

**1971
Annual Report**

BOARD OF PENSION COMMISSIONERS

**CITY OF LOS ANGELES
CALIFORNIA**



FOR THE FISCAL YEAR ENDED JUNE 30, 1971

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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

JOEL WACHS
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 1970-71 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, 1971, and submitted in accordance with the provisions of Section 64 of the City Charter.

In the Municipal Election of May 25, 1971, the electorate approved extensive changes in the benefit provisions of the Pension System, and in its management, as set forth more fully herein. The cost of benefit increases was estimated at \$9 million per year. As a partial offset, this Board approved an increase in the actuarial interest rate which, with other modifying changes, resulted in a reduction in the cost of basic benefits of some \$3 million, so that the over-all cost increase would be held to a net of \$6 million.

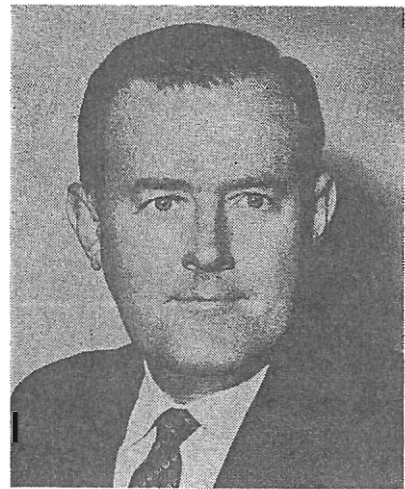
Pension System assets continued to increase, and earnings rose 30% above 1970 results. Purchase yield on investments moved up from 5.20% in 1970 to 5.42% in the year just ended. In addition, the System realized some \$473,000 of profits on the sale of securities. At year end, the common stocks owned by the Pension System showed a market value of \$6.3 million above cost.

The ratio of assets on hand to total liabilities continued to show improvement, moving from 10% for the 1970 fiscal year to approximately 11½% for the year just ended. This ratio measures any gain in control of the cost of the Fire and Police Pension System.

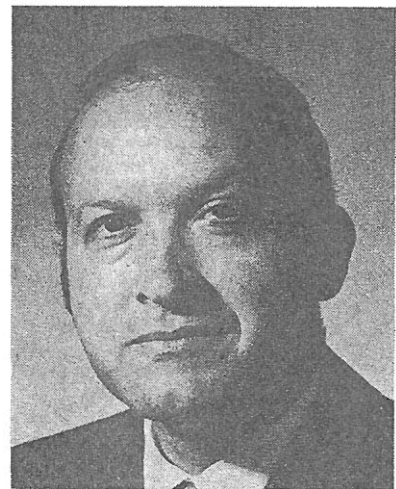
Respectfully submitted,
BOARD OF PENSION COMMISSIONERS
By

John T. La Follette

President



JOHN T. LA FOLLETTE
President



EDWARD F. OLIVER
Vice President



STANLEY M. BRUMMEL



ALFRED P. LOWY



MONROE RICHMAN, M.D.

January 17, 1972

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, 1971. 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

Pension System assets increased some 31% during the past year, to a total of \$166 million. Most of this increase was in the permanent investment assets of the Fund, which showed a rise of almost \$36 million, an improvement of 34% above the prior year total. Earnings on the Funds of the System increased 30% above 1970 results. This showing was excellent in itself, but less spectacular than the performance of the prior year, largely because of the drop in interest rates on both fixed-income investments and short-term money market rates.

Changes in the investment portfolio included bond and stock purchases of more than \$46 million, and sales in excess of \$10 million. At the end of the year, common and preferred stocks at cost constituted 34% of the Department's portfolio.

Yield Improves

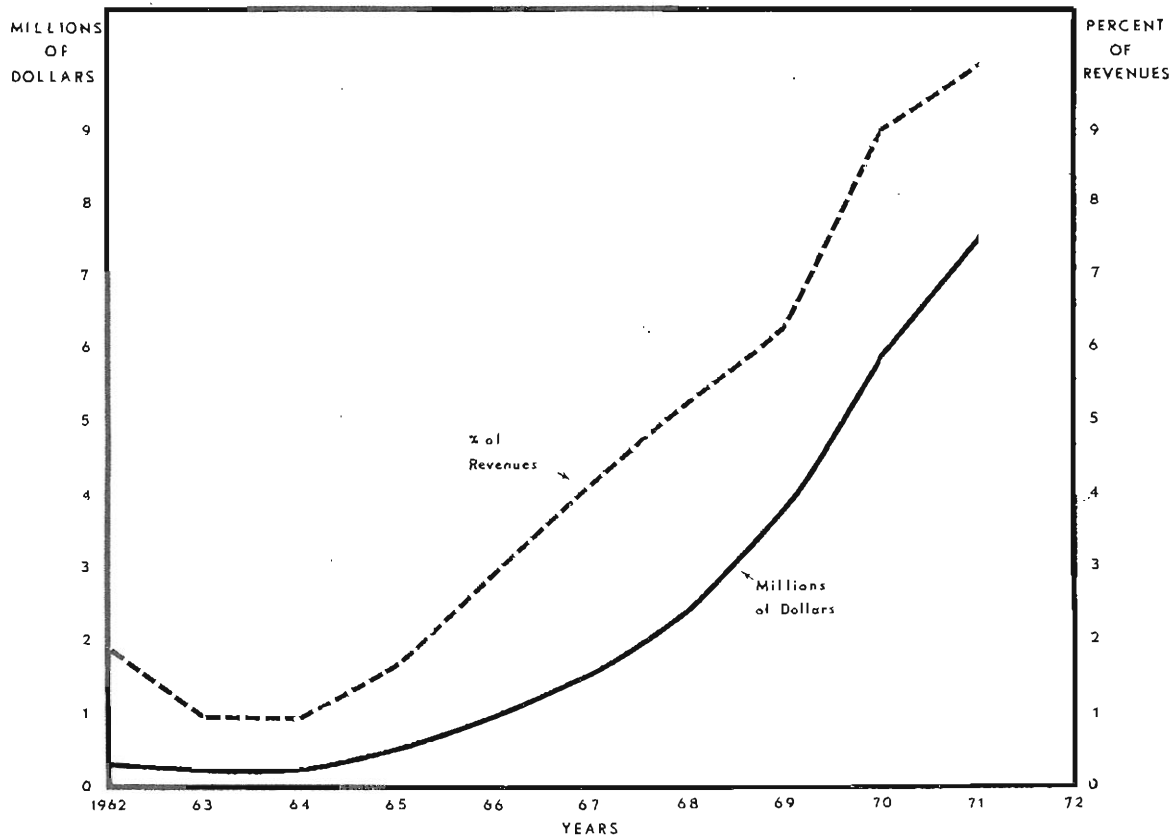
There was continued improvement in the average purchase yield on Department investments, from 5.20% in 1970 to 5.42% in the year ended June 30, 1971. This improvement is measured on the basis of dividends and interest received in relation to book value of investments, and does not include some \$473,000 of profits realized on the sale of securities.

Of particular interest in the investment picture was the turnaround in the market value of the common stock portfolio as compared to the prior year. Whereas the report in 1970 showed the market value of stocks to be \$7.4 million less than cost, the 1971 report shows the market value to be \$6.3 million above cost.

The Pension Department study of common stock performance on a unit value basis continued to demonstrate that the Department's stock investments were continuing to do substantially better than either the Dow Jones Industrial Average or the Standard and Poor's 500 Index.

The accompanying chart illustrates the continued rapid rise in Pension System earnings. The line measuring percent of total revenues declined from the rapid rate of the prior year, because of the large increase in tax revenues. The ensuing year will show a return of the sharp rate of increase since current taxes have a moderate growth.

PENSION SYSTEM EARNINGS
FISCAL YEARS 1962 TO PRESENT



Short-Term Investments

Temporary investments of the Pension System at year end were \$21,500,000 compared with \$19,050,000 for the prior year. For all funds in the Pension System, there were maturities or sales during the year of short-term securities amounting to \$61½ million, with earnings of \$986,000.

ACTUARIAL REPORT

The Actuarial Valuation as of June 30, 1971 is incorporated in detail later in this report. However, at this point, it is useful to comment on certain features of the report.

Proposed Charter Amendment 2 was approved by the electors in the May 25, 1971 election, and added a number of benefits to the Pension

System. Of primary concern was the change in the cost of living benefit which removed any ceiling, and provided that cost of living values would advance by whatever percentage change over the prior year was indicated by the Consumer's Price Index of the Bureau of Labor Statistics. Although the Pension System did not proceed to pay this increased value to those already on pension in accordance with a City Attorney Opinion, it was applicable to all future retirees as described in the Actuarial Report.

Other factors affecting the actuarial valuation during the past year included the action of the Board of Pension Commissioners to increase the assumed interest rate for the actuarial valuation, which had the effect thereby of reducing tax requirements; and the revision by the actuaries of actuarial factors representing reduced mortality for service pensioners, and accelerated salary step changes for active members. These two factors offset much of the cost reduction otherwise available from the increase in the assumed interest rate.

Overall, total System liabilities increased \$196 million, while the unfunded liability, which is being amortized over a remaining 66 years of a 70-year amortization period, increased from \$803 million the prior year to \$888 million.

The net effect of these actuarial cost changes was to reduce the cost of basic benefits approximately \$3 million on an annual basis and to increase the cost of cost of living benefits by about \$9 million so that the net cost rise was approximately \$6 million annually.

A favorable factor in the actuarial report was the continued improvement in the ratio of assets on hand to total liabilities, despite the increase in benefits. As of June 30, 1970, this ratio was approximately 10%, and in the new report for 1971, the ratio of assets on hand to total liabilities improved to 11½%.

OTHER SYSTEM CHANGES

In addition to the cost of living benefit described above, the May 25, 1971 election effected a number of other changes in the System that were significant to the members.

Two employee members, one policeman and one fireman, were authorized to be added to the Fire and Police Pension Board, thereby increasing the Board from 5 to 7 members, subject to terms of office and election procedures to be established by City Council ordinance. This constitutes the first change in the makeup of the Board since it was first established in the City Charter in 1923 at a time when there were no other retirement systems in operation among City employees.

Another significant change provides that upon retirement, service pension benefits of a member will include credit for partial years of service, as contrasted to earlier provisions which limited such credit to completed years.

Other changes included modifying the provisions of the Fire and Police Pension System under Article XVII of the Charter to qualify dependent children after the age of 18, and to provide that widows of deceased members can requalify as widows if a remarriage fails within 5 years of the remarriage. These two provisions brought the former System into conformance with the New System. In addition, provision was made for an allowance of credit for work assignments at higher pay levels than the level at which a member is assigned when he retires, in recognition of the possibility of work reassignments under the recently adopted Jacobs salary system.

MEMBERSHIP

As of June 30, 1971, there were 3,169 firemen and 6,984 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 504 are members of the Old Pension System, with 79 in the Fire Department and 425 in the Police Department. The following statement presents an analysis of length of service of such members:

	Fire	Police	Total
25 Year Members			
Members with less than 5 years	326	3,110	3,436
With less than 10 years	595	1,367	1,962
With less than 20 years	1,115	1,234	2,349
With 20 years and over	1,130	1,242	2,372
On Military Leave (eligibility dates not counted)	2	30*	32*
20 Year Members			
Members eligible to retire	1	1	2
TOTAL	3,169	6,984	10,153

*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.

	1970-71	1969-70	1968-69	1967-68	1966-67
Total Membership July 1st	9,591	9,325	9,025	8,685	8,653
On Leave or Suspension	19	35	47	21	23
On Military Leave	17	42	52	53	41
	9,555	9,248	8,926	8,611	8,589
Additions:					
New Appointments	1,082	931	1,008	1,063	499
Reappointments	45	51	35	30	21
Restorations	2*	6*	3*	4*	5*
Reinstated	2**	---	---	---	---
Reactivated	23	27	---	---	---
Returned from Leave or Susp.	293	214	290	260	231
Restored from Military Leave	14	37	19	40	23
	11,016	10,514	10,281	10,008	9,368
Withdrawals:					
Service Retirements	227	235	337	464	230
Disability Retirements	22	49	25	26	58
Resigned	314	438	357	230	177
Discharged	10	13	6	12	5
Deaths	19	14	21	25	23
Leaves or Suspensions	313	198	278	286	229
Military Leaves Granted	29	12	9	39	35
Active Membership—June 30th	10,082	9,555	9,248	8,926	8,611
On Leave or Suspension	39	19	35	47	21
On Military Leave	32	17	42	52	53
Total Membership—June 30th	10,153	9,591	9,325	9,025	8,685

*Includes 4 disabilities granted after resignation and/or discharge in 1966-67; 2 in 1967-68; 2 in 1968-69; 5 in 1969-70 and 2 in 1970-71.

**Includes 2 service pensions granted after discharge.

Appointed Fiscal Year 1970-1971

During the course of the year 1,152 members were appointed and became members of the system. Some 787, or 68% of such members were married at the date of entrance. Forty-five of such members were re-appointees with an average age of 26. Twenty-three of such members are reactivated members with an average age of 46. Two members were restored from disability pension and were above the age of 28. Of the 1,082 original appointments the median age was 24, the mode 21, and the average 24.

ELIGIBILITY

There were as of June 30, 1971, a total of 2,376 members eligible to retire. Two of these were 20-year members and 2,374 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
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
1970-1971	1,131	1,245	2,376

During the fiscal year 1971-1972, an additional 222 members will become eligible if their service is continuous. Seventy-four of these are firemen. Of this 222 there are 14 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	---	---	38	51	89
21	---	---	111	133	244
22	---	---	101	210	311
23	---	---	308	322	630
24	---	---	339	253	592
25	---	---	1	120	121
26	---	---	---	13	13
27	---	---	31	25	56
28	---	---	43	28	71
29	---	---	72	61	133
30	---	---	60	19	79
31	---	---	---	---	---
32	---	---	1	2	3
33	---	---	4	---	4
34	---	---	10	6	16
35	---	---	4	---	4
36	---	---	4	---	4
37	---	---	---	---	---
38	---	---	---	---	---
39	---	---	3	1	4
46	1	1	---	---	2
	<u>1</u>	<u>1</u>	<u>1,130</u>	<u>1,244</u>	<u>2,376</u>

Eligibility by Ranks

The following tables show eligibility for retirement by ranks, in both the Fire and Police Departments, for the reason that this information has frequently been requested. The perusal of these tables demonstrates a heavy concentration of members with long service in the rank of Captain in the Fire Department and of Sergeant in the Police Department, with the prospect of considerable movement of personnel in these ranks with any increase in number of retirements.

ELIGIBILITY BY RANKS

June 30, 1971

FIRE

Years Service	Firemen	Auto Firemen	Fire Boat Mate	Fire Boat Pilot	Inspector	Engineer	Chief Engineer	Captain	Batta'ion Chief	Deputy Chief	Asst. Chief	Total
46	---	---	---	---	---	1	---	---	---	---	---	1
39	---	1	---	---	---	---	---	---	1	---	1	3
36	---	---	---	---	---	1	---	1	1	---	1	4
35	1	---	---	---	---	---	---	1	2	---	---	4
34	1	---	---	---	---	1	---	3	4	---	1	10
33	---	1	---	---	---	---	---	2	1	---	---	4
32	---	---	---	---	---	1	---	---	---	---	---	1
30	7	1	---	---	---	13	1	23	11	1	3	60
29	15	2	1	1	4	15	---	26	6	2	---	72
28	7	5	2	---	2	6	---	17	4	---	---	43
27	16	2	---	1	1	4	---	7	---	---	---	31
25	---	---	---	---	---	---	---	1	---	---	---	1
24	125	4	1	1	15	79	---	100	11	1	2	339
23	104	3	1	3	15	80	---	91	7	1	3	308
22	24	2	2	1	5	30	---	31	6	---	---	101
21	34	1	5	1	2	31	---	36	1	---	---	111
20	16	1	---	---	1	11	---	9	---	---	---	38
19	56	5	---	---	9	50	---	26	2	---	---	148
18	22	---	---	---	---	18	---	10	4	---	---	54
17	17	---	---	1	1	21	---	10	---	---	---	50
16	53	2	---	---	3	31	---	14	---	---	---	103
15	25	2	---	---	2	16	---	9	2	---	---	56
14	112	10	1	1	5	28	---	23	1	---	---	181
13	93	9	1	1	3	28	---	27	1	---	---	163
12	77	8	---	---	2	12	---	18	1	---	---	118
11	77	17	1	---	2	8	---	15	---	---	---	120
10	91	15	---	1	8	---	---	7	---	---	---	122
9	127	24	---	---	5	---	---	7	---	---	---	163
8	182	37	---	---	5	---	---	7	---	---	---	231
7	32	7	---	---	1	---	---	---	---	---	---	40
6	64	9	---	---	---	---	---	1	---	---	---	74
5	84	4	---	---	---	---	---	---	---	---	---	88
4	6	---	---	---	---	---	---	---	---	---	---	6
3	94	---	---	---	---	---	---	---	---	---	---	94
2	30	---	---	---	---	---	---	---	---	---	---	30
1	73	---	---	---	---	---	---	---	---	---	---	73
0	124	---	---	---	---	---	---	---	---	---	---	124
Totals	1,789	172	15	12	91	485	1	522	66	5	11	3,169
Art. XVII	61	3	---	2	5	5	---	2	1	---	---	79
Art. XVIII	1,728	169	15	10	86	480	1	520	65	5	11	3,090

ELIGIBILITY BY RANKS

June 30, 1971

POLICE

Years Service	Policeman Policewoman	Investigator	Sergeant	Policewoman Sergeant	Lieutenant	Captain Commander	Chief Police	Deputy Chief	Asst. Chief	Total	
46	---	---	1	---	---	---	---	---	---	1	
39	---	---	---	---	---	---	---	1	---	1	
34	1	---	1	---	---	1	2	1	---	6	
32	---	---	1	---	1	---	---	---	---	2	
30	---	---	7	---	4	2	4	1	1	19	
29	16	1	30	---	9	3	2	---	---	61	
28	3	1	21	---	1	---	1	---	1	28	
27	5	1	10	1	4	2	2	---	---	25	
26	7	---	3	---	2	---	---	---	1	13	
25	45	14	47	1	8	3	2	---	---	120	
24	95	20	96	2	29	7	2	2	---	253	
23	142	24	118	2	22	13	1	---	---	322	
22	71	9	98	4	13	9	4	2	---	210	
21	35	5	60	4	14	7	5	2	1	133	
20	20	4	16	4	5	2	---	---	---	51	
19	23	4	31	4	10	2	---	---	---	74	
18	21	7	37	1	10	3	---	---	---	79	
17	33	6	52	2	17	4	1	---	---	115	
16	40	6	61	1	16	4	1	---	---	129	
15	24	6	62	1	16	1	---	---	---	110	
14	35	5	38	2	11	3	---	---	---	94	
13	49	15	78	1	18	---	---	---	---	161	
12	45	14	85	2	10	---	---	---	---	156	
11	41	10	94	1	8	---	---	---	---	154	
10	55	16	78	5	10	---	---	---	---	164	
9	86	24	107	4	2	---	---	---	---	223	
8	106	35	124	3	---	---	---	---	---	268	
7	170	34	81	6	---	---	---	---	---	291	
6	195	18	58	1	---	---	---	---	---	272	
5	264	14	37	---	---	---	---	---	---	315	
4	350	23	---	---	---	---	---	---	---	373	
3	698	17	---	---	---	---	---	---	---	715	
2	685	---	---	---	---	---	---	---	---	685	
1	579	---	---	---	---	---	---	---	---	579	
0	782	---	---	---	---	---	---	---	---	782	
Totals	4,721	333	1,532	52	240	66	27	1	9	3	6,984
Art. XVII	297	30	91	5	2	---	---	---	---	---	425
Art. XVIII	4,424	303	1,441	47	238	66	27	1	9	3	6,559

Members Becoming Eligible Next Ten Years

The following schedule indicates that 2,351 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 197 are under the Old Pension System.

Fiscal Year	Fire	Police	Total
1971-1972	148	74	222
1972-1973	54	79	133
1973-1974	50	115	165
1974-1975	103	129	232
1975-1976	56	110	166
1976-1977	181	94	275
1977-1978	163	161	324
1978-1979	118	156	274
1979-1980	120	154	274
1980-1981	122	164	286
TOTALS	1,115	1,236	2,351

Thus, in addition to 23% 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 June 30, 1981.

Set forth below is the pattern of retirements among those newly eligible to retire; that is, the proportion of members retiring as soon as they reach 20 years of service. Policemen continue their wide lead in this measure, though the last five years has seen some reduction in the rate of such retirements.

RETIREMENTS OF NEW ELIGIBLES

5 YEAR PERIOD YEARS ENDING	NEW ELIGIBLES			RETIREMENTS			
	Fire	Police	Total	Fire	%	Police	%
6-30-56	204	82	286	13	6	11	13
6-30-61	301	330	631	16	5	47	14
6-30-66	330	945	1,275	24	7	224	24
6-30-71	1,063	1,692	2,755	52	5	323	19
TOTAL	1,898	3,049	4,947	105	6	605	20

MILITARY LEAVES

On June 30, 1971 there were 32 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1970-1971:

On Leave June 30, 1970	17
Granted during 1970-71	29
	<u>46</u>
Restored — Now Active	14
On Leave June 30, 1971	<u>32</u>

PENSION ROLL CHANGES

On July 1, 1970, 43 applications were pending. During the course of the fiscal year 418 petitions were received. Of the total of 461 petitions, 363 were granted, 11 withdrawn and 4 denied. The details of pensions granted and terminated during the course of the fiscal year are as follows:

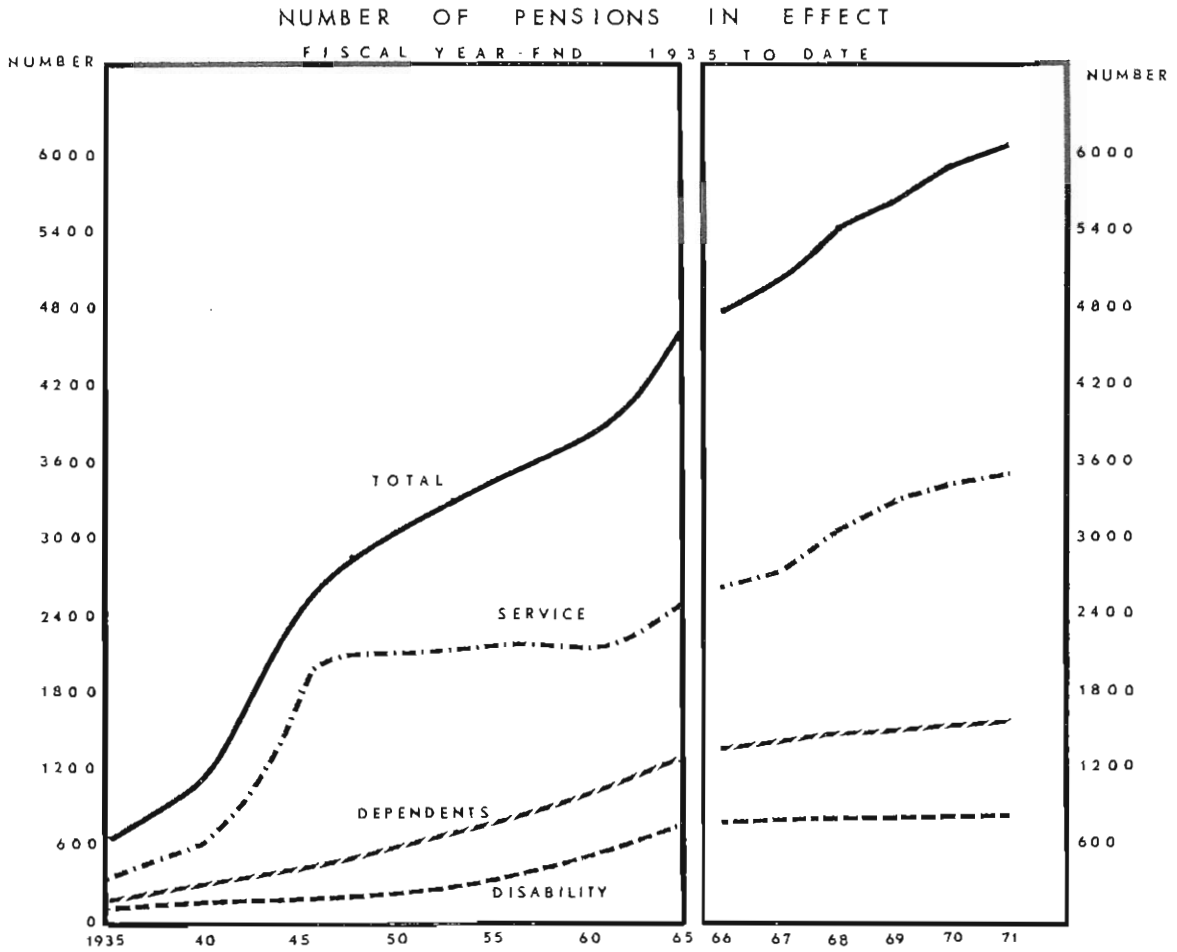
	20 Year Service Article		20-25 Year Service Article		Service Disability Article		Nonservice Disability Article		Service Widows Article		Nonservice Widows Article		Service Dependents Article		Nonservice Dependents Article		Total Article	Total System	
	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII	XVII	XVIII			
7-1-70	1134	4	1275	1044	656	55	149	9	1462	32	67	11	26	3	18	5	4787	1163	5950
Granted	—	—	2	224	2	18	—	2	93	15	1	1	1	1	1	2	100	263	363
Deaths	84	—	20	8	13	—	2	—	59	—	—	—	—	—	—	—	178	8	186
Reactivated	—	—	1	22	—	—	—	—	—	—	—	—	—	—	—	—	1	22	23
Reinstated	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	1	1
Withdrawn	—	—	—	4*	3*	4*	—	—	—	—	—	—	—	—	—	—	3*	8*	11*
Denied	—	—	—	—	—	2*	—	—	1*	1*	—	—	—	—	—	—	1*	3*	4*
Increased	—	—	—	—	13*	2*	—	—	—	—	—	—	—	—	—	—	13*	2*	15*
Decreased	—	—	—	—	11*	7*	—	—	16*	4*	2*	—	—	—	—	—	29*	11*	40*
Majority	—	—	—	—	—	—	—	—	—	—	—	—	7	—	5	—	12	—	12
Remarriage	—	—	—	—	—	—	—	—	6	3	—	1	—	—	—	—	6	4	10
Restored to Duty	—	—	—	—	2	—	—	—	—	—	—	—	—	—	—	—	2	—	2
	<u>1050</u>	<u>4</u>	<u>1256</u>	<u>1239</u>	<u>643</u>	<u>73</u>	<u>147</u>	<u>11</u>	<u>1490</u>	<u>44</u>	<u>68</u>	<u>11</u>	<u>20</u>	<u>4</u>	<u>14</u>	<u>7</u>	<u>4688</u>	<u>1393</u>	<u>6081</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 2.6% (3457 to 3549). Dependent pensions went up two percent (1624 to 1658). Disability pensions increased one-half percent (869 to 874). The total of all pensions showed an increase of two 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 \$1,025, and the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Dependents	Minors	Total
265-304	479	170	251	—	15	915
305-344	371	165	52	—	14	602
345-384	543	121	63	—	6	733
385-424	297	97	53	1	6	454
425-464	179	60	38	—	3	280
465-504	113	57	26	—	—	196
505-544	84	45	19	—	—	148
545-584	101	35	202	—	—	338
585-624	385	45	502	—	—	932
625-664	208	35	34	—	—	277
665-704	168	15	105	—	—	288
705-744	114	11	99	—	—	224
745-784	87	8	7	—	—	102
785-824	114	3	83	—	—	200
825-864	56	4	18	—	—	78
865-904	57	2	26	—	—	85
905-944	37	—	—	—	—	37
945-984	48	—	—	—	—	48
985-1024	17	—	—	—	—	17
1025 or over	91	1	35	—	—	127
Totals	3,549	874	1,613	1	44	6,081
Average Pension	\$515.16	\$416.52	\$561.44	\$386.40	\$330.46	\$511.90

The overall average of \$511.90 is approximately nine percent over the average for the prior fiscal year of \$468.42. 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 653 of these pensions classified as cost of living pensions because they received the minimum pension adjustment.

Fluctuating	Service	Disability	Widows	Dependent Parent	Minors	Total
Number	907	56	1,077	—	—	2,040
Average Pension	\$724.67	\$643.47	\$662.44	—	—	\$689.59
Cost of Living						
Number	1,283	638	417	—	21	2,359
Average Pension	\$460.13	\$375.54	\$338.79	—	\$309.22	\$414.46
Fixed						
Number	1,359	180	119	1	23	1,682
Average Pension	\$427.28	\$491.16	\$427.55	\$386.40	\$349.86	\$433.05

The total fluctuating pensions represents a net decrease of 70 during the fiscal year, while cost of living pensions increased by 140. Fixed pensions increased by 61 due to fewer members becoming eligible for cost of living and more 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, 1971:

Ages	Service	Disability	Widows	Dependent Parent	Minors	Total
0-17	---	---	---	---	44	44
20-24	---	1	2	---	---	3
25-29	---	2	4	---	---	6
30-34	---	22	10	---	---	32
35-39	---	49	7	---	---	56
40-44	60	79	24	---	---	163
45-49	568	241	74	---	---	883
50-54	624	205	88	---	---	917
55-59	477	103	114	---	---	694
60-64	373	62	181	---	---	616
65-69	317	24	320	1	---	662
70-74	621	52	361	---	---	1,034
75-79	339	20	248	---	---	607
80-84	134	9	122	---	---	265
85-89	30	4	47	---	---	81
90-94	6	1	8	---	---	15
95-99	---	---	3	---	---	3
Totals	3,549	874	1,613	1	44	6,081
Average Age	59	52	68	65	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
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
1970-1971	56	50	53

Number Retiring Above or Below Age 50

It is noted that the average age of those retiring on service pension increased during the year for both Firemen and Policemen. Of the 97 members becoming eligible to retire during the year (39 Fire; 58 Police) 8% of them retired with the minimum service. The net effect on age and service is indicated in the following tables:

Fiscal Year	FIRE			Total	POLICE			Total
	Under 50	Exactly 50	Over 50		Under 50	Exactly 50	Over 50	
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
1970-1971	12	2	76	90	70	9	58	137
	174	25	449	648	1,093	97	456	1,646
Percent of Totals	27%	4%	69%	100%	66%	6%	28%	100%

Average Years of Service at Date of Retirement

Analysis of the years of service performed prior to service retirement is set forth for the last ten fiscal years:

Fiscal Year	Average Years		
	Fire	Police	Combined
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
1970-1971	28	24	26

Years of Service at Retirement

It is again noted that Policemen have retired on service pension during every year with less years of service than did Firemen, consistent with the average age table above. It is noted, below, that while the number of Firemen and Policemen retiring is less than in the previous year, Fire retirements increased and Police retirements decreased.

NUMBER OF FIREMEN AND POLICEMEN

Fiscal Year	FIRE					POLICE				
	20	25	25	25	Total	20	25	25	25	Total
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
1970-1971	3	19	...	68	90	17	64	23	33	137
	109	120	43	376	648	820	493	78	255	1,646
Percent of Totals	17%	18%	7%	58%	100%	50%	30%	5%	15%	100%

Age and Service of Disability Pensioners

The average age and average number of years of 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 1970-1971 shows a decrease in average age of Firemen as well as in years of active service. Policemen show an increase in both age and years of active service, consistent with the drop in number of new eligibles.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
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
1970-1971	39	41	40	15	16	15

SERVICE PENSIONS

Pensions Granted

A total of 227 members of the Fire and Police Departments retired upon service pension during the fiscal year ended June 30, 1971, one of these represented a reactivated police officer, and this one was reinstated to the original pension. Of the total number, 225 retired under the New Pension System.

Reactivated

During the fiscal year 1970-1971, 25 requests for return to active duty were received of which 24 were approved by the Board of Pension Commissioners and 1 disapproved. Of the 24 approved, 21 were reactivated, 2 were denied reactivation by the employing Department and 1 was pending at the close of June 30, 1971. The following schedule represents activity in requests for reactivation since its inception on May 2, 1969:

Dept.	Requests Received	Pension Board Approved	Pension Board Disapproved	Denied Return by Active Department	Total Reactivated	Pending
Fire	3	3	---	---	3	---
Police	58	56	2	8	47	1

Pensions Discontinued

During the fiscal year a total of 112 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 eleven months to forty years. In addition thereto, twenty-three 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 ten fiscal years in the following statement:

Fiscal Year	FIRE		POLICE		Total
	20 Year	20-25 Year	20 Year	20-25 Year	
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
1970-1971	---	90	---	137	227

DISABILITY PENSIONS

Pensions Granted

A total of 22 members of the Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1971. Of these, 20 were granted on a service-connected basis while 2 were nonservice.

Pensions Discontinued

Fifteen disability pensioners were discontinued on account of death and two were 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 ten fiscal years in the following statement:

Fiscal Year	FIRE		POLICE		Total
	Service	Nonservice	Service	Nonservice	
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
1970-1971	12	---	8	2	22

Years on Pension

Fiscal Year	FIRE		POLICE		Total
	Service	Nonservice	Service	Nonservice	
1910-1914	---	---	1	---	1
1915-1919	---	---	1	---	1
1920-1924	1	---	1	---	2
1925-1929	3	---	1	---	4
1930-1934	5	---	7	---	12
1935-1939	5	---	15	---	20
1940-1944	6	---	12	---	18
1945-1949	3	4	9	5	21
1950-1954	21	4	38	10	73
1955-1959	42	8	74	30	154
1960-1964	52	12	222	31	317
1965-1969	29*	5	109*	37*	180*
1970-1971	35*	6*	24*	6*	71*

*Includes 84 under Article XVIII

Analysis of Rates

There were 716 service-connected disability pensions and 158 non-service-connected pensions classified by rates in the following schedule as of June 30, 1971. Of this number 73 service-connected and 11 non-service-connected disability pensioners were granted under the New Pension System.

Rate	Fire	Police	Total
40%	39	119	158
50%	63	217	280
55%	27	68	95
57½%	1	---	1
60%	32	73	105
61%	3	---	3
64%	1	---	1
65%	42	82	124
66¾%	1	---	1
70%	16	22	38
75%	9	27	36
77½%	---	1	1
80%	4	9	13
85%	3	5	8
90%	---	10	10
Total	241	633	874

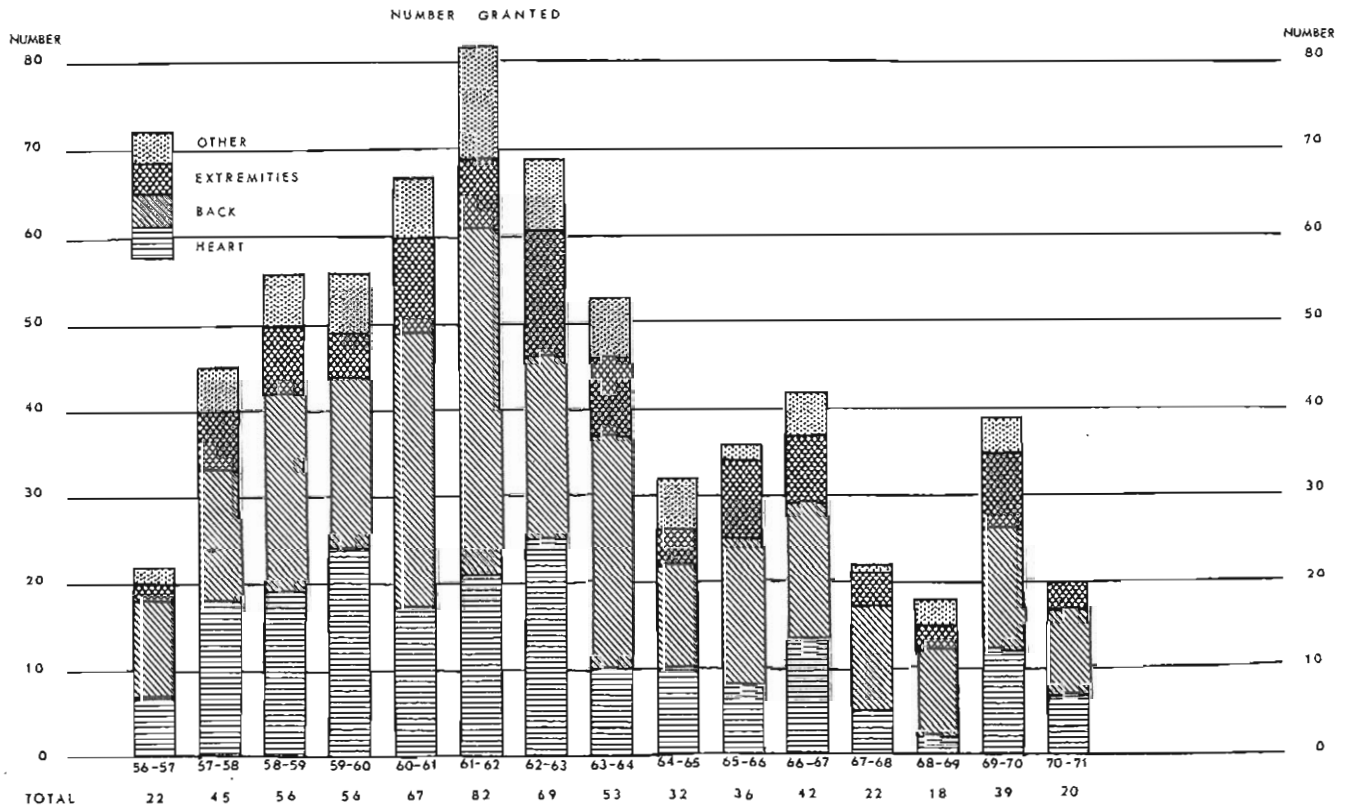
Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
22-24	1	---	1
25-29	1	1	2
30-34	4	18	22
35-39	13	36	49
40-44	22	57	79
45-49	45	196	241
50-54	35	170	205
55-59	46	57	103
60-64	28	34	62
65-69	17	7	24
70-74	20	32	52
75-79	4	16	20
80-84	4	5	9
85-89	1	3	4
90-94	---	1	1
Total	241	633	874
Average Age	56	51	52

Service-Connected Disability

New service-connected disability pensions decreased from 39 to 20 in 1970-1971. This number is a substantial decrease from the prior year and is reflected in the accompanying chart.

SERVICE CONNECTED DISABILITIES



LITIGATION

The status of each case is stated as of June 30, 1971 unless otherwise indicated.

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 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.

CRAMMER vs. City of Los Angeles, et al

Petitioner, presently on a nonservice-connected disability pension, sought a rehearing of his case by the Board, contending (a) that his disability was in truth and in fact service-connected; (b) that he could present new evidence in support thereof; and (c) that he was not, but would have wanted to be represented by an attorney at the original hearing. The Board denied the request for want of Charter authority therefor and the matter was then taken before the Superior Court. A peremptory writ of mandate was granted. The court stated that its reason for issuing the writ was primarily based on the consideration that it could not, from the transcript of the proceedings, recognize what matters of evidence, if any, had been received by the Board. At the time of this report the case is being reconsidered by the Board.

CRAVER vs. City of Los Angeles, et al

Petitioner is seeking to obtain a disability pension previously denied him by the Board. His theory of the case is that the longstanding administrative interpretation of the applicable Charter provisions by the Board to the effect that disability is inability to perform the duties to which someone was last assigned is wrong and he contends that the true criteria is inability to perform the regular duties of a policeman. The case has not yet been set for a hearing before the Superior Court.

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 was tried on September 10, 1970, and judgment rendered in favor of plaintiffs. After careful evaluation of the case, the City Attorney advised the Board of his intention not to appeal from the judgment. The judgment having been satisfied, the case is now concluded.

GARRICK vs. City of Los Angeles, et al.

Petitioner, widow of a sergeant of police, sought to have the presumptions as to heart disease contained in Section 3212.5 of the Labor Code applied in the proceedings before the Board of Pension Commissioners. The trial court granted a writ on February 18, 1970. The City appealed and the Court of Appeal reversed the trial court's decision, holding that if the Legislature had intended that the presumptions should apply in local pension board proceedings and not only for workmen's compensation purposes, all it needed to do was to make its preemptive intent clear. A petition by petitioner for a hearing before the State Supreme Court was denied; therefore, the matter is now concluded.

HILL vs. City of Los Angeles, et al.

Plaintiff seeks credit toward retirement as a sergeant of police for a period of time during World War II during which he served in the Merchant Marine Service. He contends that he is entitled to credit for military leave under the provisions of Section 17 of the Charter. He was given such leave but this action was later reversed by the City. A question of estoppel is presented. The case was tried on July 6, 1970, and judgment was rendered in favor of plaintiff. The judgment is now being appealed from.

McLEOD vs. City of Los Angeles, et al.

By a peremptory writ of mandate the Board of Pension Commissioners was compelled to subpoena physicians for purposes of cross-examination upon the request of petitioner and to have petitioner pay no more than customary witness fees. The case was appealed from. The Court of Appeal upheld the trial court's determination that for purposes of cross-examination, expert witnesses need not be paid more than ordinary witness fees; however, the Court of Appeal also held that "there is no reason of which we are made aware why the Board could not require, at the time of a doctor's appearance, that respondent pay, on motion, expert witness fees, or arrange to pay them, then and there or release the doctor from any need to testify as to his expert opinion." Petitioner sought a hearing before the State Supreme Court, which was denied.

Opinions and Reports

On September 2, 1970 and as a result of a communication by the President of the Board, the Mayor requested an opinion on whether or not certain apparently conflicting provisions of the then proposed Charter revision might jeopardize the autonomy of the Department of Pensions and the Board. On October 7, 1970, an opinion was released to the effect that any conflicts could be reconciled and harmonized and that nothing contained in the Charter proposals, unless otherwise construed by the courts, was in derogation of the Board's independence.

As a result of the adoption of Ordinance No. 140,820, on August 11, 1970, implementing in part and as to some ranks and positions in both the Fire Department and the Police Department the recommendations of the Jacobs Report, an opinion was rendered on October 8, 1970 on the effect of the provisions of the ordinance on fluctuating pensions. This aforementioned opinion was supplemented by another opinion released on February 19,

1971 subsequent to the adoption of several ordinances by the City Council on December 24, 1970, effective January 1, 1971, in further implementation of the Jacobs Report and including those ranks and positions not previously considered by the Council in the ordinance adopted in August. The most significant conclusions offered by the City Attorney were to the effect that it is the City's right to codify a true incentive program of such a nature that all of its possible financial results would not necessarily have to inure to the benefit of fluctuating pensioners. One consequence of the conclusions offered is that fluctuating pensioners in the former ranks of fire captain, police captain or deputy chief are not now receiving a pension based on the highest salary within their respective ranks.

As a result of the aforementioned two opinions, it developed that certain conclusions as to applicable step rates would lead to reductions of current pensions. Therefore, and upon the request of Mr. M. Lewis Thompson, the City Attorney, on June 10, 1971 submitted further and additional conclusions to the effect that anything theretofore said that did or could be interpreted to mean that fluctuating pensioners under the circumstances presented could suffer reductions in their pension amounts was erroneous and that such step rates were to be applied as would at least result in the same if not in increased fluctuating pension amounts.

Guardianships

This office also examined thirty-seven probate accountings, as well as various petitions and other documents which were received by the Department, and twelve requests for special notice were prepared, served and filed. Twenty-eight guardianships and conservatorships were discontinued and thirteen were added. There are eighty-four active guardianships, forty covering incompetents and forty-four covering minors.

Miscellaneous

By making a personal appearance before the Internal Revenue Service in Washington, D.C., this office was able to change the implementation date of a Revenue Ruling affecting all firemen and policemen with 20 or more years of service, from January 1, 1970 to January 1, 1971.

Contracts were prepared for the fiscal year 1970-1971, 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 some \$12 million over the prior year. Taxes formed the principal increase item of nearly \$9 million, while earnings on the pension funds rose \$1,700,000, and member contributions went up \$1,400,000. The rise in taxes and member contributions resulted from the increase of 11% in member salaries and an increase in the number of firemen and policemen, so that the overall salary base upon which City contribution rates and member contributions are applied were substantially higher than in the prior year.

Expenditures

Expenditures for pensions increased \$3,600,000, resulting from increases in the number of pensioners and higher pension values derived from higher salaries. Funds available for investment rose approximately \$8,600,000.

Administrative Expenses

Administrative Expenses of the Fire and Police Pension System increased approximately 5½% over the prior fiscal year, but overall were less than one-half of one percent of the Department's total Budget.

Salaries Salary costs were up some \$10,000, representing primarily a prevailing wage increase over the prior year.

Office and Administrative Expense The rise of \$2,200 in this account was principally attributable to the revision in pension check format and the increase in checks required, because of a change in check manufacturer.

Printing and Binding This account rose some \$3,500, representing a special printing of Charter provisions of the Pension System and special notices to pensioners.

Contractual Services The rise of some \$5,000 in this account represents principally the investment counselling fee schedule applicable to the increased size of the investment portfolio.

Litigation A decrease of \$1,300 in this account reflects some curtailment in number of Board meetings, to an average of three per month, and thereby lowered cost of hearing reporter services.

Medical Services The nearly \$8,000 decrease in this account was due to the considerable reduction in number of disability cases processed during the year, and the continued decrease in the review of those disability cases pensioned in prior years.

Actuarial Expense This account increased \$6,500, reflecting the cost of the actuarial investigation performed once each five years, in addition to the annual actuarial valuation.

Health Insurance This account reflects the first full year of Departmental payment of health insurance subsidy payments to Department employees, in accordance with the program adopted by the City Council.

Equipment, Furniture, and Fixtures This account shows a reduction of \$4,000, reflecting the fact that in the prior year the principal furniture needs of the Department in its move to new quarters had been completed, with lessened needs in the new year.

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

Surety Bonds

Twenty-one individuals were employed by the Department, including one Principal Deputy City Attorney and one Deputy City Attorney III.

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

Respectfully submitted,

M Lewis Thompson

MLT:GRW:ct

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 provision 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 fireman or policeman. 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.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost of living ceiling from all pensions eligible for cost of living increases; to increase the minimum pension to \$350.00 per month; to grant pension credit for partial years of service; to bring into closer agreement certain provisions that were different in the two articles; and to add two employee members to the Board of Pension Commissioners.

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

December 10, 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, 1971.

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, 1971**

**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.

The "Proposed Charter Amendment No. 2" which was approved by the electors in the May 25, 1971 election amended the two Systems in a number of areas. The most significant, from a cost standpoint, are as follows:

Item 1. Applicable to Persons Receiving Allowances as of July 1, 1971

- (a) The minimum monthly benefit is increased from \$250 to \$350.
- (b) The cost of living benefit currently being paid is to be adjusted to reflect past cost of living increases to a maximum of 3% per year (previously 2%).
- (c) Future cost of living adjustments are to reflect the full change in the Consumer Price Index (previously limited to 2% per year).

Item 2. Applicable to Active Members as of July 1, 1971

- (a) Future cost of living adjustments are to reflect the full change in the Consumer Price Index (previously limited to 2% per year).

We received a letter dated November 15, 1971 from the Manager-Secretary in which he informed us that the City Attorney has rendered an opinion to the effect that the increases referred to in Item 1 above should not be paid until directed to do so by the Courts. Accordingly, the current valuations reflect the increases referred to in the foregoing Item 2 but not the increases referred to in Item 1.

As of June 30, 1971, there were 504 active members and 4,688 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 9,649 active members and 1,393 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, 1971 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, 1970, and, pursuant to the Resolution adopted by the Board of Pension Commissioners, upon a 4 $\frac{5}{8}$ % interest assumption. The actuarial assumptions are discussed in detail in our report to the Board of Pension Commissioners dated June 9, 1971.

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 in the event the Consumer Price Index changes. Pursuant to the aforementioned City Attorney's Opinion, such changes applicable to persons receiving benefits as of July 1, 1971 are limited to 2% per annum. For the current valuations, we have assumed that persons subject to the 2% annual maximum will receive 1½%, per annum, future cost of living increases and that persons eligible for unlimited increases will receive 3%, per annum, future cost of living increases.

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.

**ACTUARIAL BALANCE SHEET
AS OF JUNE 30, 1971**

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 40,343,424	\$ 126,043,326	\$ 166,386,750
2. Present Value of Future Contributions by Members	4,410,881	97,314,879	101,725,760
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	9,777,454	196,019,972	205,797,426
(ii) Cost of Living Benefits	4,116,823	79,242,116	83,358,939
(iii) Total	\$ 13,894,277	\$ 275,262,088	\$ 289,156,365
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	\$279,020,784	\$ 440,738,312	\$ 719,759,096
(ii) Cost of Living Benefits	31,470,593	136,934,864	168,405,457
(iii) Total	\$310,491,377	\$ 577,673,176	\$ 888,164,553
4. Total Assets	<u>\$369,139,959</u>	<u>\$1,076,293,469</u>	<u>\$1,445,433,428</u>

LIABILITIES

5. Accounts Payable	\$	\$ 25,484	\$ 25,484
6. Reserve for Investment Losses	1,539,584	81,812	1,621,396
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	121,061,616	116,577,132	237,638,748
(b) Disability	46,794,552	8,718,288	55,512,840
(c) Dependents	98,995,109	5,587,844	104,582,953
(d) Total	\$266,851,277	\$ 130,883,264	\$ 397,734,541
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	\$ 44,095,092	\$ 27,210,082	\$ 71,305,174
(b) Disability	14,096,282	2,700,958	16,797,240
(c) Total	\$ 58,191,374	\$ 29,911,040	\$ 88,102,414
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	\$ 25,148,957	\$ 591,173,770	\$ 616,322,727
(b) Disability	7,857,490	123,088,521	130,946,011
(c) Total	\$ 33,006,447	\$ 714,262,291	\$ 747,268,738
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service	\$ 1,884,347	\$ 37,063,838	\$ 38,948,185
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	5,642,524	131,054,456	136,696,980
(b) Disability	2,024,406	33,011,284	35,035,690
(c) Total	\$ 7,666,930	\$ 164,065,740	\$ 171,732,670
12. Total Liabilities	<u>\$369,139,959</u>	<u>\$1,076,293,469</u>	<u>\$1,445,433,428</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, 1972, be as follows:

	Percentages of Members' Salaries of:	
	Fire and Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	13.3%	14.1%
(b) Cost of Living Benefits	5.6	5.7
(c) Total	18.9%	19.8%
2. Unfunded Past Service Contribution:		
(a) Basic Benefits	192.4%	15.8%
(b) Cost of Living Benefits	21.7	4.9
(c) Total	214.1%	20.7%
3. Total Contribution:		
(a) Basic Benefits	205.7%	29.9%
(b) Cost of Living Benefits	27.3	10.6
(c) Total	233.0%	40.5%

It should be noted that the disproportionately large City contribution rate for the Fire and Police Pension System stems from the fact that the System consists of a closed group of 504 active members and 4,688 retired persons, as of June 30, 1971, and the City Charter requires that the City contribution rate be expressed as a percentage of active members' salaries.

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 11.6%. 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
555 SOUTH FLOWER STREET
LOS ANGELES, CALIFORNIA 90071

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

We have examined the statement of assets, liabilities, reserves and fund capital (deficit) of the City of Los Angeles Fire and Police Pension System as of June 30, 1971 and the related statements of revenues and expenditures, fund capital (deficit) and source and application of cash and temporary investments 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. We have been furnished the report of independent actuaries which states that the reserve for pensions, subject to the matter discussed in the succeeding paragraph, represents the present values of amounts required to pay pensions related to service prior to June 30, 1971 as they mature.

As explained in the last paragraph of note 2 of notes to financial statements, the reserve for pensions does not include increases applicable to persons receiving allowances as of July 1, 1971 pending judicial review of the provisions of Charter Amendment No. 2 establishing such allowances.

In our opinion, based on our examination and on the report of consulting actuaries as to the reserve for pensions, the accompanying statements of assets, liabilities, reserves and fund capital (deficit), revenues and expenditures and fund capital (deficit), subject to the matter discussed in the preceding paragraph, and the statement of source and application of cash and temporary investments present fairly the financial position of the City of Los Angeles Fire and Police Pension System at June 30, 1971 and the results of its operations and the source and application of its cash and temporary investments for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

September 14, 1971

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

**STATEMENT OF ASSETS, LIABILITIES, RESERVES AND
FUND CAPITAL (Deficit)**

June 30, 1971

with comparative figures for 1970

	ASSETS	
	1971	1970
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles	\$ 1,001,818	\$ 596,400
Cash revolving funds	325	325
Temporary short-term investments—at cost plus interest (approximate market)	21,288,209	18,753,911
	22,290,352	19,350,636
Interest and dividends receivable	1,682,085	1,173,538
Taxes receivable	1,203,000	686,000
Investments:		
Bonds—at amortized cost (quoted market, 1971, \$85,896,253) (note 1) ..\$	92,140,344	\$ 67,989,934
Preferred stock—at cost (quoted market, 1971, \$1,436,500)	1,453,866	854,613
Common stock—at cost (quoted market, 1971, \$55,362,042)	47,598,232	36,556,148
Treasurer's deeds—at cost	735	735
Real property—at cost	18,136	18,136
	141,211,313	18,136
	\$ 166,386,750	\$ 126,629,740
LIABILITIES, RESERVES AND FUND CAPITAL (Deficit)		
Accounts payable	\$ 25,484	\$ 41,853
Reserve for pensions—at actuarial valuation (note 2)	888,164,553	803,763,387
	888,190,037	803,805,240
Fund capital (deficit):		
Accumulated deficit	\$(723,557,962)	\$(678,452,354)
Workmen's Compensation Fund (note 3)	133,279	128,406
Reserve for investment losses	1,621,396	(721,803,287)
	(721,803,287)	1,148,448
Contingent liability (note 4)	\$ 166,386,750	(677,175,500)
	\$ 166,386,750	\$ 126,629,740

See accompanying notes to financial statements.

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

STATEMENT OF REVENUES AND EXPENDITURES

Year ended June 30, 1971

with comparative figures for 1970

	1971	1970
Revenues:		
Taxes	\$59,491,069	\$50,573,717
Interest	6,255,043	4,720,395
Dividends	1,206,340	1,035,283
Members' contributions	8,848,302	7,455,724
Sales of unclaimed property	155,170	158,851
Donations	360	168
Miscellaneous	38,802	7,457
Total revenues	75,995,086	63,951,595
 Expenditures:		
Pensions paid (notes 3 and 5):		
Service	\$21,204,493	\$19,356,718
Disability	3,854,915	3,633,379
Widows	9,972,000	8,660,182
Minors	98,120	104,086
Nonservice:		
Disability	518,878	540,346
Widows	606,872	572,570
Minors	91,291	94,129
	36,346,569	32,961,410
Administrative expenses	348,086	330,026
	36,694,655	33,291,436
Excess of revenues over expenditures before gain on disposition of investments and additional reserve requirements	39,300,431	30,660,159
Gain on disposition of investments	472,948	470,440
	39,773,379	31,130,599
Additional reserve requirements due to increase in actuarial liability (note 2) .	84,401,166	61,890,773
Deficiency for the year	\$44,627,787	\$30,760,174

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENT OF FUND CAPITAL (Deficit)

Year ended June 30, 1971

with comparative figures for 1970

	1971			Total	1970
	Accumulated (deficit)	Workmen's Compensation Fund (note 3)	Reserve for investment losses		Accumulated fund capital (deficit)
Balance (deficit) at beginning of year	\$(678,452,354)	\$128,406	\$1,148,448	\$(677,175,500)	\$(646,415,326)
Income (deficiency) for the year	(45,105,608)	4,873	472,948	(44,627,787)	(30,760,174)
Balance (deficit) at end of year	<u>\$(723,557,962)</u>	<u>\$133,279</u>	<u>\$1,621,396</u>	<u>\$(721,893,287)</u>	<u>\$(677,175,500)</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENT OF SOURCE AND APPLICATION
OF CASH AND TEMPORARY INVESTMENTS

Year ended June 30, 1971

with comparative figures for 1970

	<u>1971</u>	<u>1970</u>
Source of cash and temporary investments:		
Excess of revenues over expenditures before gain on disposition of investments and additional reserve requirements	\$39,300,431	\$30,660,159
Gain on disposition of investments credited to reserve for investment losses	472,948	470,440
Decrease in taxes receivable	-----	727,000
Net decrease in preferred stock investments	-----	227,483
Increase in accounts payable	-----	20,700
	<u>39,773,379</u>	<u>32,105,782</u>
Application of cash and temporary investments:		
Net increase in investments:		
Bonds	24,150,410	15,164,578
Preferred stock	599,253	-----
Common stock	11,042,084	13,233,078
Increase in interest and dividends receivable	508,547	332,205
Increase in taxes receivable	517,000	-----
Decrease in accounts payable	16,369	-----
	<u>36,833,663</u>	<u>28,729,861</u>
Net increase in cash and temporary investments ..	2,939,716	3,375,921
Cash and temporary investments balances:		
July 1	19,350,636	15,974,715
June 30	<u>\$22,290,352</u>	<u>\$19,350,636</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

Notes to Financial Statements

June 30, 1971

(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, 1971. 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, 1970, and upon a 4 $\frac{5}{8}$ % assumed rate of interest. (4 $\frac{1}{4}$ % assumed rate of interest for 1970.)

The reserve for pensions, \$888,164,553, is the unfunded actuarial liability of the pension system and, in accordance with the City Charter, is to be amortized over the next sixty-six years, through contributions to be made by the City. 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 costs;
- (2) An amount equal to a percentage of salaries of all members necessary to amortize the "unfunded liability" of the systems over a seventy-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, 1972 to be as presented below:

	Percentages of Members' Salaries of:	
	Fire and Police Pension System	New Pension System
(1) Entry age contribution	18.9%	19.8%
(2) Unfunded past service	214.1	20.7
Total contribution	233.0%	40.5%

The primary factor in the \$84,401,166 addition to the unfunded actuarial liability was an increase in the cost-of-living benefits as a result of Charter Amendment No. 2 approved by the electorate on May 25, 1971.

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 \$310,491,377 as of June 30, 1971, being amortized at a rate applicable to the current payroll of approximately 500 active members compared to the unfunded past service liability of the New Pension System, amounting to \$577,673,176 as of June 30, 1971, being amortized at a rate applicable to the current payroll of approximately 9,650 active members.

The actuarial computations reflect increases applicable to active members as of July 1, 1971 resulting from Charter Amendment No. 2. This has been accomplished by increasing the assumed rate of annual increase in the Cost of Living Index from 1½% to 3%. Increases applicable to persons receiving allowances as of July 1, 1971, as provided in Charter Amendment No. 2, have not been included in the actuarial computations, as it is the opinion of the City Attorney that such increases should not be paid until there has been a judicial review of these provisions of the amendment. It has been estimated by management that the reserve for pensions would be increased by approximately \$60,000,000 should a judicial review sustain such increases.

(3) Workmen's Compensation Fund

Tax revenues are deposited directly into the Workmen's Compensation Fund for Fire and Police Pensioners by the City Controller, and Workmen's Compensation benefits to pensioners of the Fire and Police Pension System are paid therefrom. Payments of \$395,128 made during the year ended June 30, 1971 are included under pensions paid.

(4) Contingent Liability

Other than the matter discussed in the last paragraph of note 2 of notes to financial statements, several legal actions were pending at June 30, 1971; 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, 1971, with comparative figures for 1970, were as follows:

Regular monthly pension payments:	<u>1971</u>	<u>1970</u>
Service	\$21,204,493	\$19,356,718
Disability	3,854,915	3,618,994
Widows	9,842,150	8,660,182
Minors	98,120	104,086
Nonservice	1,217,041	1,207,045
	<u>\$36,216,719</u>	<u>\$32,947,025</u>
Retroactive pension payments:		
Disability		14,385
Widows	129,850	
	<u>\$36,346,569</u>	<u>\$32,961,410</u>

PENSION DEPARTMENT
ADMINISTRATIVE EXPENSE COMPARED

Schedule 1

Operating Expense	1970-71	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65
Salaries	\$208,560	\$198,038	\$168,829	\$157,343	\$133,477	\$130,623	\$129,002
Office and Administrative Expense	11,878	9,631	9,013	8,180	8,203	5,447	5,595
Operating Supplies and Expense	2,000	2,000	---	---	387	---	---
Printing and Binding	9,344	5,892	5,107	7,544	3,937	2,700	1,669
Traveling	4,434	4,798	4,471	3,182	1,845	1,030	1,861
Contractual Services	51,748	46,686	39,191	31,940	26,574	22,937	15,675
Field Equipment	150	300	229	150	50	100	60
Petroleum Products	207	205	246	103	111	105	153
Transportation	215	195	211	115	104	1,117	1,256
Annual Audit	3,250	2,750	2,750	2,500	2,500	2,500	2,200
Governmental Meetings	18	220	---	---	---	---	10
Litigation	9,593	10,837	10,001	12,670	12,343	12,144	11,545
Medical Services	18,807	26,768	28,859	23,130	27,000	20,939	28,692
Actuarial Expense	13,000	6,500	6,500	11,500	9,500	4,500	4,500
Health Insurance	3,722	---	---	---	---	---	---
Equipment, Furniture & Fixtures	11,160	15,206	4,579	4,726	5,007	2,909	2,791
	<u>\$348,086</u>	<u>\$330,026</u>	<u>\$279,986</u>	<u>\$263,083</u>	<u>\$231,038</u>	<u>\$207,051</u>	<u>\$205,009</u>

**PENSION DEPARTMENT
STATEMENT OF OPERATIONS COMPARED**

Fiscal Years 1964-65 to 1970-71

Schedule 2

REVENUES	1970-71	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65
Taxes	\$ 59,491,069	\$ 50,573,717	\$ 49,826,636	\$ 36,993,830	\$ 31,674,601	\$ 28,102,144	\$ 24,798,772
Dividends	1,206,340	1,035,283	621,296	418,561	274,856	181,148	103,542
Interest	6,255,043	4,720,395	3,153,521	1,977,077	1,311,910	794,239	385,615
Members' Contributions	8,848,302	7,455,724	6,877,287	5,786,094	5,040,255	4,892,547	4,646,004
Sales of Unclaimed Property..	155,170	158,851	72,807	117,625	101,922	72,008	62,618
Donations	360	168	526	274	1,130	950	239
Miscellaneous	38,802	7,457	6,657	16,697	6,140	5,925	7,779
TOTAL REVENUES available for current year's expenditures	\$ 75,995,086	\$ 63,951,595	\$ 60,358,730	\$ 45,310,158	\$ 38,410,814	\$ 34,048,961	\$ 30,004,569
EXPENDITURES							
Pensions Paid							
Service	\$ 21,204,493	\$ 19,356,718	\$ 17,770,007	\$ 15,818,310	\$ 13,338,393	\$ 12,408,934	\$ 11,810,428
Disability	3,854,915	3,633,379	3,348,590	3,325,270	3,189,455	2,964,464	2,922,468
Widows	9,972,000	8,660,182	7,793,515	7,329,947	7,368,353	6,215,766	5,862,083
Minors	98,120	104,086	81,195	80,708	70,475	68,626	71,370
Dependents					2,956	5,835	10,509
Nonservice							
Disability	518,878	540,346	476,632	445,611	443,787	412,454	362,554
Widows	606,872	572,570	551,778	464,247	235,312	207,215	185,635
Minors	91,291	94,129	81,258	69,438	64,218	54,136	47,551
TOTAL PENSIONS	\$ 36,346,569	\$ 32,961,410	\$ 30,102,975	\$ 27,533,531	\$ 24,712,949	\$ 22,337,430	\$ 21,272,598
Administrative Expense	\$ 348,086	\$ 330,026	\$ 279,986	\$ 263,083	\$ 231,038	\$ 207,051	\$ 205,009
TOTAL EXPENDITURES	\$ 36,694,655	\$ 33,291,436	\$ 30,382,961	\$ 27,796,614	\$ 24,943,987	\$ 22,544,481	\$ 21,477,607
EXCESS OF REVENUES OVER EXPENDITURES	\$ 39,300,431	\$ 30,660,159	\$ 29,975,769	\$ 17,513,544	\$ 13,466,827	\$ 11,504,480	\$ 8,526,962
Gain (Loss) on Sale of Investments	472,948	470,440	445,069	54,914	(50,504)	217,769	160
Adjustment to recognize taxes receivable						638,000	
EXCESS OF REVENUES OVER EXPENDITURES	\$ 39,773,379	\$ 31,130,599	\$ 30,420,838	\$ 17,568,458	\$ 13,416,323	\$ 12,360,249	\$ 8,527,122
Additional Actuarial Reserve	(84,401,166)	(61,890,773)	(43,586,828)	(43,712,313)	(97,937,902)	(40,817,827)	(16,253,458)
Deficit for the year	\$(44,627,787)	\$(30,760,174)	\$(13,165,990)	\$(26,143,855)	\$(84,521,579)	\$(28,457,578)	\$(7,726,336)
Fund deficit at beginning of year	(677,175,500)	\$(646,415,326)	(633,249,336)	(607,105,481)	(522,583,902)	(494,126,324)	(486,399,988)
Fund deficit at end of year	\$(721,803,287)	\$(677,175,500)	\$(646,415,326)	\$(633,249,336)	\$(607,105,481)	\$(522,583,902)	\$(494,126,324)