

1970
Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES
CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1970

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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 1969-70 ANNUAL REPORT

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, 1970, and submitted in accordance with the provisions of Section 64 of the City Charter.

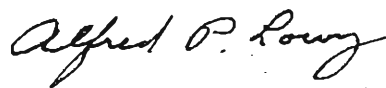
This Board reduced its tax levy for the fiscal year by 4.8 cents, as a result of increased earnings as reported below. However, the prospect was that the tax rate would increase again in the new year because of increased benefits authorized by a vote of the people, and increased salaries.

The fiscal health of the Systems continued to improve, with a rise in earnings of 52%, and an increase in assets of 32%. The critical ratio of assets on hand to total liabilities improved from 8% a year ago, to 10% for the 1970 fiscal year. A major contribution to this improvement was the increase in yield on the funds, rising from 4.95% a year ago, to 5.20% for the past year. We also realized profits from sales of securities of some \$470,000, and the short-term money management operations of the General Manager provided an additional million dollars. This factor of fund earnings provides the greatest hope for gradually reducing the overall cost of pensions to the taxpayer.

Respectfully submitted,

BOARD OF PENSION COMMISSIONERS

By



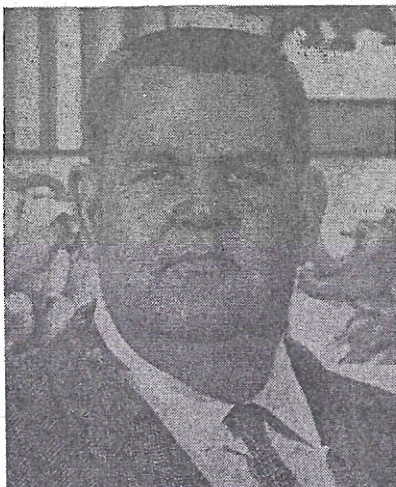
President



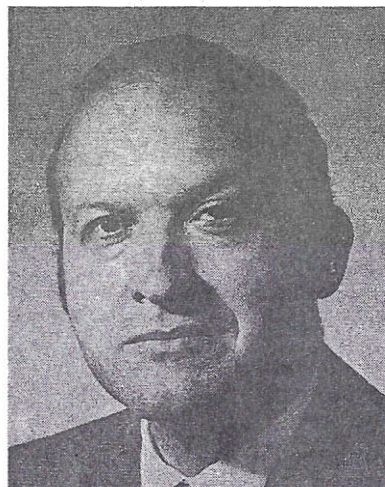
ALFRED P. LOWY
President



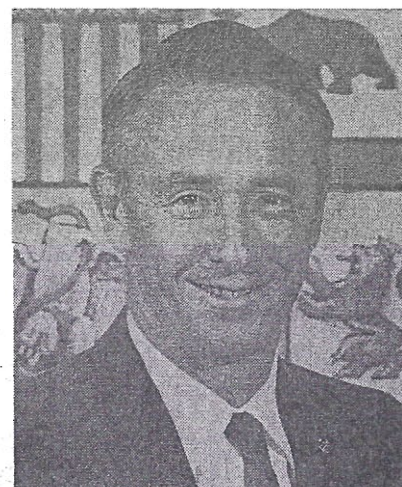
JOHN T. LA FOLLETTE
Vice President



STANLEY M. BRUMMEL



EDWARD F. OLIVER



MONROE RICHMAN, M.D.

March 5, 1971

Board of Pension Commissioners
Room 501, City Hall South
111 East First Street
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, 1970. 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.I, Article XVII and 190.08, Article XVIII of the City Charter.

FINANCIAL CONDITION

Total assets of the Pension Systems increased 32% in the past year to a total of \$126.6 million. Similarly, earnings on the funds of the Systems continue to increase sharply, by 52.4% above 1969 results. This improvement arose out of both the increase in the size of the funds, and the rise in interest rates on fixed-income investments and on short-term money instruments.

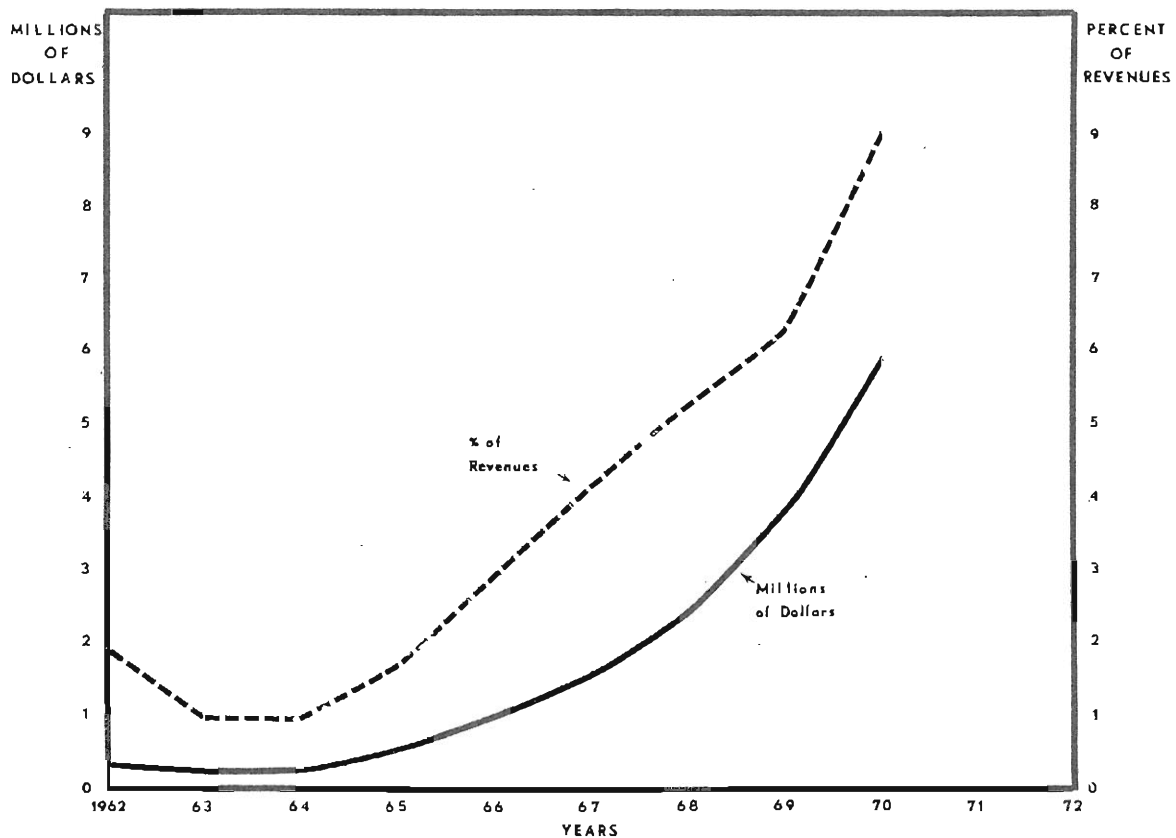
Changes in assets included a rise in bond investments of \$15 million and an increase in the common stock portfolio of \$13 million. Preferred stocks were reduced by some \$230,000. At year end, common and preferred stocks, at cost, constituted 35% of the total portfolio.

Yield Rise Continues

Average purchase yield on Department investments continued to show substantial improvement. For 1970, dividend and interest income on portfolio investments reached 5.20% compared with 4.95% in 1969. This improvement is shown without inclusion of some \$470,000 of profits realized on the sale of securities. At fiscal year end, the total portfolio showed a substantial reduction in market value compared to cost for both stocks and bonds. The rise in bond yields had occasioned a continuing negative market value for several years, while stocks had continued to show good appreciation. However, the drop in the stock market, during April and May in particular, wiped out all paper profit values and resulted in a substantial reduction in market value. This drop was reflected in virtually all major funds throughout the country and identifies the most persistent bear market in the past twenty-five years. Pension Department study of overall common stock performance on a unit value basis demonstrates that even with the substantial drop of the April-May period, portfolio results for the three-year period ending June 30, 1970 reflects a better performance than the values indicated for the market as a whole by either the Dow Jones Industrial Averages, or the Standard and Poor's 500 Index.

The accompanying chart illustrates the earnings improvement since 1962, both in actual dollars of earnings, and in the proportion that these earnings bear to total revenues of the System. For the year 1969-70, this earnings improvement resulted in a reduction in the property tax rate for the Pension System of 4.8 cents.

PENSION SYSTEM EARNINGS
FISCAL YEARS 1962 TO PRESENT



Short Term Investments

The total of short-term investments at year end rose nearly \$4 million reflecting the increased size of pension rolls and the investment program, which necessitate the placement of funds in temporary investments during periods when tax moneys are not received. This year, in particular, increased use was made of commercial paper, and at year end there was some \$4.3 million in this medium on the Department's books. For all funds, there were maturities or sales during the year of short-term securities amounting to \$56 million, with earnings of \$1,128,000.

PENSION SYSTEM CHANGES

At this date last year, report was made of the Pension System change approved by the voters in April, 1969, providing for a return to duty within three years of retirement of those service pensioners who had found retirement not to their liking. But, at that time no experience had been gained. In the interim year, this provision has been found particularly useful in the Police Department, with the return to duty of some twenty-five police officers. This number indicates a favorable result, since not only does the Department gain experienced personnel, but the addition to the force of these men is accomplished at less actuarial cost to the System than the addition of new members in the same number. In the Fire Department there have been only two returns to duty in the fiscal year, and this lower experience is expected in view of the fact that the average age at retirement of firemen is considerably higher than the average age at retirement of police officers, as noted later in this report.

No further changes were made to the Pension System during 1969-70, although at year end consideration was being given to proposed Charter changes to be made in the coming year.

ACTUARIAL REPORT

During the past year there were no changes in benefit provisions of the Pension Systems, but there were salary increases approximating 11%. As a result, the derived pension obligations are greater, and total liabilities of the Systems rose \$136 million. The increase in the "unfunded liability" rose some \$62 million, and this continues to be amortized over the remaining 67 years of the 70 year period authorized in 1967.

In terms of percentage of payroll required to fund the Systems, there were reductions from 239.7% to 229.3% in the Old System, and from 36.8% to 36.5% in the New System. These reductions, in the face of a substantial increase in liabilities, is due to the major rise in total payroll to which the percentages are applied, and to a proportionately smaller rise in liabilities to those already retired.

A further favorable factor is indicated in the improvement in the funding ratio (the ratio of assets on hand to total liabilities) from 8% a year ago, to 10%.

MEMBERSHIP

As of June 30, 1970, there were 3,152 firemen and 6,438 policemen as members of the system including members on leave of absence without pay, members on military leave and members on suspension. Of this number 522 are members of the Old Pension System, with 81 in the Fire Department and 441 in the Police Department. 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	284	2,750	3,034
With less than 10 years	636	1,228	1,864
With less than 20 years	1,039	1,142	2,181
With 20 years service and over	1,188	1,304	2,492
On Military Leave (eligibility dates not counted)	3	14*	17
20 Year Members			
Members eligible to retire	2	1	3
TOTAL	3,152	6,439	9,591

*3 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:

	1969-70	1968-69	1967-68	1966-67	1965-66
Total Membership July 1st	9,325	9,025	8,685	8,653	8,536
On Leave or Suspension	35	47	21	23	29
On Military Leave	42	52	53	41	13
	<u>9,248</u>	<u>8,926</u>	<u>8,611</u>	<u>8,589</u>	<u>8,494</u>
Additions:					
New Appointments	931	1,008	1,063	499	542
Reappointments	51	35	30	21	17
Restorations	6*	3*	4*	5*	13*
Reactivated	27	---	---	---	---
Returned from Leave or Susp.	214	290	260	231	169
Restored from Military Leave	37	19	40	23	36
	<u>10,514</u>	<u>10,281</u>	<u>10,008</u>	<u>9,368</u>	<u>9,271</u>
Withdrawals:					
Service Retirements	235	337	464	230	227
Disability Retirements	49	25	26	58	48
Resigned	438	357	230	177	144
Discharged	13	6	12	5	19
Deaths	14	21	25	23	17
Leaves or Suspensions	198	278	286	229	180
Military Leaves Granted	12	9	39	35	47
Active Membership—June 30th....	<u>9,555</u>	<u>9,248</u>	<u>8,926</u>	<u>8,611</u>	<u>8,589</u>
On Leave or Suspension	19	35	47	21	23
On Military Leave	17	42	52	53	41
Total Membership—June 30th ...	<u>9,591</u>	<u>9,325</u>	<u>9,025</u>	<u>8,685</u>	<u>8,653</u>

*Includes 7 disabilities granted after resignation and/or discharge in 1965-66; 4 in 1966-67; 2 in 1967-68; 2 in 1968-69 and 5 in 1969-70.

Appointed Fiscal Year 1969-1970

During the course of the year 982 members were appointed and became members of the system. Some 596, or 64% of such members were married at the date of entrance. Fifty-one of such members were reappointees with an average age of 24. Twenty-seven of such members were reactivated members with an average age of 48. One member was restored from disability pension and was above the age of 38. Of the 982 original appointments the median age was 23, the mode 21 and the average 24.

ELIGIBILITY

There were, as of June 30, 1970, a total of 2,495 members eligible to retire. Three of these were 20-year members and 2,492 were 25-year members. Twenty-seven 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
1969-1970	1,190	1,305	2,495

During the fiscal year 1970-1971, an additional 96 members will become eligible if their service is continuous. Thirty-eight of these are firemen. Of this 96 there are 2 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	---	---	117	147	264
21	---	---	108	227	335
22	---	---	316	344	660
23	---	---	343	254	597
24	---	---	1	141	142
25	---	---	---	19	19
26	---	---	37	31	68
27	---	---	49	31	80
28	---	---	85	69	154
29	---	---	95	24	119
30	---	---	---	---	---
31	---	---	1	4	5
32	---	---	4	---	4
33	---	---	14	10	24
34	---	---	7	1	8
35	---	---	4	---	4
36	---	---	---	---	---
37	---	---	1	---	1
38	---	---	3	1	4
39	---	---	1	---	1
40	---	---	---	---	---
41	---	---	2	---	2
42	---	---	---	1	1
43	1	---	---	---	1
44	---	---	---	---	---
45	1	1	---	---	2
	2	1	1,188	1,304	2,495

Members Becoming Eligible Next Ten Years

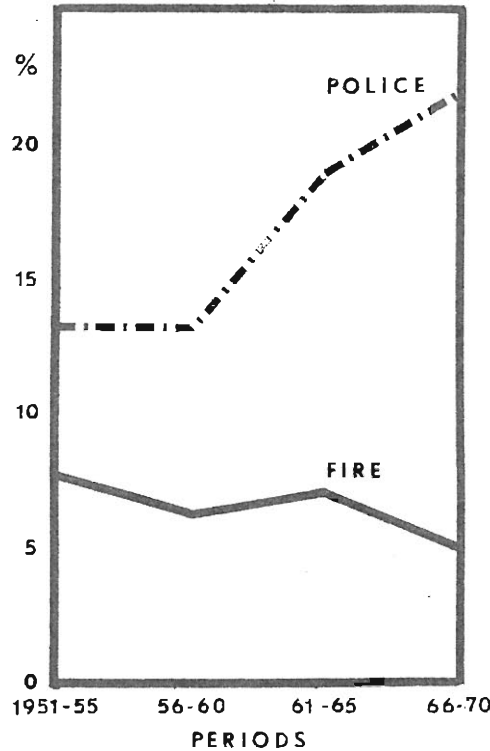
The following schedule indicates that 2,183 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 172 are under the Old Pension System:

Fiscal Year	Fire	Police	Total
1970-1971	38	58	96
1971-1972	150	76	226
1972-1973	54	81	135
1973-1974	51	115	166
1974-1975	105	131	236
1975-1976	56	110	166
1976-1977	183	95	278
1977-1978	162	163	325
1978-1979	120	157	277
1979-1980	120	158	278
TOTALS	1,039	1,144	2,183

Thus, in addition to 26% of the present active members already eligible to retire as indicated above, there will be an additional 23% of total Fire and Police present members who will become eligible to retire or will have retired by 1981.

Analysis of rates of retirement of 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, a definite pattern emerges. Among Firemen, the percentage rate of those retiring as soon as they are eligible has remained relatively stable, ranging from 5% to 7%. But among Policemen, the rate has increased from twice to over four times the rate for Firemen during the ten year period from 1960-1970. 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	%
1950-1955	166	103	269	12	7	14	14
1955-1960	191	245	436	12	6	33	14
1960-1965	496	679	1,175	32	7	128	19
1965-1970	1,025	2,000	3,025	51	5	428	21
TOTAL	1,878	3,027	4,905	107	6	603	20

MILITARY LEAVES

On June 30, 1970 there were 17 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1969-1970:

On Leave June 30, 1969	42
Granted during 1969-1970	12
	<u>54</u>
Restored — Now Active	37
On Leave June 30, 1970	<u>17</u>

All of the 17 members on military leave are twenty-five year members and three are eligible to retire. Eleven of these members have less than five years service and 6 have more than five years service.

PENSION ROLL CHANGES

On July 1, 1969, 85 applications were pending. During the course of the fiscal year 377 petitions were received. Of the total of 462 petitions, 396 were granted, 14 withdrawn and 8 denied and one death while an application for disability pension was pending. The details of pensions granted and terminated during the course of the fiscal year are as follows:

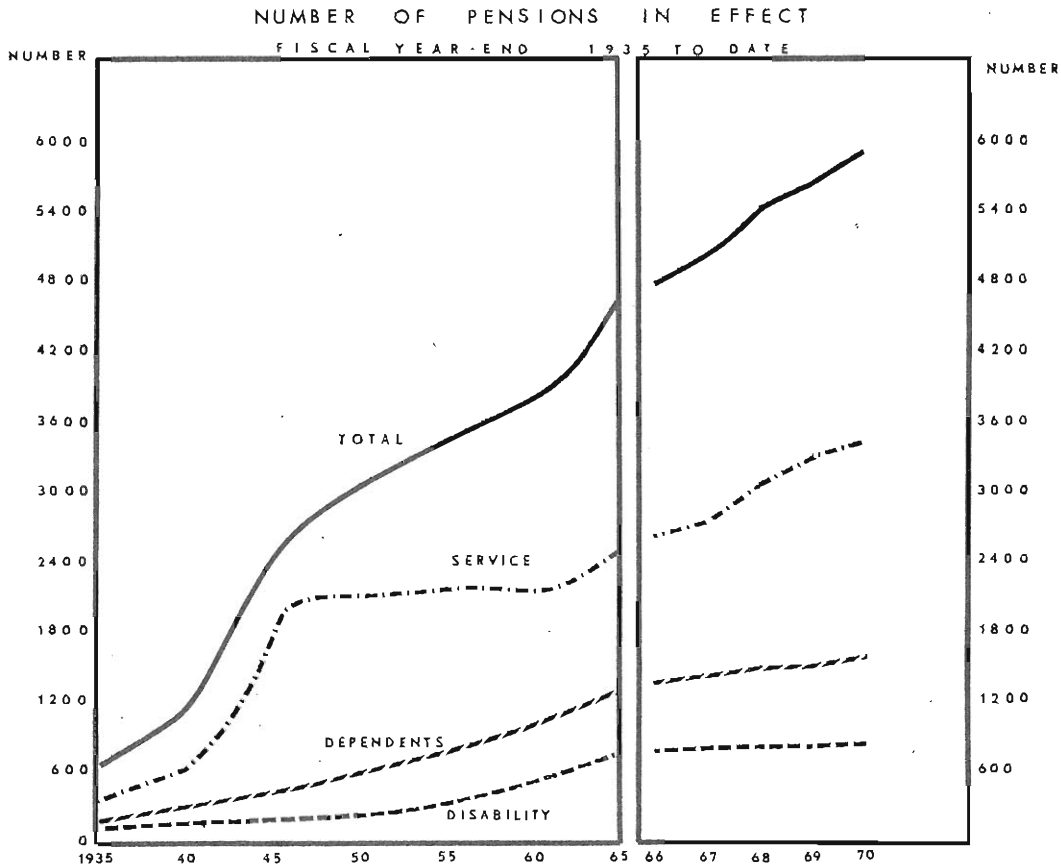
	20 Year Service Article		20-25 Year Service Article		Service Disability Article		Nonservice Disability Article		Service Widows Article		Nonservice Widows Article		Service Dependents Article		Nonservice Dependents Article		Total Article		Total System	
	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII		
7-1-69	1204	3	1294	841	665	24	146	4	1441	20	72	11	22	-0-	20	-0-	4864	903	5767	
Granted		2	6	227	7	32	5	5	81	13	1	3	4	3	2	5	106	290	396	
Deaths	70	1	18	4	16		2		58		1						165	5	170	
Death-Pending						1*													1*	1*
Reactivated			7	20														7	20	27
Redetermined									+2*		-2*									
Withdrawn			1*	6*		7*												1*	13*	14*
Decreased					13*	5*			10*	4*	3*	1*						26*	10*	36*
Increased					12*	3*			1*	1*								13*	4*	17*
Denied					1*	7*												1*	7*	8*
Remarriage									4	1	3	3						7	4	11
Majority															4			4		4
Restored to Duty						1													1	1
	1134	4	1275	1044	656	55	149	9	1462	32	67	11	26	3	18	5	4787	1163	5950	

*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 three percent (3342 to 3457). Dependent pensions went up two percent (1586 to 1624). Disability pensions increased three percent (839 to 869). The total of all pensions showed an increase of three percent.



PENSIONS CLASSIFIED BY AMOUNTS

The following schedule shows the classification of pensions paid by number of pensioners in \$40.00 brackets up to the monthly amount of \$985, and the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Minors	Total
225-264	1	---	---	---	1
265-304	514	228	252	22	1,016
305-344	370	127	44	16	557
345-384	555	120	61	7	743
385-424	306	92	57	4	459
425-464	160	55	34	2	251
465-504	85	54	20	---	159
505-544	523	77	608	1	1,209
545-584	168	50	209	---	427
585-624	118	28	12	---	158
625-664	181	9	194	---	384
665-704	150	12	2	---	164
705-744	86	7	1	---	94
745-784	41	4	45	---	90
785-824	49	2	1	---	52
825-864	32	1	---	---	33
865-904	44	1	---	---	45
905-944	7	---	---	---	7
945-984	7	1	22	---	30
985 or over	60	1	10	---	71
Totals	3,457	869	1,572	52	5,950
Average Pension	\$473.48	\$401.59	\$499.13	\$320.21	\$468.42

The overall average of \$468.42 is approximately six percent over the average for the prior fiscal year of \$440.24. The average number 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 676 of these pensions classified as cost of living pensions because they received the minimum pension adjustment.

	Service	Disability	Widows	Minors	Total
Fluctuating					
Number	984	59	1,066	1	2,110
Average Pension	\$624.13	\$558.23	\$570.19	\$510.00	\$594.98
Cost of Living					
Number	1,199	598	397	25	2,219
Average Pension	\$440.59	\$357.22	\$326.67	\$289.06	\$396.03
Fixed					
Number	1,274	212	109	26	1,621
Average Pension	\$388.07	\$483.14	\$432.37	\$342.86	\$402.76

The total of fluctuating pensions represents a net decrease of 63 during the fiscal year, while cost of living pensions increased by 729. Fixed pensions decreased by 526 due to more members becoming eligible for the cost of living and fewer retirements during the year than in the prior year.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1970:

Ages	Service	Disability	Widows	Minors	Total
0-17	---	---	---	52	52
20-24	---	---	1	---	1
25-29	---	3	5	---	8
30-34	---	19	11	---	30
35-39	---	52	9	---	61
40-44	117	99	29	---	245
45-49	571	270	80	---	921
50-54	548	172	84	---	804
55-59	416	83	105	---	604
60-64	323	58	193	---	574
65-69	392	33	328	---	753
70-74	633	49	338	---	1,020
75-79	304	18	218	---	540
80-84	124	9	114	---	247
85-89	27	3	44	---	74
90-94	2	1	11	---	14
95-99	---	---	2	---	2
Totals	3,457	869	1,572	52	5,950
Average Age	61	52	67	12	

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
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
1969-1970	52	47	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 both Firemen and Policemen. Of the 302 members becoming eligible to retire during the year (123 Fire; 179 Police) 11% 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
1969-1970	24	5	37	66	131	5	33	169
	186	25	495	706	1,094	103	483	1,680
Percent of Totals:	26%	4%	70%	100%	65%	6%	29%	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
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
1969-1970	26	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 considerably less than in the previous year.

Fiscal Year	FIRE					POLICE				
	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
1969-1970	7	23	1	35	66	85	58	—	26	169
	122	119	46	419	706	861	476	58	285	1,680
Percent of Totals	17%	17%	7%	59%	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 1969-1970 shows a substantial increase in average age for Firemen as well as in years of active service. Policemen remain consistent with prior years.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
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
1969-1970	48	40	45	21	14	18

SERVICE PENSIONS

Pensions Granted

A total of 235 members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1970. Of this number 229 retired under the New Pension System.

Pensions Discontinued

During the course of the fiscal year a total of 93 service pensions were discontinued on account of death. These individuals were on the pension rolls an average of twenty-one years although the range of life after retirement varied from one month to thirty-nine years. In addition thereto, twenty-seven service pensions were discontinued by reactivation to the Fire and Police Departments. These individuals were on the pension rolls for an average of two years.

Service Retirements by Years

The total number of members who retired upon service pension is presented by departments for the last fourteen 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
1969-1970	---	66	2	167	235

DISABILITY PENSIONS

Pensions Granted

A total of forty-nine members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1970. Of these, thirty-nine were granted on a service-connected basis while ten were nonservice.

Pensions Discontinued

Eighteen disability pensioners 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 fourteen 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
1969-1970	23	6	16	4	49

Analysis of Rates

There were 711 service-connected disability pensions and 158 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1970. Of this number 32 service-connected and 5 nonservice-connected disability pensions were granted under the New Pension System.

Rate	Fire	Police	Total
40%	39	119	158
50%	59	200	259
55%	23	74	97
57½%	1	---	1
60%	32	70	102
61%	3	---	3
65%	44	90	134
66⅔%	1	---	1
70%	14	26	40
75%	9	33	42
77½%	---	1	1
80%	4	8	12
85%	4	4	8
90%	---	11	11
Total	233	636	869

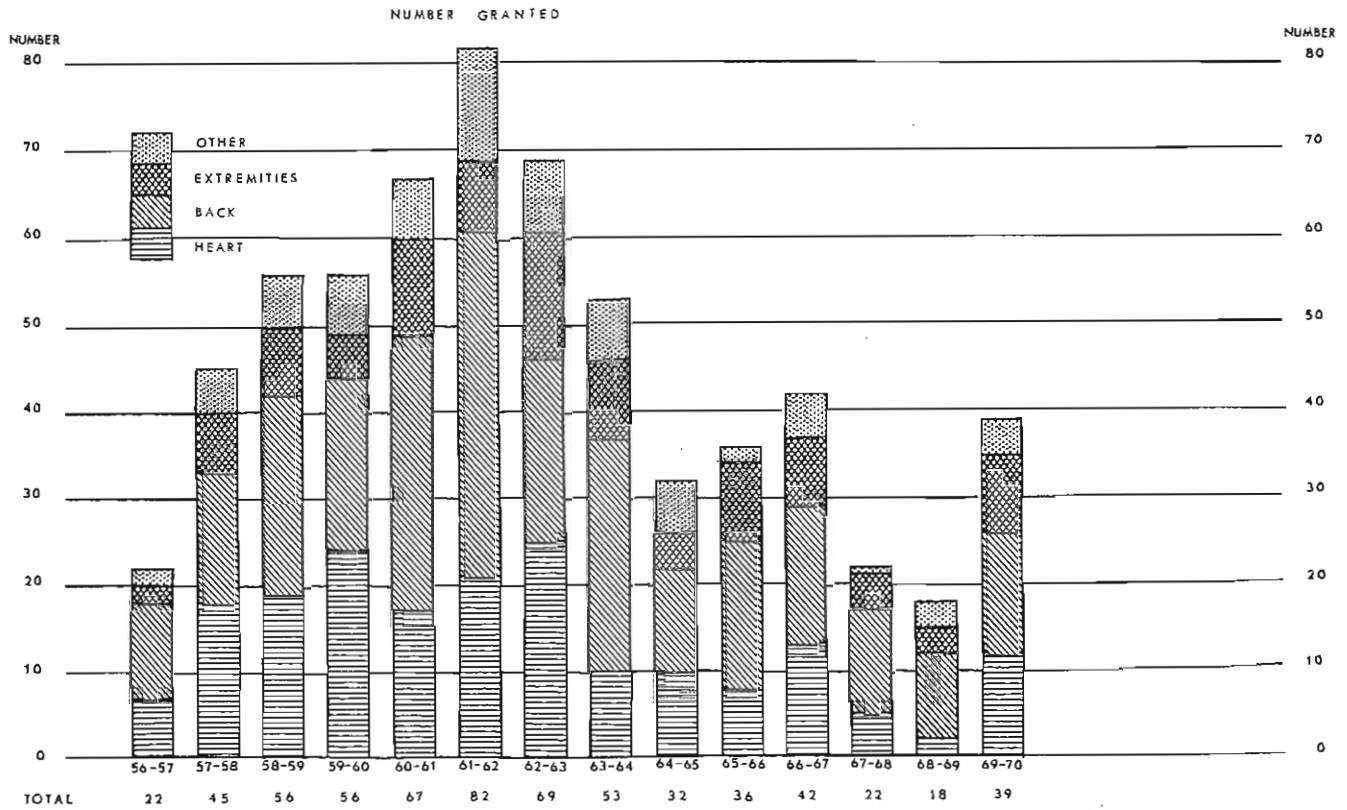
Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
25-29	---	3	3
30-34	2	17	19
35-39	12	40	52
40-44	27	72	99
45-49	45	225	270
50-54	35	137	172
55-59	39	44	83
60-64	28	30	58
65-69	21	12	33
70-74	15	34	49
75-79	4	14	18
80-84	4	5	9
85-89	1	2	3
90-94	---	1	1
Total	233	636	869
Average Age	55	51	52

Service-Connected Disability

New service-connected disability pensions increased from 18 to 39 in 1969-1970. This number is a substantial increase over the prior year and is the highest number since 1966-1967, as shown on the accompanying chart.

SERVICE CONNECTED DISABILITIES



LITIGATION

The status of each case is stated as of June 30, 1970 unless otherwise indicated.

EDELEN vs. City of Los Angeles, et al.

Plaintiff, a former member of the Fire and Police Pension System, sought to recover deductions which were made from his salary for pension purposes. A motion by defendants for summary judgment was granted and judgment thereafter was entered in their favor on May 21, 1969. Notice of entry of judgment was mailed on May 23, 1969. Plaintiff's time to appeal having expired, the judgment is now final and conclusive.

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

Plaintiffs in 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 favorable 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. Said court, with respect to said widows, remanded the case to the trial court for retrial, the case is now set for trial on September 10, 1970.

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 set for trial on July 6, 1970.

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.

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, judgment was entered and plaintiff appealed therefrom. Plaintiff's non-compliance with certain rules on appeal caused defendants to make a motion for dismissal. The Appellate Department of the Superior Court, on December 22, 1969, ordered the appeal dismissed for failure of plaintiff to prosecute the same with diligence. No timely motion to set aside the order having been made by plaintiff, the case is now concluded.

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.

Petitioner had requested that the Board of Pension Commissioners use its subpoena power to compel the presence of examining physicians at a hearing. When advised that as a condition precedent to compliance the petitioner first makes arrangements to pay for the physicians' time, he refused and brought this action. A Peremptory Writ of Mandate was issued by the Superior Court ordering the Board to charge petitioner no more than customary witness fees. On February 17, 1970, defendants filed a notice of appeal. As of the end of the fiscal year, the case has not been heard by the Court of Appeal.

GARRICK vs. City of Los Angeles, et al.

Petitioner, widow of a sergeant of police, seeks to have the presumptions as to heart disease contained in Section 3212.5 of the Labor Code (for purposes of Workmen's Compensation), applied in the proceedings before the Board of Pension Commissioners. The trial court, on February 18, 1970, rendered a decision in favor of petitioner. The judgment is presently being appealed from by defendants.

SOLOMON vs. City of Los Angeles, et al.

Plaintiff, a former policeman, sought to recover deductions made for pension purposes from his salary. Defendants' motion for Summary Judgment was granted on April 2, 1970. Plaintiff not having appealed from the determination of the trial court, the judgment is now final and conclusive.

Opinions and Reports

The Board was advised on July 8, 1969 as to the possibility of civil and/or criminal liability of the members thereof for discretionary and ministerial acts. The conclusions presented were essentially, that (a) civil liability could attach to the individual members of the Board for their actions as Board members; (b) that the Board could be sued to obtain reimbursement where their unlawful or illegal action would result in the disbursement of moneys out of the funds administered by the Board; (c) that depending upon the specific fact situation of a given case, criminal responsibility could attach to Board action.

The Manager-Secretary, having directed a communication to the City Attorney on June 23, 1969 concerning the nature of the disability of a police officer who was injured while in the employ of an outside employer but who was engaged in the enforcement of the law at the time of said injury, the City Attorney advised, under date of September 25, 1969, that the officer under the circumstances of the case could not at the same time work for an outside employer and be, while so employed, unavailable for the performance of his duties as a police officer and a member of the Police Department and at the same time be deemed to have become disabled as a result of the discharge of the duties of the Police Department. It was further concluded that the Board had no discretion in this matter and had to find nonservice-connected disability as a matter of law, if indeed disability was found to exist.

On October 10, 1969, the City Attorney advised the Board again as to a matter of a disability and whether it was service-connected or nonservice-connected. An off-duty police officer was injured at home allegedly while looking for a possible prowler. The opinion rendered was to the effect that if a policeman on or off duty reasonably believed that a public offense was being committed in his presence, or that a suspected person had committed, was committing or about to commit a felony, or that he reasonably believed such action on his part was necessary for the protection of life or property or the keeping of the peace, then, if the officer could sustain the burden of proof as to those facts and circumstances, the Board could find that he was performing the duties of a police officer.

On December 29, 1969, the Manager-Secretary presented the question to the City Attorney as to whether in the case of a fireman or policeman who is on 65% sick pay the deductions for pension contributions were to be based on the 100% base salary established by ordinance or the 65% thereof actually received. The advice given was that the deduction should be made from the amount representing 65% of the base salary.

On April 8, 1970, the City Attorney upon a request by the City Administrative Officer, occasioned by the results of a management audit, advised Dr. C. Erwin Piper that the selection of physicians to examine disability pension applicants is a function of the Board which may be delegated to the Manager of the Department of Pensions by formal action of the Board.

In two communications from the Recreation and Parks Committee, a report was requested by the City Council on the feasibility of financing library construction which, according to the proposed 1969 branch library construction program adopted by the Board of Library Commissioners on March 27, 1968, includes sixty projects totaling \$34,775,000 from the City Employees' Retirement and Fire and Police Pension System Funds. In a report, dated May 29, 1970, the City Attorney advised that while it was possible for each of the retirement systems individually to invest within Charter limitations in the library project, there could be no joint investment by both systems because it would involve a delegation of management functions, which by express Charter provisions was prohibited.

Guardianships

Forty-one accountings, as well as various petitions and other documents which were received by the Department, were carefully examined and twenty-four requests for special notice were prepared, served and filed. Seven guardianships of incompetents were discontinued and eleven were added. Four guardianships of minors were discontinued and fourteen were added. There are ninety-nine active guardianships, forty-seven covering incompetents and fifty-two covering ninety-three minors.

Miscellaneous

Contracts were prepared for the fiscal year 1969-1970, 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 approximately \$3 million over the prior year, primarily from increases in dividends and interest. Contributions of members rose \$800 thousand, while taxes increased \$700 thousand.

Expenditures

Expenditures for pensions increased \$2.8 million, resulting from increases in the number on pension, and higher pension values derived from higher salaries. Funds available for investment increased some \$700,000.

Administrative Expenses

Salaries Salary costs were up some \$29,000 representing prevailing wage increases over the prior year, and the filling of a new administrative assistant position.

Contractual Services The \$9,000 increase in this item reflects the application of the investment counselling fee schedule to the increased size of the investment portfolio.

Furniture and Office Equipment The increase of \$8,000 in this account was occasioned by the move to new quarters prior to the close of the fiscal year, and the provision of new furniture and equipment in these offices.

Other Expenses All other expenses varied within nominal limits from the prior year.

Surety Bonds

Nineteen individuals were employed by the Department, including one Principal Deputy City Attorney and one Deputy City Attorney II.

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

February 17, 1971

Board of Pension Commissioners
City of Los Angeles
Room 501, City Hall South
111 E. 1st Street
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, 1970.

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, 1970

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, 1970, there were 522 active members and 4,787 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 9,068 active members and 1,163 retired persons covered under Article XVIII of the Charter (hereinafter referred to as the New Pension System).

The results of the Actuarial Valuation of the two Systems as of June 30, 1970 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, 1970**

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 43,291,061	\$ 83,338,679	\$ 126,629,740
2. Present Value of Future Contributions by Members	4,355,992	86,030,503	90,386,495
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	10,454,381	189,267,108	199,721,489
(ii) Cost of Living Benefits	2,032,796	27,038,158	29,070,954
(iii) Total	12,487,177	216,305,266	228,792,443
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	280,917,195	432,636,372	713,553,567
(ii) Cost of Living Benefits	28,132,360	62,077,460	90,209,820
(iii) Total	309,049,555	494,713,832	803,763,387
4. Total Assets	<u>\$369,183,785</u>	<u>\$880,388,280</u>	<u>\$1,249,572,065</u>

LIABILITIES

5. Accounts Payable	\$	\$ 41,853	\$ 41,853
6. Reserve for Investment Losses	976,990	171,459	1,148,449
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	122,175,744	90,707,388	212,883,132
(b) Disability	49,241,112	6,847,284	56,088,396
(c) Dependents	95,022,221	4,518,791	99,541,012
(d) Total	266,439,077	102,073,463	368,512,540
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	49,550,046	27,128,786	76,678,832
(b) Disability	15,034,208	2,194,392	17,228,600
(c) Total	64,584,254	29,323,178	93,907,432
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	20,346,346	452,577,541	472,923,887
(b) Disability	7,262,897	101,276,661	108,539,558
(c) Total	27,609,243	553,854,202	581,463,445
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service	1,710,635	31,878,614	33,589,249
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	5,940,209	134,208,717	140,148,926
(b) Disability	1,923,377	28,836,794	30,760,171
(c) Total	7,863,586	163,045,511	170,909,097
12. Total Liabilities	<u>\$369,183,785</u>	<u>\$880,388,280</u>	<u>\$1,249,572,065</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 "Unfounded 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, 1971, 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	17.2%	17.6%
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	192.8%	16.5%
(b) Cost of Living Benefits	19.3	2.4
(c) Total	212.1%	18.9%
3. Total Contribution:		
(a) Basic Benefits	207.2%	31.9%
(b) Cost of Living Benefits	22.1	4.6
(c) Total	229.3%	36.5%

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 $\frac{1}{2}$ 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, 1970 and the related statements of revenues and expenditures and fund capital and the statement of source and application of funds 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 \$803,763,387 represents the present values of amounts required to pay pensions related to service prior to June 30, 1970 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, 1970 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 for the year ended June 30, 1970 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.

November 24, 1970

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

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

June 30, 1970

with comparative figures for 1969

	ASSETS	
	1970	1969
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles	\$ 596,400	\$ 1,028,597
Cash revolving funds	325	325
Temporary short-term investments—at cost plus interest (approximate market)	18,753,911	14,945,793
	19,350,636	15,974,715
Interest and dividends receivable	1,173,538	841,333
Taxes receivable	686,000	1,413,000
Investments:		
Bonds—at amortized cost (quoted market, 1970, \$57,924,923) (note 1) ..\$	67,989,934	\$ 52,825,356
Preferred stock—at cost (quoted market, 1970, \$522,150)	854,613	1,082,096
Common stock—at cost (quoted market, 1970, \$29,515,233)	36,556,148	23,323,070
Treasurer's deeds—at cost	735	735
Real property—at cost	18,136	18,136
	105,419,566	77,249,393
	\$ 126,629,740	\$ 95,478,441

LIABILITIES, RESERVES AND FUND CAPITAL

Accounts payable	\$ 41,853	\$ 21,153
Reserve for pensions—at actuarial valuation (note 2)	803,763,387	741,872,614
	803,805,240	741,893,767
Fund Capital:		
Accumulated surplus (deficit)	\$(678,452,354)	\$(647,395,036)
Workmen's Compensation Fund for fire and police pensioners (note 3)....	128,406	301,702
Reserve for investment losses	1,148,448	678,008
	(677,175,500)	678,008
Contingent liability (note 4)	\$ 126,629,740	\$ 95,478,441
	\$ 126,629,740	\$ 95,478,441

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year ended June 30, 1970

with comparative figures for 1969

Revenue:	1970	1969
Taxes	\$50,573,717	\$49,826,636
Interest	4,720,395	3,153,521
Dividends	1,035,283	621,296
Members' contributions	7,455,724	6,677,287
Sales of unclaimed property	158,851	72,807
Donations	168	526
Miscellaneous	7,457	6,657
Total revenue	\$63,951,595	\$60,358,730
Expenditures:		
Pensions paid (notes 3 and 5):		
Service	\$19,356,718	\$17,770,007
Disability	3,633,379	3,348,590
Widows	8,660,182	7,793,515
Minors	104,086	81,195
Nonservice:		
Disability	540,346	476,632
Widows	572,570	551,778
Minors	94,129	81,258
	\$32,961,410	\$30,102,975
Administrative expenses	330,026	279,986
Excess of revenues over expenditures	30,660,159	29,975,769
Additional reserve requirements due to increase in actuarial liability (note 2) ..	61,890,773	43,586,828
Deficiency for the year	\$31,230,614	\$13,611,059

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENT OF FUND CAPITAL

Year ended June 30, 1970

with comparative figures for 1969

	1970			1969	
	Accumulated Surplus (Deficit)	Workmen's Compensation Fund (Note 3)	Reserve for Investment Losses	Total	Accumulated Fund Capital (Deficit)
Balance (deficit) at beginning of year	\$(647,395,036)	\$301,702	\$ 678,008	\$(646,415,326)	\$(633,249,336)
Deficiency for the year	31,057,318	173,296	---	31,230,614	13,611,059
Gain on disposition of investments	---	---	470,440	470,440	445,069
Balance (deficit) at end of year	<u>\$(678,452,354)</u>	<u>128,406</u>	<u>\$1,148,448</u>	<u>\$(677,175,500)</u>	<u>\$(646,415,326)</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

Notes to Financial Statements

June 30, 1970

(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, 1970. 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, \$803,763,387, is the unfunded actuarial liability of the pension system and, in accordance with the City Charter, is to be amortized over the next 67 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 above for the fiscal year commencing July 1, 1971 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	212.1	18.9
Total contribution	<u>229.3%</u>	<u>36.5%</u>

The primary factors in the \$61,890,773 addition to the unfunded actuarial liability were upward salary adjustments approximating 11% granted 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 \$309,049,555 as of June 30, 1970, being amortized at a rate applicable to the current payroll of approximately 520 active members compared to the unfunded past service liability of the New Pension System, amounting to \$494,713,832 as of June 30, 1970, being amortized at a rate applicable to the current payroll of approximately 9,100 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 \$523,296 thus made during the year ended June 30, 1970 are included under pensions paid.

(4) Contingent Liability

Several legal actions were pending at June 30, 1970; 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, 1970, with comparative figures for 1969, were as follows:

Regular monthly pension payments:	1969-70	1968-69
Service	\$19,356,718	\$17,770,007
Disability	3,618,994	3,348,590
Widows	8,660,182	7,789,903
Minors	104,086	81,195
Nonservice	1,207,045	1,109,668
	<u>\$32,947,025</u>	<u>\$30,099,363</u>
Retroactive pension payments:		
Disability	14,385
Widows	3,612
	<u>\$32,961,410</u>	<u>\$30,102,975</u>

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended June 30, 1970

with comparative figures for 1969

	1970	1969
Funds provided:		
Net deficiency	\$31,230,614	\$13,611,059
Add charges against deficiency not requiring funds—additional reserve	61,890,773	43,586,828
Funds derived from operations	30,660,159	29,975,769
Gain on sale of securities credited to reserve for investment losses	470,440	445,069
Decrease in cash	432,197	600,921
Decrease in taxes receivable	727,000	
Decrease in preferred stock investments	227,483	
Increase in accounts payable	20,700	3,484
Total funds provided	<u>\$32,537,979</u>	<u>\$31,025,243</u>
 Funds used:		
Increase in investments:		
Temporary short-term investments	\$ 3,808,118	\$ 1,953,748
Bonds	15,164,578	17,356,579
Preferred stock		836,300
Common stock	13,233,078	10,018,598
Real property		388
Increase in interest and dividends receivable	332,205	561,630
Increase in taxes receivable		298,000
Total funds used	<u>\$32,537,979</u>	<u>\$31,025,243</u>

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

Schedule 1

Operating Expense	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64
Salaries	\$198,038	\$168,829	\$157,343	\$133,477	\$130,623	\$129,002	\$125,081
Communications	2,000	1,979	1,902	1,811	1,405	1,530	1,147
Insurance and Bond Premiums	431	396	423	373	353	367	372
Office Equipment	852	997	1,367	1,882	1,053	1,064	1,222
Office Supplies	4,984	4,005	3,502	3,177	1,954	1,907	1,634
Printing and Binding	5,892	5,107	7,544	3,937	2,700	1,669	1,842
Traveling	4,798	4,471	3,182	1,845	1,030	1,861	1,397
Contractual Services	46,686	39,191	31,940	26,574	22,937	15,675	11,545
Field Equipment	300	229	150	50	100	60	150
Maintenance and Repairs	2,000	---	---	387	---	---	---
Petroleum Products	205	246	103	111	105	153	150
Transportation	195	211	115	104	1,117	1,256	1,058
Annual Audit	2,750	2,750	2,500	2,500	2,500	2,200	2,000
Governmental Meetings	220	---	---	---	---	10	---
Litigation	10,837	10,001	12,670	12,343	12,144	11,545	15,827
Mailing Service	1,290	1,630	950	935	624	681	842
Medical Services	26,768	28,859	23,130	27,000	20,939	28,692	35,949
Miscellaneous	74	6	36	25	58	46	94
Actuarial Expense	6,500	6,500	11,500	9,500	4,500	4,500	4,500
Equipment, Furniture & Fixtures	15,206	4,579	4,726	5,007	2,909	2,791	2,727
	<u>\$330,026</u>	<u>\$279,986</u>	<u>\$263,083</u>	<u>\$231,038</u>	<u>\$207,051</u>	<u>\$205,009</u>	<u>\$207,537</u>

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

Fiscal Years 1963-64 to 1969-70

Schedule 2

REVENUES	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64
Taxes	\$ 50,573,717	\$ 49,826,636	\$ 36,993,830	\$ 31,674,601	\$ 28,102,144	\$ 24,798,772	\$ 20,990,559
Dividends	1,035,283	621,296	418,561	274,856	181,148	103,542	12,222
Interest	4,720,395	3,153,521	1,977,077	1,311,910	794,239	385,615	236,806
Members' Contributions	7,455,724	6,677,287	5,786,094	5,040,255	4,892,547	4,646,004	4,482,305
Sales of Unclaimed Property..	158,851	72,807	117,625	101,922	72,008	62,618	63,036
Donations	168	526	274	1,130	950	239	1,480
Miscellaneous	7,457	6,657	16,697	6,140	5,925	7,779	8,842
TOTAL REVENUES available for current year's expenditures	\$ 63,951,595	\$ 60,358,730	\$ 45,310,158	\$ 38,410,814	\$ 34,048,961	\$ 30,004,569	\$ 25,795,250
EXPENDITURES							
Pensions Paid							
Service	\$ 19,356,718	\$ 17,770,007	\$ 15,818,310	\$ 13,338,393	\$ 12,408,934	\$ 11,810,428	\$ 11,120,195
Disability	3,633,379	3,348,590	3,325,270	3,189,455	2,964,464	2,922,468	2,824,396
Widows	8,660,182	7,793,515	7,329,947	7,368,353	6,215,766	5,862,083	5,461,317
Minors	104,086	81,195	80,708	70,475	68,626	71,370	81,808
Dependents	-----	-----	-----	2,956	5,835	10,509	11,023
Nonservice							
Disability	540,346	476,632	445,611	443,787	412,454	362,554	312,997
Widows	572,570	551,778	464,247	235,312	207,215	185,635	177,413
Minors	94,129	81,258	69,438	64,218	54,136	47,551	37,917
TOTAL PENSIONS	\$ 32,961,410	\$ 30,102,975	\$ 27,533,531	\$ 24,712,949	\$ 22,337,430	\$ 21,272,598	\$ 20,027,066
Administrative Expense	\$ 330,026	\$ 279,986	\$ 263,083	\$ 231,038	\$ 207,051	\$ 205,009	\$ 207,537
TOTAL EXPENDITURES	\$ 33,291,436	\$ 30,382,961	\$ 27,796,614	\$ 24,943,987	\$ 22,544,481	\$ 21,477,607	\$ 20,234,603
EXCESS OF REVENUES OVER EXPENDITURES	\$ 30,660,159	\$ 29,975,769	\$ 17,513,544	\$ 13,466,827	\$ 11,504,480	\$ 8,526,962	\$ 5,560,647
Provisions for Unpaid Pensions	-----	-----	-----	-----	-----	-----	166,000
Gain (Loss) on Sale of Investments	470,440	445,069	54,914	(50,504)	217,769	160	10,601
Adjustment to recognize taxes receivable	-----	-----	-----	-----	638,000	-----	-----
EXCESS OF REVENUES OVER EXPENDITURES	\$ 31,130,599	\$ 30,420,838	\$ 17,568,458	\$ 13,416,323	\$ 12,360,249	\$ 8,527,122	\$ 5,737,248
Additional Actuarial Reserve ...	(61,890,773)	(43,586,828)	(43,712,313)	(97,937,902)	(40,817,827)	(16,253,458)	(32,321,342)
Deficit for the Year	\$(30,760,174)	\$(13,165,990)	\$(26,143,855)	\$(84,521,579)	\$(28,457,578)	\$(7,726,336)	\$(26,584,094)
Fund Deficit at beginning of Year	(646,415,326)	(633,249,336)	(607,105,481)	(522,583,902)	(494,126,324)	(486,399,988)	(459,815,894)
Fund Deficit at End of Year	\$(677,175,500)	\$(646,415,326)	\$(633,249,336)	\$(607,105,481)	\$(522,583,902)	\$(494,126,324)	\$(486,399,988)