>	<u>226,330</u>
	<u>\$30,102,975</u>	<u>\$27,533,531</u>

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

**SOURCE AND APPLICATION OF FUNDS
AND CHANGES IN WORKING CAPITAL**

Year Ended June 30, 1969

with comparative figures for 1968

	1969	1968
Funds provided:		
Net deficiency	\$13,611,059	\$26,198,769
Add charges against deficiency not requiring funds—additional reserve	43,586,828	43,712,313
Funds derived from operations	29,975,769	17,513,544
Gain on sale of securities credited to reserve for investment losses	445,069	54,913
	<u>\$30,420,838</u>	<u>\$17,568,457</u>
Funds used:		
Increase in investments:		
Bonds	\$17,356,579	\$ 8,766,662
Preferred stock	836,300	45,163
Common stock	10,018,598	3,983,036
Real property	388	---
Increase in working capital	2,208,973	4,773,596
	<u>\$30,420,838</u>	<u>\$17,568,457</u>
Changes in working capital:		
Increase (decrease) in current assets:		
Cash	\$(600,921)	\$ 105,733
United States Treasury Bills	1,953,748	4,075,875
Interest and dividends receivable	561,630	136,216
Taxes receivable	298,000	132,000
	<u>2,212,457</u>	<u>4,449,824</u>
Increase (decrease) in current liabilities:		
Accounts payable	3,484	6,228
Loans payable	---	(330,000)
	<u>3,484</u>	<u>(323,772)</u>
	<u>\$ 2,208,973</u>	<u>\$ 4,773,596</u>

**FIRE AND POLICE PENSION SYSTEM
ADMINISTRATIVE EXPENSE COMPARED**

Schedule 1

Operating Expense	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63
Salaries	\$168,829	\$157,343	\$133,477	\$130,623	\$129,002	\$125,081	\$114,186
Communications	1,979	1,902	1,811	1,405	1,530	1,147	946
Insurance and Bond Premiums	396	423	373	353	367	372	359
Office Equipment	997	1,367	1,882	1,053	1,064	1,222	1,771
Office Supplies	4,005	3,502	3,177	1,954	1,907	1,634	1,559
Printing and Binding	5,107	7,544	3,937	2,700	1,669	1,842	2,267
Traveling	4,471	3,182	1,845	1,030	1,861	1,397	2,250
Contractual Services	39,191	31,940	26,574	22,937	15,675	11,545	11,042
Field Equipment	229	150	50	100	60	150	300
Maintenance and Repairs	---	---	387	---	---	---	---
Petroleum Products	246	103	111	105	153	150	151
Transportation	211	115	104	1,117	1,256	1,058	1,324
Annual Audit	2,750	2,500	2,500	2,500	2,200	2,000	1,850
Governmental Meetings	---	---	---	---	10	---	19
Litigation	10,001	12,670	12,343	12,144	11,545	15,827	8,474
Mailing Service	1,630	950	935	624	681	842	539
Medical Services	28,859	23,130	27,000	20,939	28,692	35,949	24,439
Miscellaneous	6	36	25	58	46	94	38
Actuarial Expense	6,500	11,500	9,500	4,500	4,500	4,500	4,500
Equipment, Furniture & Fixtures	4,579	4,726	5,007	2,909	2,791	2,727	2,146
	<u>\$279,986</u>	<u>\$263,083</u>	<u>\$231,038</u>	<u>\$207,051</u>	<u>\$205,009</u>	<u>\$207,537</u>	<u>\$178,160</u>

**FIRE AND POLICE PENSION SYSTEM
STATEMENT OF OPERATIONS COMPARED**

Fiscal Years 1962-63 to 1968-69

Schedule 2

REVENUES	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63
Taxes	\$ 49,826,636	\$ 36,993,830	\$ 31,674,601	\$ 28,102,144	\$ 24,798,772	\$ 20,990,559	\$ 14,530,198
Dividends	621,296	418,561	274,856	181,148	103,542	12,222	-----
Interest	3,153,521	1,977,077	1,311,910	794,239	385,615	236,806	181,874
Members' Contributions	6,677,287	5,786,094	5,040,255	4,892,547	4,646,004	4,482,305	4,088,863
Sales of Unclaimed Property ..	72,807	117,625	101,922	72,008	62,618	63,036	51,341
Donations	526	274	1,130	950	239	1,480	589
Miscellaneous	6,657	16,697	6,140	5,925	7,779	8,842	6,843
TOTAL REVENUES available for current year's expenditures	\$ 60,358,730	\$ 45,310,158	\$ 38,410,814	\$ 34,048,961	\$ 30,004,569	\$ 25,795,250	\$ 18,859,708
EXPENDITURES							
Pensions Paid							
Service	\$ 17,770,007	\$ 15,818,310	\$ 13,338,393	\$ 12,408,934	\$ 11,810,428	\$ 11,120,195	\$ 10,832,990
Disability	3,348,590	3,325,270	3,189,455	2,964,464	2,922,468	2,824,396	2,746,971
Widows	7,793,515	7,329,947	7,368,353	6,215,766	5,862,083	5,461,317	5,703,292
Minors	81,195	80,708	70,475	68,626	71,370	81,808	71,496
Dependents	-----	-----	2,956	5,835	10,509	11,023	10,783
Non-Service							
Disability	476,632	445,611	443,787	412,454	362,554	312,997	256,086
Widows	551,778	464,247	235,312	207,215	185,635	177,413	177,459
Minors	81,258	69,438	64,218	54,136	47,551	37,917	30,726
TOTAL PENSIONS	\$ 30,102,975	\$ 27,533,531	\$ 24,712,949	\$ 22,337,430	\$ 21,272,598	\$ 20,027,066	\$ 19,829,803
Administrative Expense	\$ 279,986	\$ 263,083	\$ 231,038	\$ 207,051	\$ 205,009	\$ 207,537	\$ 178,160
TOTAL EXPENDITURES	\$ 30,382,961	\$ 27,796,614	\$ 24,943,987	\$ 22,544,481	\$ 21,477,607	\$ 20,234,603	\$ 20,007,963
EXCESS OF REVENUES OVER EXPENDITURES	\$ 29,975,769	\$ 17,513,544	\$ 13,466,827	\$ 11,504,480	\$ 8,526,962	\$ 5,560,647	\$ (1,148,255)
Provision for unpaid Pensions ..	-----	-----	-----	-----	-----	166,000	-----
Less: Provisions for prior years ..	-----	-----	-----	-----	-----	-----	1,084,000
Gain (Loss) on Sale of Investments	445,069	54,914	(50,504)	217,769	160	10,601	-----
Adjustment to recognize taxes receivable	-----	-----	-----	638,000	-----	-----	-----
EXCESS OF REVENUES OVER EXPENDITURES	\$ 30,420,838	\$ 17,568,458	\$ 13,416,323	\$ 12,360,249	\$ 8,527,122	\$ 5,737,248	\$ (64,255)
Additional Actuarial Reserve	(43,586,828)	(43,712,313)	(97,937,902)	(40,817,827)	(16,253,458)	(32,321,342)	(40,591,467)
Deficit for the Year	\$(13,165,990)	\$(26,143,855)	\$(84,521,579)	\$(28,457,578)	\$(7,726,336)	\$(26,584,094)	\$(40,655,722)
Fund Deficit at beginning of Year	(633,249,336)	(607,105,481)	(522,583,902)	(494,126,324)	(486,399,988)	(459,815,894)	(419,160,172)
Fund Deficit at End of Year	\$(646,415,326)	\$(633,249,336)	\$(607,105,481)	\$(522,583,902)	\$(494,126,324)	\$(486,399,988)	\$(459,815,894)