

Jim McGuigan

1975

Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES

CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1975

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ELECTIVE OFFICERS OF THE CITY OF LOS ANGELES



TOM BRADLEY
Mayor

BURT PINES
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

ZEV YAROSLAVSKY
Fifth District

PAT RUSSELL*
Sixth District

ERNANI BERNARDI
Seventh District

ROBERT FARRELL
Eighth District

GILBERT W. LINDSAY*
Ninth District

DAVID S. CUNNINGHAM
Tenth District

MARVIN BRAUDE
Eleventh District

ROBERT M. WILKINSON
Twelfth District

PEGGY 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
1974-1975 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 ending June 30, 1975, submitted in accordance with the provisions of Section 64 of the City Charter.

Pension assets increased 20% during the past year to a total of \$394 million, with more than 65% of the increase invested in bonds. Revenues from interest and dividends increased 36% above the prior year, while the city contribution in taxes increased only 2%. The contribution of members increased 12%.

A further favorable development was shown in the actuarial report incorporated herein showing that the ratio of assets relative to total liabilities again improved, to 19% as compared to the prior year's 17%.

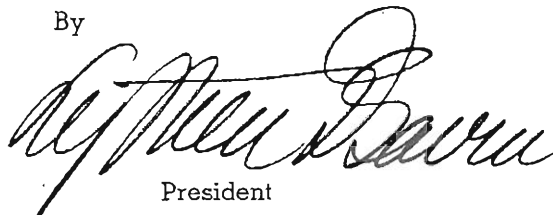
These results demonstrate favorable developments in the financial health of the pension system. However, there are serious problems ahead as a result of the continuing inflation plaguing the nation. Pensions eligible for cost of living benefits were increased 11.7% for the new year, while pensions related to salary increased 10.6%. This level of cost increases cannot be matched by earnings gains and, thereby, becomes a direct charge on the taxpayers of the City.

This Board is bending every effort toward improving efficiency, maintaining cost controls, and improving earnings; but, its best efforts cannot prevail if inflation continues as the major factor as it has been in the past years.

Respectfully submitted,

BOARD OF PENSION COMMISSIONERS

By

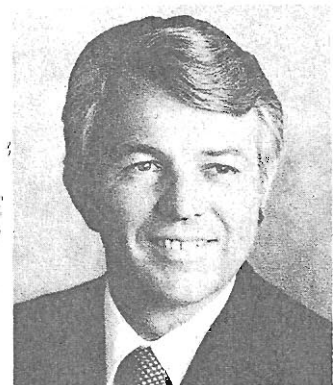


President

SDG:em



STEPHEN D. GAVIN
President



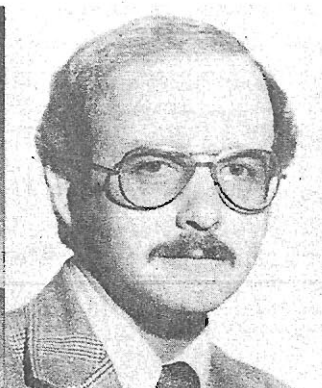
SAM DIANNITTO
Vice President



OLGA MARCUS



LEON SAVITCH



DICK STANTON



JACK BORMAN



JOHN A. CALFAS

January 22, 1976

Board of Pension Commissioners
Room 155, 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, 1975. This report includes the financial statements which have been audited by Peat, Marwick, Mitchell & Co., who are employed by the Board under contract. In addition, there is provided a summary report by the Department's actuaries Little, Church & Chapin, Inc., employed by the Board under contract, to examine into actuarial health of the Pension System, as required by Article XVII and XVIII of the City Charter.

FINANCIAL CONDITION

Pension System assets increased approximately 20% during the past year to a total of \$394 million some \$64 million above the prior year total. More than 65% of the increase was converted into bond investments, while common stock purchases and sales resulted in a net increase of approximately \$300,000 and the remainder was carried in short term investments.

Revenues from interest and dividends, showed an increase of 36% above the prior year. Taxes, representing the City's contribution to the cost of the system, increased 2% while member contributions increased 12%.

Capital gains during the year amounted to a net of approximately \$632,000. This figure included a gain of \$132,000 on real property in the Monterey Hills Development Area, which had been carried on the books at a cost of \$15,000 since its acquisition in the early 1930's. The balance of the capital gains resulted from the sale of securities.

Portfolio changes during the year included bond and stock purchases of more than \$65,000,000 and sales of nearly \$22,000,000. At the end of the year, common and preferred stocks constituted approximately 32% of the Department's portfolio.

Nominee Partnership

During the fiscal year, the transfer of all stock held in the Fire and Police General Fund into the nominee name of LAFAP was completed. In addition, a substantial portion of the stock in the New System General Fund was transferred into the nominee name of NESPO. The procedure is expected to be completed during the 1975-76 fiscal year and will facilitate the sale of such investments in the future since it will eliminate technical problems in clearance that had resulted from the practice of holding all title in the name of the Board of Pension Commissioners.

Average Purchase Yield

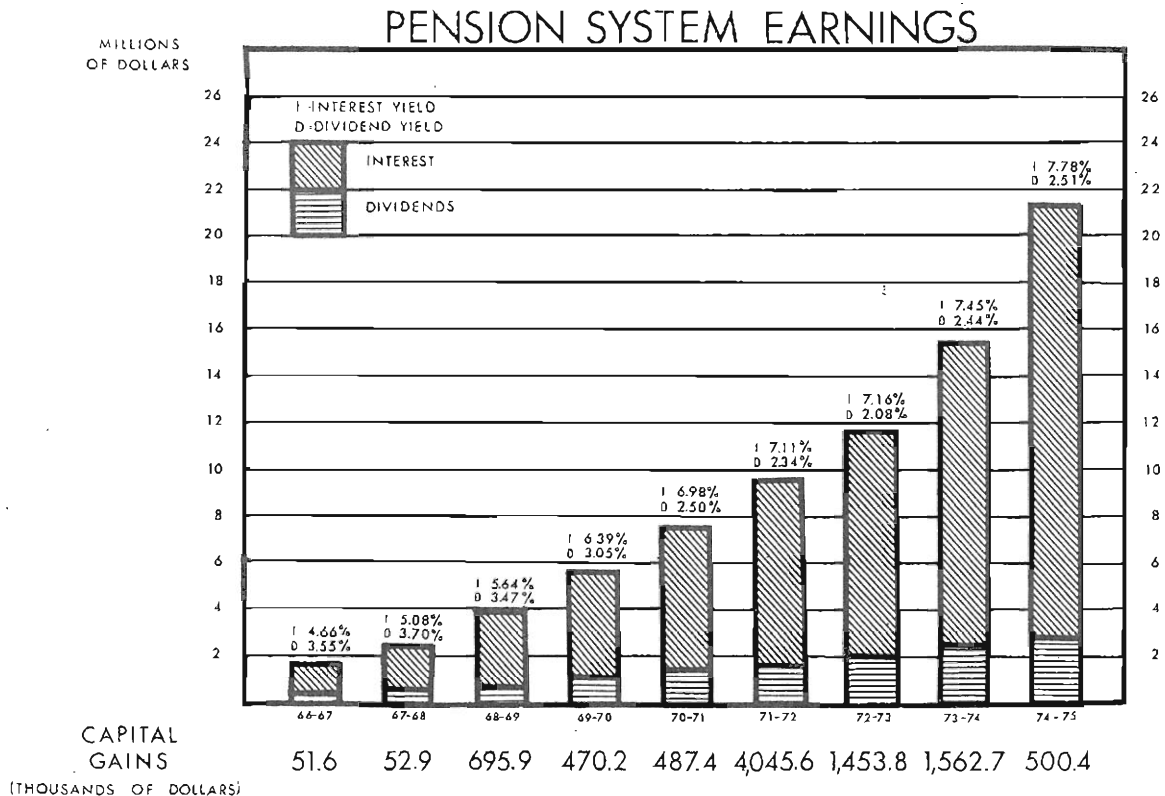
The average purchase yield on the Pension Fund at the end of the fiscal year amounted to 6.05%, an 8% increase over the 5.58% purchase yield reported last year.

Short-Term Earnings

Temporary investments of the Pension Fund at year end were \$41 million, an increase of approximately 55% over the \$26 million held at the close of the prior year. Earnings on temporary investments for the year amounted to \$2,487,000, compared to \$1,719,000 the previous year. This increase of 45% reflects continued emphasis on short-term investments. During the year, maturities and sales of short-term securities, including U.S. Treasury Bills, commercial paper, and certificates of deposit, amounts to \$158 million.

System Earnings From Securities

As shown in the following chart, earnings from Securities of the Pension funds continued to grow at an accelerated rate during the past fiscal year. While the increase in earnings had averaged \$2 million per year since 1968, the increase doubled to \$4 million during the 1973-1974 fiscal year and tripled to \$6 million in 1974-1975. Bond earnings show an average yield of 7.78% an increase of 4% over the prior year. While common stocks show a yield of only 2.51%, this represents a 3% increase over last year and does not include realized capital gains of approximately \$800,000 during the year.



ACTUARIAL REPORT

The current valuation, set forth in detail later in this report, reflects the increase in the assumed interest rate from 5% to 5½%. Also included

are values attributable to the Health Plan Subsidy for retired Fire Fighters and Police Officers. However, this cost is not set out separately because of the relatively small amount involved (\$128,499 for the Fire and Police Pension System and 1/10 of 1% of salary for the New Pension System).

New Pension System cost is reduced by 2.1% for entry age rate, but increases by 1.1% for the amortization rate, for a net drop of 1% of payroll. For the Fire and Police Pension System the entry age rate drops 2%, but there is an increase of approximately \$4 million in the amortization cost of that system. The amortization cost increases are entirely due to the 11.7% increase in pension for the cost of living adjustment on July 1, 1975.

With respect to the actuarial balance sheet, total liabilities rose to \$145 million, and the unfunded liability increased \$91 million. The funding ratio (the ratio of assets on hand to total liabilities) improved from 17% last year to 19%. The long range objective is to reach a funding ratio of 50%, which is the status of most other well funded pension plans.

In the face of the 11.7% cost of living increase to retired members, and the 10.6% salary increase to active members, the increase in the assumed interest rate adopted by the Board was crucial in keeping the overall cost in reasonable bounds.

MEMBERSHIP

As of June 30, 1975, 2959 firemen and 7,375 policemen were members of the system. This includes members on leave of absence without pay, members on military leave and members on suspension. Of this number 420 are members of the Old Pension System, with 61 in the Fire Department and 359 in the Police Department. The following statement presents an analysis of length of service of such members.

	Fire	Police	Total
Members with less than 5 years	590	2,242	2,832
With 5-9 years	285	2,453	2,738
With 10-19 years	1,207	1,817	3,026
With 20 years and over	877	863	1,740
TOTAL	2,959	7,375	10,334
Article XVII	61	359	420
Article XVIII	2,898	7,016	9,914

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.

	1974-75	1973-74	1972-73	1971-72	1970-71
Total Membership July 1st	10,223	10,102	10,190	10,153	9,591
On Leave or Suspension	52	30	44	39	19
On Military Leave	5	10	22	32	17
	<u>10,166</u>	<u>10,062</u>	<u>10,114</u>	<u>10,081</u>	<u>9,555</u>
Additions:					
New Appointments	749	970	590	697	1,082
Reappointments	32	27	30	27	45
Restorations	2	8	3a	3a	2
Reinstated	1	6	—	—	2
Reactivated	—	1	3	6	23
Return from Leave or Susp.	405	265	256	396	293
Restored from Military Leave ...	28	8	19	25	14
	<u>11,383</u>	<u>11,347</u>	<u>11,025</u>	<u>11,236</u>	<u>11,016</u>

Withdrawals:					
Service Retirements	270	362	321	315	227b
Disability Retirements	69	44	72a	39a	22a
Resigned	313c	454	295f	315	314
Discharged	10d	8	8e	11	10
Deaths	11	23	18	19	19
Leaves or Suspension	380	287	242	401	313
Military Leaves Granted	25	3	7	15	29
Active Membership—June 30th	10,305	10,166	10,062	10,121	10,082
On Leave or Suspension	27	52	30	44	39
On Military Leave	2	5	10	22	32
Total Membership—June 30th	10,334	10,223	10,102	10,187	10,153

a—Includes 2 disabilities granted after resignation and/or discharge in 1970-71; 1 in 1971-72 and 2 restored to active duty from resignation; 3 in 1972-73

b—Includes 2 service pensions granted after discharge

c—Includes 1 resignation later changed to disability

d—Includes 2 discharges later changed to disability

e—Includes 1 discharge changed to disability in 1974-75

f—Includes 1 resignation changed to disability in 1974-75

Appointed Fiscal Year 1974-75

During the course of the year 781 members were appointed and became members of the system. Some 412, or 53% of such members were married at the date of entrance. Thirty two such members were reappointees with an average age of 28. Of the 749 original appointees the median age was 25, the mode 22 and the average 25.

ELIGIBILITY

There were as of June 30, 1975, a total of 1,740 members eligible to retire. All are 25-years members. The following schedule shows the number of members eligible to retire at the end of each fiscal year as indicated:

Fiscal Year	Fire	Police	Total
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
1971-1972	1,121	1,140	2,261
1972-1973	998	1,043	2,041
1973-1974	894	925	1,819
1974-1975	877	863	1,740

During the fiscal year 1975-1976, an additional 155 members will become eligible if their service is continuous. Of these 52 are Firemen.

ELIGIBILITY BY RANKS

The following tables show eligibility for retirement by ranks, in both the Fire and Police Departments. These tables show that in the Fire Department all 4 Deputy Chiefs are eligible to retire, as are 10 out of 12 Assistant Chiefs, 47 out of 65 Battalion Chiefs, 243 out of 515 Captains and 258 out of 466 Engineers. In the Police Department 12 out of 14 Deputy Chiefs, 17 out of 23 Commanders, 56 out of 89 Captains and 101 out of 247 Lieutenants are eligible for service retirement. At the other end of the service spectrum, the Fire Department has only 590 of its 2,961 members with less than 5 years service, while the Police Department has 2,242 of its 7,375 members.

ELIGIBILITY BY RANKS
July 1, 1974 thru June 30, 1975

FIRE

Years Service	Firemen	Auto Firemen	Fire Boat Mate	Fire Boat Pilot	Inspector	Engineer	Chief Engineer	Captain	Battalion Chief	Deputy Chief	Ass't Chief	Total Empl's
39.....	---	---	---	---	---	---	---	1	---	---	---	1
38.....	---	---	---	---	---	---	---	1	---	---	---	1
37.....	---	---	---	---	---	---	---	1	---	---	---	1
34.....	2	---	---	---	---	5	---	2	2	---	1	12
33.....	2	---	---	---	1	1	---	4	1	---	---	9
32.....	1	1	---	---	---	---	---	---	2	---	---	4
31.....	2	---	---	---	1	---	---	1	1	---	---	5
28.....	48	1	1	1	4	46	---	61	7	1	4	174
27.....	53	1	1	2	9	53	1	66	8	---	2	196
26.....	14	1	2	---	3	19	---	17	6	1	1	64
25.....	17	1	4	2	2	24	---	25	7	---	---	82
24.....	10	1	---	---	---	9	---	5	2	---	---	27
23.....	42	4	---	---	3	46	---	22	4	1	---	122
22.....	15	---	---	---	1	11	---	11	2	1	2	43
21.....	14	---	---	---	1	16	---	9	2	---	---	42
20.....	41	1	1	---	3	28	---	17	3	---	---	94
19.....	17	2	---	---	1	13	---	12	4	---	1	50
18.....	92	6	1	1	8	29	---	36	1	---	1	175
17.....	75	8	1	---	4	28	---	32	6	---	---	154
16.....	63	3	---	---	2	13	---	29	2	---	---	112
15.....	53	7	2	---	5	13	---	29	3	---	---	112
14.....	55	13	1	---	7	10	---	33	1	---	---	120
13.....	86	24	---	---	5	16	---	30	---	---	---	161
12.....	131	21	---	---	10	21	---	36	1	---	---	220
11.....	18	2	---	---	3	3	---	10	---	---	---	36
10.....	37	7	---	---	---	10	---	13	---	---	---	67
9.....	54	5	---	---	1	17	---	10	---	---	---	87
7.....	59	11	---	---	3	24	---	1	---	---	---	98
6.....	22	4	---	---	---	4	---	1	---	---	---	31
5.....	54	9	---	---	---	6	---	---	---	---	---	69
4.....	108	14	---	---	1	1	---	---	---	---	---	124
3.....	75	---	---	---	---	---	---	---	---	---	---	75
2.....	69	---	---	---	---	---	---	---	---	---	---	69
1.....	144	---	---	---	---	---	---	---	---	---	---	144
0.....	178	---	---	---	---	---	---	---	---	---	---	178
Totals	1,651	147	14	6	78	466	1	515	65	4	12	2,959
Art-XVII	40	2	---	---	9	3	---	7	---	---	---	61
Art-XVIII	1,611	145	14	6	69	463	1	508	65	4	12	2,898

ELIGIBILITY BY RANKS

July 1, 1974 thru June 30, 1975

POLICE

Years Service	Policemen	Investigator	Sergeant	Lieutenant	Captain	Commander	Police Chief	Deputy Chief	Total Empl's
34	---	1	---	---	---	2	1	---	4
33	1	3	---	---	---	---	---	---	4
32	---	1	1	---	---	1	---	---	3
31	---	2	---	---	2	1	---	---	5
29	1	1	---	---	1	---	---	---	3
28	42	49	18	18	10	3	---	2	142
27	58	55	22	11	9	---	---	---	155
26	30	49	25	9	8	2	---	4	127
25	17	28	17	11	7	1	---	5	86
24	10	13	5	5	---	---	---	---	33
23	10	18	9	12	1	1	---	---	51
22	10	25	8	7	4	1	---	---	55
21	14	30	13	16	7	3	---	---	83
20	26	38	26	12	7	2	---	1	112
19	20	35	26	13	6	1	---	---	101
18	29	33	16	12	3	---	---	2	95
17	31	57	35	16	8	2	---	---	149
16	33	65	35	14	5	---	---	---	152
15	28	47	55	15	2	2	---	---	149
14	35	67	38	13	7	1	---	---	161
13	46	91	65	13	2	---	---	---	217
12	64	101	79	18	---	---	---	---	262
11	85	99	66	23	---	---	---	---	273
10	113	65	72	8	---	---	---	---	258
9	166	69	57	1	---	---	---	---	293
8	229	78	40	---	---	---	---	---	347
7	521	84	49	---	---	---	---	---	654
6	568	40	29	---	---	---	---	---	637
5	500	15	7	---	---	---	---	---	522
4	670	---	6	---	---	---	---	---	676
3	335	1	---	---	---	---	---	---	336
2	332	1	---	---	---	---	---	---	333
1	532	---	---	---	---	---	---	---	532
0	365	---	---	---	---	---	---	---	365
Totals	4,921	1,261	819	247	89	23	1	14	7,375
Art-XVII	186	102	64	7	---	---	---	---	359
Art-XVIII	4,735	1,159	755	240	89	23	1	14	7,016

MEMBERS BECOMING ELIGIBLE NEXT TEN YEARS

The following schedule indicates that 3,002 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 308 are under the Old Pension System.

Fiscal Year	Fire	Police	Total
1975-1976	52	103	155
1976-1977	171	91	262
1977-1978	155	151	306
1978-1979	107	153	260
1979-1980	115	147	262
1980-1981	116	159	275
1981-1982	160	210	370
1982-1983	225	254	479
1983-1984	41	272	313
1984-1985	72	248	320
TOTALS	1,214	1,788	3,002
Article XVII	49	259	308
Article XVIII	1,165	1,529	2,694

Thus, in addition to 16.8% of the present active members already eligible to retire as indicated above, there will be an additional 29% of total Fire and Police present members who will become eligible to retire or will have retired by June 30, 1985.

MILITARY LEAVES

On June 30, 1974 there were 5 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1974-1975:

On Leave June 30, 1974	5
Granted during 1974-1975	25
	<u>30</u>
Restored — Now Active	28
	<u>2</u>
On Leave June 30, 1975	2

PENSION ROLL CHANGES

During the fiscal year, 484 pensions were granted and reinstated, 225 discontinued. This resulted in a net increase of 257 members on the pension rolls. 24 applications were withdrawn and 7 were denied. The details of pensions granted and terminated during the course of the fiscal year are as follows:

	Service Fluctuating Article		Service Pension Article		Service Disability Article		Non-Service Disability Article		Widows Article		Dependents Article		Minors Article		Total System
	17	18	17	18	17	18	17	18	17	18	17	18	17	18	
7-1-74	722	1327	2170	621	196	146	19	1589	132	1	2	31	17	6973	
Granted	---	10	260	3	63	1	8	100	34	---	---	---	4	483	
Reinstated	---	---	---	1	---	---	---	---	---	---	---	---	---	1	
Deaths	74	32	23	21	6	1	---	54	4	---	---	---	---	215	
Reactivated	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
Withdrawn	---	---	---	1*	23*	---	---	---	---	---	---	---	---	24	
Denied	---	---	---	1*	6*	---	---	---	---	---	---	---	---	7	
Decrease	---	---	---	---	---	---	---	6*	2*	---	---	---	---	8	
Increased	---	---	---	3	5	---	---	6**	---	---	---	---	---	14	
Remarriage	---	---	---	---	---	---	---	2	1	---	---	---	---	3	
Majority	---	---	---	---	---	---	---	---	---	---	---	7	---	7	
	<u>648</u>	<u>1305</u>	<u>2407</u>	<u>602</u>	<u>253</u>	<u>146</u>	<u>27</u>	<u>1633</u>	<u>161</u>	<u>1</u>	<u>2</u>	<u>24</u>	<u>21</u>	<u>7230</u>	

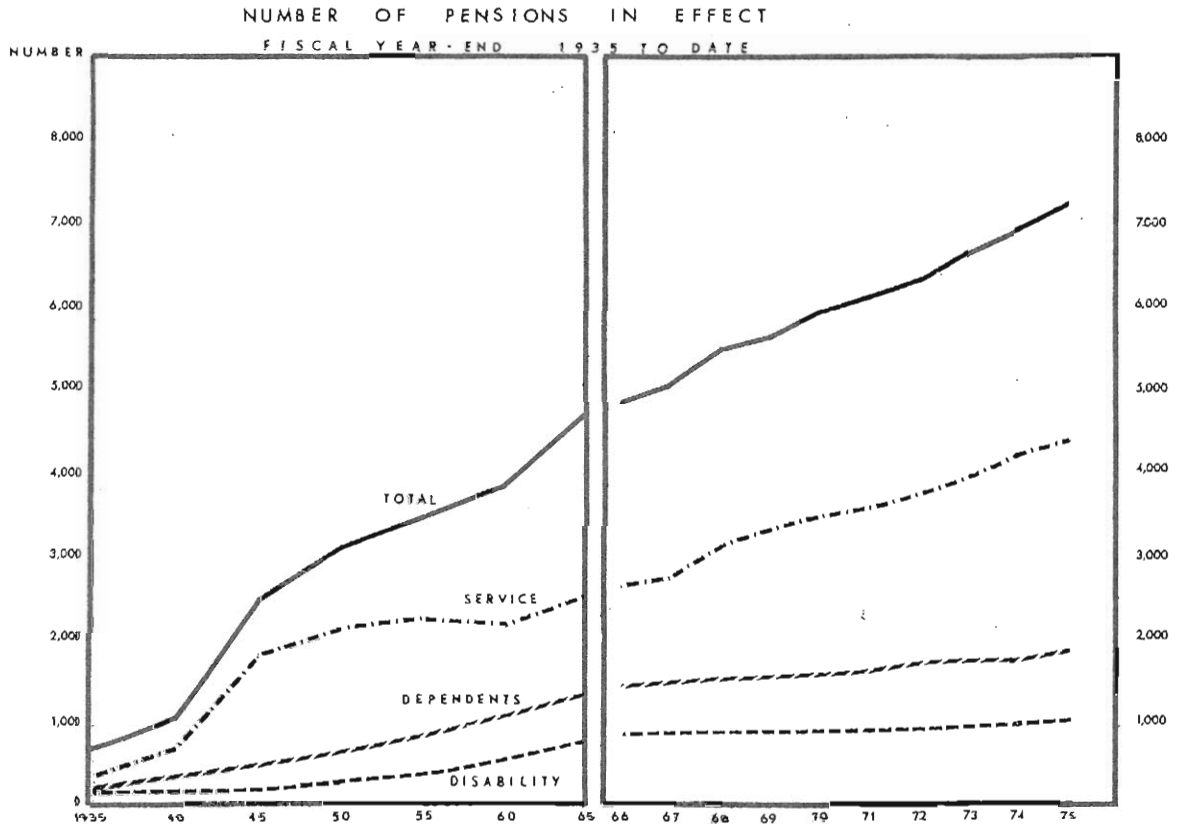
*Statistical only, does not affect totals

**Pension increased due to dependent child.

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 from 4,219 to 4,360. Dependent pensions went up from 1,772 to 1,842. Disability pensions increased from 982 to 1,028. The total of all pensions in effect showed an increase of 257, from 6,973 to 7,230.



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
385-424	1,111	311	358	2	30	1,812
425-464	333	120	58	0	4	515
465-504	178	72	66	0	4	320
505-544	144	76	41	0	4	265
545-584	109	60	23	1	2	195
585-624	101	52	24	0	0	177
625-664	100	45	28	0	0	173
665-704	98	36	23	0	0	157
705-744	136	27	194	0	1	358
745-784	270	36	444	0	0	750
785-824	205	37	110	0	0	352
825-864	180	28	20	0	0	228
865-904	196	11	93	0	0	300
905-944	163	18	107	0	0	288
945-984	114	16	10	0	0	140
985-1024	160	22	3	0	0	185
1025 or over	762	61	192	0	0	1,015
Totals	4,360	1,028	1,794	3	45	7,230
Average Pension	\$730.38	\$599.44	\$720.18	\$465.62	\$441.91	\$703.09

The overall average of \$703.09 is approximately nine percent over the average for the prior fiscal year of \$638.83. The average number of fluctuating pensions, cost of living pensions and of fixed pensions is reported as follows (Note: Fluctuating pensions are those that fluctuate with changes in salary of active members; cost of living pensions are those receiving the cost of living formula which is applicable on July 1st of each year; fixed pensions are those not yet eligible for cost of living adjustment):

Fluctuating	Service	Disability	Widows	Dependents	Minors	Total
Number	648	38	1,086	0	0	1,772
Average Pension	\$924.25	\$811.80	\$850.59	.....	.....	\$876.70
Cost of Living						
Number	3,341	786	614	3	32	4,776
Average Pension	\$687.51	\$538.46	\$490.42	\$465.62	\$413.74	\$628.70
Fixed Pension						
Number	371	204	94	0	13	682
Average Pension	\$778.66	\$819.01	\$691.26	.....	\$517.01	\$765.38

The total fluctuating pensions represent a net decrease of 76 during the fiscal year. Cost of living pensions increased by 547 and fixed pensions decreased by 214.

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1975.

Ages	Service	Disability	Widows	Dependents	Minors	Total
0-19	0	0	0	0	45	45
20-24	0	0	0	0	0	0
25-29	0	12	6	1	0	19
30-34	0	34	12	0	0	46
35-39	0	55	16	0	0	71
40-44	19	96	17	0	0	132
45-49	310	135	52	0	0	497
50-54	1,056	293	115	0	0	1,464
55-59	968	183	126	0	0	1,277
60-64	598	92	155	0	0	845
65-69	351	50	264	1	0	666
70-74	308	22	385	0	0	715
75-79	499	40	353	0	0	892
80-84	185	10	202	0	0	397
85-89	58	4	76	1	0	139
90-94	8	2	14	0	0	24
95-99	0	0	1	0	0	1
Totals	4,360	1,028	1,794	3	45	7,230
Average Age	62	53	69	60	12	62

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 tables.

Fiscal Year	Fire	Average Age	
		Police	Combined
1965-1966	56	48	49
1966-1967	53	47	50
1967-1968	55	48	50
1968-1969	54	48	49
1969-1970	52	47	49
1970-1971	56	50	53
1971-1972	54	52	53
1972-1973	53	51	52
1973-1974	54	53	53
1974-1975	55	53	53

Number Retiring Above or Below Age 50

The number of Firemen retiring at over 50 years of age has in most years been greater than the number of Policemen retiring at that age. In the last 10 years only 22% of Firemen retired under age 50 compared to 57% of Policemen.

	F I R E				P O L I C E			
	Under		Exactly	Over	Under		Exactly	Over
	50	50	50	Total	50	50	50	Total
1965-1966	8	...	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
1971-1972	26	10	106	142	64	11	91	166
1972-1973	36	7	107	150	58	13	106	177
1973-1974	25	9	97	131	70	18	143	231
1974-1975	13	6	75	94	50	11	115	176
	225	49	733	1,002	1,123	122	740	1,985
Percent of Totals	22%	5%	73%	100%	57%	6%	37%	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	Fire	Average Years Police	Combined
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
1971-1972	27	25	26
1972-1973	27	25	26
1973-1974	27	27	27
1974-1975	27	25	25

Years of Service at Retirement

This year, the number of retirements from both Departments decreased. The following shows retirements for the last 10 fiscal years.

Fiscal Year	F I R E					P O L I C E				
	20	Less 25	Exac. 25	Over 25	Total	20	Less 25	Exac. 25	Over 25	Total
1965-1966	105	12	2	27	41	752	44	4	17	186
1966-1967	105	5	9	22	53	131	30	7	9	177
1967-1968	105	12	12	89	149	190	63	.....	44	315
1968-1969	105	13	6	53	86	135	73	9	34	251
1969-1970	105	7	23	1	35	66	85	58	.....	169
1970-1971	105	3	19	.....	68	90	17	64	23	137
1971-1972	105	11	13	44	74	142	15	36	60	166
1972-1973	105	7	14	52	77	150	15	24	73	177
1973-1974	105	4	10	10	107	131	19	10	53	229
1974-1975	105	6	8	14	66	94	24	8	30	176
Percent of Totals	10%	12%	15%	62%	100%	38%	21%	14%	27%	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.

Fiscal Year	AVERAGE AGE			AVERAGE YEARS		
	Fire	Police	Combined	Fire	Police	Combined
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
1971-1972	48	38	41	20	13	16
1972-1973	48	36	43	22	11	16
1973-1974	50	37	45	22	11	17
1974-1975	51	38	44	22	12	17

SERVICE PENSIONS

Pensions Granted

A total of 270 members of Fire and Police Departments retired effective prior to June 30, 1975 upon service pension. Of the total number, 260 retired under the New Pension System.

Reactivated

During the fiscal year 1974-1975 no requests for return to active duty were approved by the Board of Pension Commissioners. The following schedule represents activity in requests for reactivation since its inception on May 2, 1969:

Dept.	Request Received	Pension Board Approved	Pension Board Disapproved	Denied Return By Active Department	Total Reactivated
Fire	3	3	0	0	3
Police	69	67	2	10	56

Pensions Discontinued

During the fiscal year a total of 129 service pensions were discontinued on account of death. These individuals were on the pension rolls on average of twenty-four years although the range of life after retirement varied from 6 days to forty-three 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
1965-1966	39	185	224
1966-1967	51	177	228
1967-1968	146	313	459
1968-1969	84	250	334
1969-1970	66	167	233
1970-1971	90	137	227
1971-1972	142	165	307
1972-1973	149	177	326
1973-1974	131	231	362
1974-1975	94	176	270

DISABILITY PENSIONS

Pensions Granted

A total of 75 members of Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1975. Of these 66 were granted on a service-connected basis while 9 were non-service.

Pensions Discontinued

28 Disability pensioners were discontinued on account of death during the past year. One was restored to active duty.

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:

Pension Effective Fiscal Year	F I R E		P O L I C E		Total
	Service	Nonservice	Service	Nonservice	
1965-1966	7	0	29	12	48
1966-1967	10	5	32	11	58
1967-1968	3	0	19	4	26
1968-1969	3	2	15	5	25
1969-1970	23	6	16	4	49
1970-1971	12	0	8	2	22
1971-1972	12	1	24	2	39
1972-1973	36	3	27	5	71
1973-1974	24	1	17	2	44
1974-1975	32	4	34	5	75

Years on Pension

Pension Effective Fiscal Year	F I R E		P O L I C E		Total
	Service	Nonservice	Service	Nonservice	
1900-1904	0	0	1	0	1
1905-1909	1	0	0	0	1
1910-1914	1	0	0	0	1
1915-1919	1	0	0	0	1
1920-1924	0	0	1	0	1
1925-1929	1	0	0	0	1
1930-1934	4	0	3	0	7
1935-1939	5	0	13	0	18
1940-1944	4	0	10	0	14
1945-1949	3	2	8	4	17
1950-1954	15	4	34	10	63
1955-1959	41	10	69	29	149
1960-1964	49	9	213	37	308
1965-1969	25*	9*	104*	32*	170*
1970-1974	108*	8*	88*	12*	216*
1975-1979	26*	3*	27*	4*	60*

*Includes 280 under Article XVIII

Analysis of Rates

There are 855 service-connected disability pensions and 173 non-service connected pensions classified by rates in the following schedule as of June 30, 1975. Of this number 253 service-connected and 27 non-service connected disability pensioners were granted under the New Pension System.

Analysis of Disability Pensioners by Age

Rate	Fire	Police	Total
40%	45	128	173
50%	75	217	292
52%	0	1	1
55%	30	66	96
57½%	1	0	1
58%	1	0	1
60%	43	85	128
61%	3	0	3
64%	1	0	1
65%	60	97	157
66⅔%	1	0	1
69%	0	1	1
70%	39	39	78
72½%	1	0	1
75%	16	34	50
80%	8	13	21
85%	3	8	11
90%	2	10	12
Total	329	699	1,028

Analysis of Disability Pensioners by Age

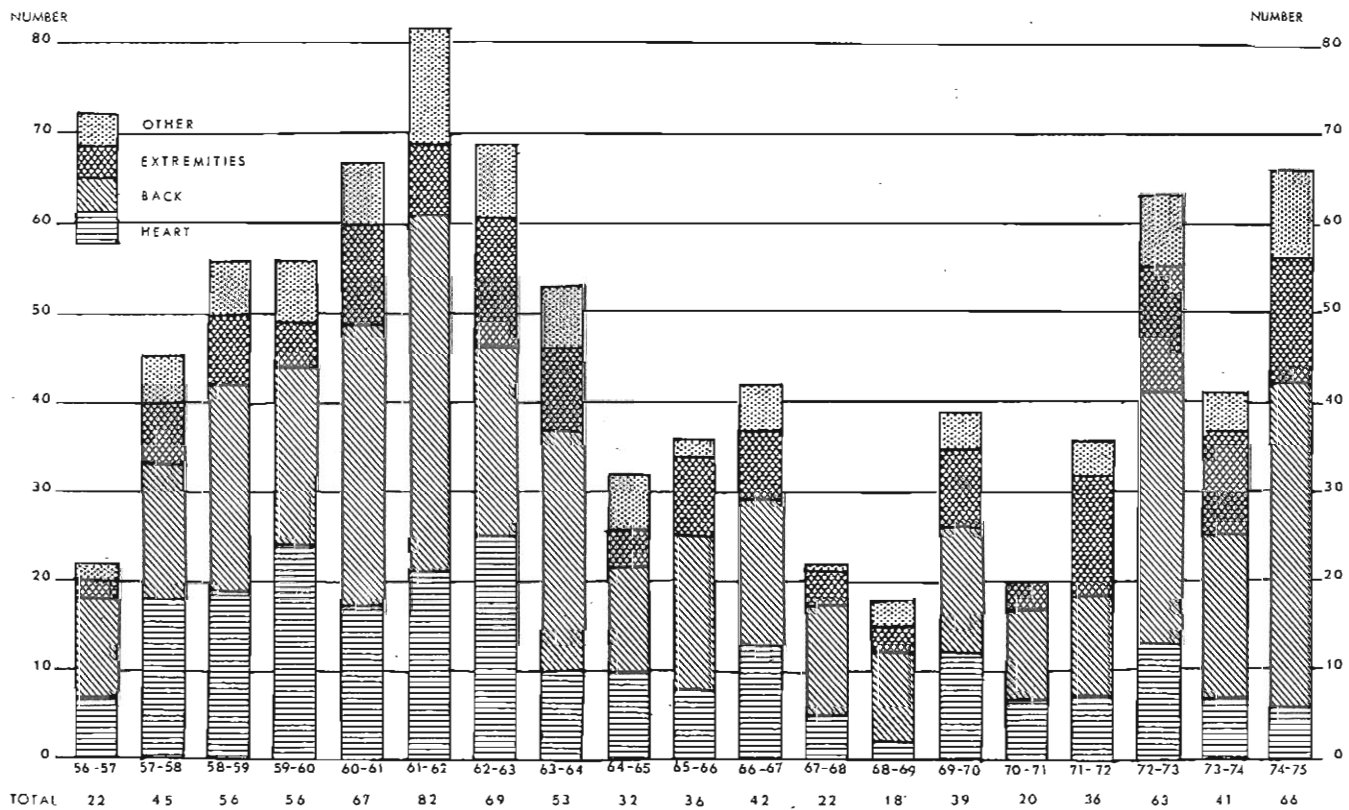
Age	Fire	Police	Total
0-24	0	0	0
25-29	0	12	12
30-34	2	32	34
35-39	12	43	55
40-44	36	60	96
45-49	51	84	135
50-54	70	223	293
55-59	50	133	183
60-64	50	42	92
65-69	26	24	50
70-74	14	8	22
75-79	12	28	40
80-84	3	7	10
85-89	2	2	4
90-94	1	1	2
Total	329	699	1,028
Average Age	55	52	53

Service-Connected Disability

66 new Service-connected disability pensions were granted in 1974-1975. The accompanying chart shows a breakdown by primary disability for the last 18 years.

SERVICE CONNECTED DISABILITIES

NUMBER GRANTED



Pension Department**SUMMARIZATION OF MAJOR ACTIVITIES**

The City Attorney prepared and approved as to form contracts between the Board of Pension Commissioners and investment counsel, actuaries and auditors. A specialized training contract was drafted whereby the Assistant Manager agreed to remain with the City of Los Angeles for a period of five years or reimburse the City for the cost of attending a management training course. As a result of the adoption of an ordinance requiring contractors with the City of Los Angeles to agree to institute and maintain and furnish proof of an Affirmative Action Program, numerous amendments to existing contracts had to be drafted together with appropriate explanatory letters of transmittal.

The ever increasing concern with pension plans and programs, both at the state and federal level, as demonstrated by numerous legislative enactments and an even larger number of pending bills has created a need to analyze and evaluate the impact which such legislation or proposed legislation does or could have on municipal pension systems such as those maintained by the City of Los Angeles.

This office prepared Charter amendments for the May 27, 1975 General Municipal Elections to allow cost of living adjustments of service-connected disability pensions upon the July 1st following the date of retirement or the effective date of the amendment, whichever should be later; also amendments were drafted relative to investment eligibility requirements of preferred stocks and one technical amendment involving Section 380 of the Charter, pertaining to fund titles.

A health subsidy ordinance for retired members was drafted and adopted by the City Council pursuant to the enabling provisions of Section 189 and 190.50 of the City Charter.

The attorneys assigned to the Department of Pensions attended conferences in San Francisco pertaining to the subject of the Pension Reform Act of 1974 (ERISA). Siegfried O. Hillmer, Assistant City Attorney, also attended the MFOA Conference in Montreal, Canada primarily because of the programs on fiduciary liability and other aspects of ERISA.

The decisions by the State Supreme Court in **Strumsky v. San Diego County Employees Assn.**, 11 C. 3d 28 and **Topanga Assn. for a Scenic Community v. County of Los Angeles**, 11 C.33d 506 caused the City Attorney's office to issue a number of reports and memoranda to advise the Board of the increasing need to formalize Board hearings and to create an administrative record to withstand the measures of scrutiny now applicable upon review of the Board's determinations in the Superior Court.

The salary suit of **Melendres et al v. City of Los Angeles**, a class action, was finally adjudicated during the fiscal year 1974-75 and necessitated not only court appearances and arguments to the Court on the part of the Board's attorneys, but also several conferences and memoranda in order to clarify the obligations of the Department of Pensions to make pension adjustments and the timing thereof.

The draft of an opinion was prepared in order to formalize advice previously given as a result of a thorough analysis and research into the applicability of federal sex discrimination legislation to the rights of certain beneficiaries under Article XVII of the City Charter (Equal Employment Opportunity Act of 1972, 42 USCA Sec. 2000).

Because of private revenue rulings by the IRS, it became necessary to undertake work on several tax projects involving pension fund qualifications under Section 401a IRC, as well as to render advice on tax liability of pension recipients.

PROBATE MATTERS

This office examined 88 probate accountings, as well as petitions and other documents which were received by the Department of Pensions and 15 requests for special notice were prepared, served and filed. Thirteen guardianships and conservatorships were discontinued and 15 were commenced. There are 103 guardianships pending, 50 covering incompetents and 53 covering minors.

LITIGATION

There were several court decisions rendered in the pension field which are of importance to the City, some of which are now final and conclusive and appeals are pending in others. Some important cases have not reached the trial stage.

A brief summary of some of these cases is as follows:

AYERS v. BOARD OF PENSION COMMISSIONERS

This is a case based upon ex-police officer Carroll D. Ayers' petition for a writ of mandate seeking to compel the Board to grant him a service-connected disability pension instead of the nonservice-connected disability previously awarded. Petitioner relies on the independent judgment test established in *Strumsky v. San Diego County Employees Assn.*, 11 C.3d 28 and on *Topanga Association for a Scenic Community v. County of Los Angeles*, 11 C.3d 506, another recent landmark decision by the California Supreme Court setting forth stringent standards concerning findings of fact by local agencies having adjudicatory powers.

On June 20, 1975, the case was heard in the Superior Court which reversed the Board's decision thereby ordering that petitioner be granted a service-connected disability pension, basing its decision both on the independent judgment test and the absence of adequate findings.

CALLIER v. CITY OF LOS ANGELES

Edward Callier sought to have the Board's decision according to which he was granted a nonservice-connected disability pension set aside by filing a petition for writ of mandate.

The case was heard on February 19, 1975 in Department 85 of the Superior Court and resulted in the denial of Callier's petition, thereby upholding the Board determination.

The interesting aspect of this case is that although a somewhat close fact situation was presented and the independent judgment test was applied, the court still felt persuaded by the affirmative defenses raised by the Board's attorneys, viz. the statute of limitations, laches, the claims provisions of Sections 376 and 376.1 of the City Charter and Board Rule 4.15. The Court also agreed with the City Attorney's position that the Board had not violated any rights guaranteed by the Fourteenth Amendment to the United States Constitution as had been alleged by petitioner.

The time for filing a notice of appeal having run in this case, the judgment of the Superior Court is now final.

CAMACHO v. BOARD OF PENSION COMMISSIONERS

The Board of Pension Commissioners denied Christopher Camacho's application for a disability pension. The only noteworthy point in Camacho's petition for writ of mandate lies in the fact that he relies heavily, if not exclusively, on the holding in **Topanga Assn. for a Scenic Community v. County of Los Angeles**, 11 C.3d 506, attacking the Board's determination on the grounds that no findings were made in support of its decision. The City Attorney contends, inter alia, that the minutes of the proceedings before the Board contain and constitute proper findings.

The case has been set for a hearing in the Superior Court on July 24, 1975.

CRAVER v. CITY OF LOS ANGELES, et al

Petitioner is seeking to obtain a disability pension previously denied him by the Board. He contends that the Board erred in its determination because the ability to perform the duties last assigned to him is not the criteria upon which entitlement should be predicated and that the correct application of the pertinent Charter provisions requires that disability resulting in an inability to perform the regular duties (e.g. substantially all types of ordinary police work) of a police officer is a sufficient basis for the granting of a service-connected disability pension.

The case was tried on January 6, 1972 in Department 65 of the Superior Court and judgment in favor of the respondent City and Board was rendered.

Petitioner appealed from the judgment, but on September 4, 1974 the Court of Appeal upheld the trial court's determination and a subsequent petition by Craver for a hearing before the State Supreme Court was denied.

HOHMANN et al v. CITY OF LOS ANGELES et al

In this case, a class action brought against the City and the Board, a group of retired deputy chiefs, assistant chiefs and widows of deputy chiefs or assistant chiefs of police, all on a fluctuating pension, have brought suit to seek a judicial determination regarding the proper basis for their pension which, according to a City Attorney opinion, is to be predicated on the salary currently received by a Deputy Chief of Police I. Plaintiffs maintain that the appropriate basis for their pensions should be the highest salary paid within the class title of deputy chief, meaning the salary received by a Deputy Chief of Police II. In brief, the city's position is that inasmuch as a Deputy Chief II is subject to reassignment to the lower pay grade of Deputy Chief I and inasmuch as a Deputy Chief II serves as the Acting Chief of Police whenever the latter is gone, the basis for fluctuating pensions presently applied is appropriate.

An informal conference has already taken place in the Superior Court to determine issues and related matters, all in accordance with the provisions of the class action manual.

JENKS v. BOARD OF PENSION COMMISSIONERS

Donald Jenks was granted a nonservice-connected disability pension. He filed a petition for writ of mandate seeking a service connected disability pension.

The interesting side in this case lies in a fact situation which has, on more than a few occasions in the past, been a frustrating experience for the Board: Jenks' physical condition limited him to a restricted duty position only. This was the consensus of opinion of the examining physicians. How-

ever, no such position was available in the Fire Department at the time. Although the Superior Court did not directly have to deal with this problem but needed to confine itself only to the question of whether or not the preponderance of the evidence supported a determination of service-connection versus nonservice-connection, the city was placed on notice that unavailability of restricted duty positions would not be permissible to prejudicially rule against an applicant for a disability pension.

LE BLANC v. BOARD OF PENSION COMMISSIONERS

This case was based upon the unique theory that petitioner Le Blanc, who had received workers' compensation benefits in the amount of \$17,205 and who was also awarded a service-connected disability pension by the Board, should not be subjected to the application of the provisions of Section 190.15 of the City Charter pursuant to which, authority is given to take deductions from disability pensions equal to the amount of any workers' compensation benefits paid under the general laws of the State of California. Petitioner's approach centered upon the provisions in Section 190.06 of the City Charter which permits the transfer of monies from the New System General Pension Fund to the New System Service Pension Fund. He contended that the aforementioned power to transfer funds, in effect, constitute an authority to commingle monies in the two funds in violation of the prohibition contained in Section 3751 of the Labor Code which makes it unlawful to use employee contributions towards payment of the cost of workers' compensation. The City Attorney opposed petitioner's contention primarily on the basis of the earlier cases of *Myers v. Fire and Police Pension System*, 32 C.A.3d 725; *City of Los Angeles v. Industrial Accident Commission*, 63 C.2d 242. The Superior Court was persuaded by the argument of the attorneys for the Board and on January 24, 1975, denied the petition for peremptory writ of mandate.

OLSON v. BOARD OF PENSION COMMISSIONERS

The somewhat unique aspect of this case is presented by the fact that the jurisdiction of the Superior Court was invoked by petitioner's petition for a writ of mandate to compel the Board of Pension Commissioners to grant a pension, the total amount of which would be identical to the amount of pension petitioner is currently receiving pursuant to the Board determination now being attacked by petitioner. Because of the length of service of petitioner's deceased husband, her entitlement was predicated on a finding of his nonservice-connected death with her eligibility to receive a pension computed on the basis of his length of service with the City. The petitioner seeks a finding of service-connected causation of her husband's death because she has been advised that a service-connected death pension qualifies for total exclusion from petitioner's gross income for tax purposes pursuant to Section 104(a) of the Internal Revenue Code.

On July 26, 1974, the Superior Court denied the petition for writ of mandate. No appeal was taken by petitioner, therefore, the matter is now concluded.

SULLIVAN v. BOARD OF PENSION COMMISSIONERS

This case is one of many domestic relations matters the court has been confronted with for the last two or three years. Although claims arising out of dissolution of marriage proceedings ordinarily remain unreported with regard to the specifics, this particular matter deserves special reference in that the attorneys for the member's former spouse have taken the novel approach of bringing an action (1) for declaratory relief, (2) to impress a

trust on funds under the management and control of the Board and (3) for specific performance. As a rule claims for the payment of a community property interest in a member's pension by a non-member spouse are presented by way of utilizing Joinder Rules 1250 et seq. of the California Rules of Court and are routinely honored if the judgment reflects in proper form that the rights of a spouse to a part of a member's pension were adjudicated.

DOMESTIC RELATIONS LITIGATION

The involvement of the Department of Pensions in dissolution of marriage proceedings, previously reported on, has further increased because the California Rules of Court, in concert with the Family Law Act, now provide a method whereby a respondent or petitioner, as the case may be, may apply to the court for an ex parte order commanding a claimant third party, such as the boards or the departments who hold property subject to the court's jurisdiction, to be joined as parties to dissolution of marriage proceedings although the principle that pensions are community property has long been well established in this state.

However, the law is still in a state of uncertainty as to whether or not a court can retain continuing jurisdiction over the respective interests of spouses in a future pension allowance when, at the time of trail, the employee has no vested right, but a mere expectancy to a pension allowance.

OPERATIONS

Expenditures

Expenditures for pensions increased some \$10 million as a result of increases in numbers of pensioners, higher pensions derived from higher salary levels and cost of living increases. The health insurance subsidy for pensioners was paid for the first time this year beginning with the April 30, 1975 pension roll, and a little over \$61,000 was expended for this purpose. \$1.4 million of the increase was related to the settlement of the Melendres Salary law suit.

Administrative Expense

Administrative expense of the Fire and Police Pension System increased 37% over the prior fiscal year primarily because of salary increases and higher cost of contractual services. Telephone expenses were up due to the installation of additional lines in the department and increased rates during the year.

Salaries

Salary expense for the year rose 22.7% above the prior year, representing an across-the-board cost of living pay increase, and an increase in occupied positions. Thirty-five individuals were employed by the Department, including one Assistant City Attorney and one Deputy City Attorney III.

Travel Expense

Travel expense for the year increased 5% due mainly to increased costs for travel and lodging. The meetings attended by Board and staff were primarily for training and informational purposes.

Contractual Services

Contractual services increased some 77% over the prior year, attributable to the increase in the cost of services performed by the Data Service Bureau; to an independent computer study performed by Peat, Marwick, Mitchell & Co.; and to an increase in investigations connected with the larger number of disability claims processed. Additional costs were incurred for almost all other services, due primarily to the economy's recent accelerated rate of inflation.

Medical Services

This account showed a 55.4% increase over the prior year. This increase reflects both the increase in the number of disability claims settled during the year as well as the rising cost of required medical services.

Health Insurance

This account experienced an 89.1% increase over last year. The difference was due substantially to premium increases by the carriers of health insurance plans. Another aspect of the increase is the last quarterly payment for the prior year which was paid subsequent to the close of that year. This would account for about half of the increase.

Equipment, Furniture and Fixtures

Expenditures in this category increased some 55% above the prior year. This increase reflects the furniture and equipment purchases necessary to provide for additional personnel acquired during the year. Price hikes for new and replacement items were another contributing factor in the overall increase.

Surety Bonds

Surety bonds were carried on Department personnel in the following amount:

Position	Amount of Bond
Operational Coverage:	
Manager-Secretary	\$ 50,000
Chief Accountant	25,000
All others, each	5,000
Nominee Partnership:	
Manager-Secretary	1,000,000
Assistant Manager	1,000,000

Respectfully submitted,



M. LEWIS THOMPSON
Manager-Secretary

MLT:fp

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 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.

1923-25. 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 non-service 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 of 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 of 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, 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 pensions 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.

1974. Articles XVII and XVIII were amended to enable the City Council to adopt ordinances allowing subsidy payments to be made toward health insurance and other programs for eligible pensioners.

1975. Articles XVII and XVIII were amended to allow cost of living adjustments for service-connected disability pensions of retired fire-fighters and police officers upon the July 1st following the date of retirement. This amendment eliminated certain waiting periods for those eligible to receive cost of living adjustments.

LITTLE, CHURCH & CHAPIN, INC.

CONSULTING ACTUARIES

EDWARD L. CHAPIN
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(213) 681-4455

December 12, 1975

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, 1975.

Respectfully submitted,

LITTLE, CHURCH & CHAPIN, INC.
Consulting Actuaries

By H. 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, 1975**

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 which established the New Pension System.

As of June 30, 1975, there were 420 active members and 4,359 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 9,914 active members and 2,871 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, 1975 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 $5\frac{3}{8}\%$ interest assumption. The actuarial assumptions were 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 Un-

funded 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. For the current valuations, we have assumed 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 pension payable to members receiving fluctuating pensions will be reflected in future valuations as they occur.

ACTUARIAL BALANCE SHEET
AS OF JUNE 30, 1975

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 36,008,730	\$ 357,644,441	\$ 393,653,171
2. Present Value of Future Contributions by Members	4,460,194	132,770,420	137,230,614
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	7,433,658	204,845,790	212,279,448
(ii) Cost of Living Benefits	3,493,819	87,249,133	90,742,952
(iii) Total	\$ 10,927,477	\$ 292,094,923	\$ 303,022,400
(b) Seventy Year Amortization of "Unfunded Liability":			
(i) Basic Benefits	\$297,988,071	\$ 576,043,856	\$ 874,031,927
(ii) Cost of Living Benefits	93,588,231	284,876,765	378,464,996
(iii) Total	\$391,576,302	\$ 860,920,621	\$1,252,496,923
4. Total Assets	<u>\$442,972,703</u>	<u>\$1,643,430,405</u>	<u>\$2,086,403,108</u>

LIABILITIES

5. Accounts Payable	\$ 2,375,496	\$ 1,241,414	\$ 3,616,910
6. Reserve for Investment Losses	2,923,956	6,450,195	9,374,151
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	135,274,096	393,807,454	529,081,550
(b) Disability	61,603,538	50,145,236	111,748,774
(c) Dependents	135,405,307	26,174,380	161,579,687
(d) Total	\$332,282,941	\$ 470,127,070	\$ 802,410,011
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	\$ 43,122,589	\$ 72,696,499	\$ 115,819,088
(b) Disability	15,309,497	10,983,759	26,293,256
(c) Total	\$ 58,432,086	\$ 83,680,258	\$ 142,112,344
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	\$ 29,317,343	\$ 696,365,888	\$ 725,683,231
(b) Disability	7,758,293	164,345,403	172,103,696
(c) Total	\$ 37,075,636	\$ 860,711,291	\$ 897,786,927
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service	\$ 2,103,316	\$ 44,675,730	\$ 46,779,046
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	\$ 5,859,910	\$ 137,427,028	\$ 143,286,938
(b) Disability	1,919,362	39,117,419	41,036,781
(c) Total	\$ 7,779,272	\$ 176,544,447	\$ 184,323,719
12. Total Liabilities	<u>\$442,972,703</u>	<u>\$1,643,430,405</u>	<u>\$2,086,403,108</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 New Pension System members and a dollar amount for Pension System members necessary to amortize the "Unfunded Liability" of the Systems over a 70-year period beginning with the fiscal year commencing July 1, 1967.
3. An amount to provide for Health Plan subsidies for retired members.
4. An amount to provide for Administrative Expenses.

Pursuant to Subparagraphs 1, 2 and 3 above, we recommend that the City's contributions for the fiscal year commencing July 1, 1976, be as follows:

	Percentage of Members' Salaries of:	
	Fire and Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	10.0%	10.8%
(b) Cost of Living Benefits	4.7	4.6
(c) Total	14.7%	15.4%
2. Unfunded Past Service Contribution and Health Plan Subsidy Required as Percentage of Salary:		
(a) Basic Benefits	Not	16.7%
(b) Cost of Living Benefits	Applicable	8.2
(c) Total		24.9%
3. Total Percentage of Salary Contribution:		
(a) Basic Benefits	10.0%	27.5%
(b) Cost of Living Benefits	4.7	12.8
(c) Total	14.7%	40.3%
4. Unfunded Past Service Contribution and Health Plan Subsidy Required as Annual Dollar Amount:		
(a) Basic Benefits	\$16,361,671	Not
(b) Cost of Living Benefits	5,098,304	Applicable
(c) Total	\$21,459,975	

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 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 13.8%. 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 statements of assets, liabilities, reserves and fund capital (deficit) of the City of Los Angeles Fire and Police Pension System as of June 30, 1975 and 1974, and the related statements of revenues and expenditures, changes in fund capital (deficit) and source and application of cash and temporary investments for the years 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 reports of independent actuaries reflecting the reserve for pensions which represents the present values of amounts required to pay pensions already entered upon, and for pensions to be entered upon, relating principally to services rendered prior to June 30, 1975 and 1974.

In our opinion, based on our examination and on the reports of consulting actuaries as to the reserve for pensions, the accompanying statements of assets, liabilities, reserves and fund capital (deficit), revenues and expenditures, changes in fund capital (deficit), and 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, 1975 and 1974, and the results of its operations and the source and application of its cash and temporary investments for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of July 1, 1973, in the method of accounting for the reserve for pensions as described in note 2 of notes to financial statements.

PEAT, MARWICK, MITCHELL & CO.

October 10, 1975

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

**STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND CAPITAL (DEFICIT)**

June 30, 1975 and 1974

	ASSETS	
	1975	1974
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles:		
Restricted	\$ 86,502	\$ 53,793
Unrestricted	8,834,353	2,808,243
	8,920,855	2,862,036
Cash revolving funds	500	500
Temporary short-term investments —at cost, plus interest (approximates market)	41,006,118	25,921,352
	49,927,473	28,783,888
Interest and dividends receivable	4,481,943	3,501,865
Taxes receivable	1,728,709	1,832,776
Accounts receivable	80,189	71,315
Investments:		
Bonds—at amortized cost (quoted market, \$209,182,665, \$160,983,864 in 1974)	\$ 226,868,719	\$184,589,776
Preferred stock—at cost (quoted market, \$150,000, \$181,000 in 1974) ..	211,659	211,659
Common stock—at cost (quoted market, \$106,946,049, \$98,764,810 in 1974)	110,350,591	110,068,712
Treasurer's deeds—at cost	735	735
Real property—at cost	3,152	18,136
	337,434,856	18,136
	\$ 393,653,170	\$ 329,078,862

LIABILITIES, RESERVES AND FUND CAPITAL (DEFICIT)

Accounts payable	\$ 163,555	\$ 75,481
Retroactive pensions payable	3,453,354	—
Reserve for pensions—at actuarial valuation (note 2):		
Pensioners	\$ 944,435,853	\$824,903,577
Active members	688,636,678	656,513,997
	1,633,072,531	656,513,997
	1,636,689,440	1,481,493,055
Fund capital (deficit):		
Accumulated deficit	(1,252,496,923)	(1,161,210,288)
Workers' Compensation Fund (note 3)	86,502	53,793
Reserve for investment losses	9,374,151	8,742,302
Contingent liability (note 4)		
	(1,243,036,270)	(1,152,414,193)
	\$ 393,653,170	\$ 329,078,862

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES AND EXPENDITURES

Years ended June 30, 1975 and 1974

	1975	1974
Revenues:		
Taxes	\$ 89,414,396	\$ 87,397,038
Interest	18,425,424	13,119,191
Dividends	2,817,894	2,448,289
Members' contributions	12,642,986	11,276,454
Sales of unclaimed property	109,199	94,489
Donations	371	9,244
Miscellaneous	11,324	31,298
Total revenues	123,421,594	114,376,003
Expenditures:		
Pensions paid (note 3):		
Service	\$ 38,340,313	\$ 31,662,143
Disability	7,333,963	6,334,436
Widows	16,284,184	13,601,122
Minors and dependents	288,431	291,919
Health insurance subsidy	61,118	—
	62,308,009	51,889,620
Administrative expenses	712,554	518,647
	63,020,563	52,408,267
Excess of revenues over expenditures before gain on disposition of investments, addition to reserve requirements and cumulative effect of accounting change	60,401,031	61,967,736
Gain on disposition of investments	631,849	1,563,851
	61,032,880	63,531,587
Addition to reserve requirements (note 2)	151,654,957	154,211,797
Deficiency for the year before cumulative effect of accounting change	90,622,077	90,680,210
Cumulative effect of accounting change (note 2)	—	258,196,543
Deficiency for the year	\$ 90,622,077	\$348,876,753

See accompany notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF CHANGES IN FUND CAPITAL (DEFICIT)

Years ended June 30, 1975 and 1974

	Accumulated (deficit)	Workers' Compensation Fund (note 3)	Reserve for investment losses	Total
Balance (deficit), July 1, 1973	\$ (810,812,690)	\$96,799	\$7,178,451	\$ (803,537,404)
Revenue (deficiency) for the year ..	(350,397,598)	(43,006)	1,563,851	(348,876,753)
Balance (deficit), June 30, 1974	(1,161,210,288)	53,793	8,742,302	(1,152,414,193)
Revenue (deficiency) for the year (note 2)	(91,286,635)	32,709	631,849	(90,622,077)
Balance (deficit), June 30, 1975	<u><u>\$ (1,252,496,923)</u></u>	<u><u>\$86,502</u></u>	<u><u>\$9,374,151</u></u>	<u><u>\$ (1,243,036,270)</u></u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF SOURCE AND APPLICATION
OF CASH AND TEMPORARY INVESTMENTS

Years ended June 30, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Source of cash and temporary investments:		
Excess of revenues over expenditures before gain on disposition of investments, addition to reserve requirements and cumulative effect of accounting change	\$60,401,031	\$61,967,736
Gain on disposition of investments credited to reserve for investment losses	631,849	1,563,851
Decrease in real property	14,984	—
Increase in accounts payable and retroactive premiums payable	3,541,428	49,579
Decrease in taxes receivable	104,067	—
	<u>64,693,359</u>	<u>63,581,166</u>
Application of cash and temporary investments:		
Net increase in investments:		
Bonds	42,278,943	52,775,329
Common stock	281,879	5,434,692
Increase in interest and dividends receivable	980,078	1,012,175
Increase in taxes receivable	—	510,776
Increase in accounts receivable	8,874	33,751
	<u>43,549,774</u>	<u>59,766,723</u>
Net increase in cash and temporary investments ..	21,143,585	3,814,443
Cash and temporary investments balances:		
July 1	28,783,888	24,969,445
June 30	<u>\$49,927,473</u>	<u>\$28,783,888</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
June 30, 1975 and 1974

(1) **Summary of Significant Accounting Policies**

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 yield basis upon which they were acquired.

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.

Reserve for Investment Losses

Gains or losses on the disposition of investments are credited or charged to the reserve for investment losses.

(2) **Reserve for Pensions**

The reserve for pensions reflects the liabilities as determined by the actuarial valuations as of June 30, 1975 and 1974. Such liabilities represent computed amounts that, with additions from future contributions to be received to cover normal 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 5 $\frac{3}{8}$ % assumed rate of interest (5% assumed rate for 1974).

During the year ended June 30, 1974 the reserve for pensions of \$1,481,417,574 was increased to reflect a change in the method of accounting. It included the present value of pensions already entered upon of \$824,903,577 and pensions to be entered upon of \$1,107,572,020 net of the present value of future normal contributions by the City and members of \$451,058,023. The cumulative effect of this change plus the effect of salary and cost-of-living adjustments, described below, resulted in a net increase in the reserve of \$412,408,340 as of June 30, 1974. This net adjustment consisted of the following:

Change in definition (accounting method) for	
years ending prior to June 30, 1974	\$258,196,543
Current year addition to reserve requirements	154,211,797
	<u>\$412,408,340</u>

The actuarially determined unfunded past service liability of the pension system is \$1,252,496,923 at June 30, 1975 and \$1,161,210,288 at June 30, 1974. In accordance with the City Charter this amount is to be amortized over the next sixty-two years through contributions to be made

(2) Reserve for Pensions, Continued

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 New Pension System members, and a dollar amount for Pension System members necessary to amortize the "unfunded liability" of the systems over a seventy-year period beginning with the fiscal year commencing July 1, 1967;
3. An amount to provide for Health Plan subsidies for retired members; and
4. An amount to provide for administrative expenses.

Accordingly, the actuaries for the System have determined the contributions for items 1, 2 and 3 above for the fiscal years commencing July 1, 1975 and 1976 to be as follows:

	Percentage of members' salaries of:			
	Fire and Police Pension System		New Pension System	
	1976	1975	1976	1975
1. Entry age contribution	14.7%	16.7%	15.4%	17.5%
2. Unfunded past service	—*	238.8	24.9	23.8
Total contribution	14.7%	255.5%	40.3%	41.3%

*Changed from a percentage to a required dollar amount for 1976 of \$21,459,975.

The primary factor in the \$151,654,957 addition to reserve requirements for 1975 and \$154,211,797 addition for 1974 was upward salary and cost-of-living adjustments resulting in increased liabilities for both fluctuating and fixed pensions.

The disparity of the percentages, or resulting required dollar amount for 1976 of \$21,459,975, of City contributions to members' salaries required to amortize the unfunded past service cost is due to the unfunded past service liability of the Fire and Police Pension System, amounting to \$391,576,302 as of June 30, 1975 (\$368,269,867 as of June 30, 1974), being amortized at a rate applicable to the current payroll of approximately 420 active members (440 for 1974) compared to the unfunded past service liability of the New Pension System, amounting to \$860,920,621 as of June 30, 1975 (\$792,940,421 as of June 30, 1974), being amortized at a rate applicable to the current payroll of approximately 9,900 active members (approximately 9,800 for 1974).

(3) Workers' Compensation Fund

Tax revenues are deposited directly into the Workers' Compensation Fund for Fire and Police pensioners by the City Controller, and workers' compensation benefits to pensioners of the Fire and Police Pension System are paid therefrom. Payments of \$327,292 made during the year ended June 30, 1975 (\$393,006 for 1974), are included under pensions paid.

(4) Contingent Liability

Several legal actions were pending at June 30, 1975. Counsel for the Fire and Police Pension System believes that adverse decisions in several of these cases could result in sizable future pension cost increases. Such cost increases would be funded by increased tax revenues under the authority of the City Charter.

PENSION DEPARTMENT
ADMINISTRATIVE EXPENSE COMPARED

Schedule 1

Operating Expense	1974-75	1973-74	1972-73	1971-72	1970-71	1969-70	1968-69
Salaries	\$392,171	\$319,517	\$277,373	\$249,940	\$208,560	\$198,038	\$168,829
Overtime	2,295	-----	-----	-----	-----	-----	-----
Office and Administrative Expense	25,056	16,559	11,891	13,572	11,878	9,631	9,013
Operating Supplies and Expense	-----	-----	50	-----	2,000	2,000	-----
Printing and Binding	6,747	5,498	6,215	6,671	9,344	5,892	5,107
Traveling	6,569	6,254	7,363	4,908	4,434	4,798	4,471
Contractual Services	190,667	107,181	90,661	82,906	51,748	46,686	39,191
Field Equipment	570	569	460	250	150	300	229
Petroleum Products	562	570	216	204	207	205	246
Transportation	722	513	410	233	215	195	211
Annual Audit	4,250	3,820	3,412	3,621	3,250	2,750	2,750
Governmental Meetings	1,960	395	100	42	18	220	-----
Litigation	8,428	9,018	7,983	8,165	9,593	10,837	10,001
Medical Services	47,842	30,784	31,447	24,529	18,807	26,768	28,859
Actuarial Expense	8,500	8,500	6,500	6,500	13,000	-6,500	6,500
Health Insurance	8,418	4,451	6,464	4,077	3,722	-----	-----
Equipment, Furniture & Fixtures	7,797	5,018	4,488	25,418	11,160	15,206	4,579
	<u>\$712,554</u>	<u>\$518,647</u>	<u>\$455,033</u>	<u>\$431,036</u>	<u>\$348,086</u>	<u>\$330,026</u>	<u>\$279,986</u>

PENSION DEPARTMENT
STATEMENT OF OPERATIONS COMPARED

Fiscal Years 1968-69 to 1974-75

	Schedule 2						
REVENUES	1974-75	1973-74	1972-73	1971-72	1970-71	1969-70	1968-69
Taxes	\$ 89,414,396	\$ 87,397,038	\$ 76,790,463	\$ 63,381,284	\$ 59,491,069	\$ 50,573,717	\$ 49,826,636
Dividends	2,817,894	2,448,289	1,950,933	1,530,367	1,206,340	1,035,283	621,296
Interest	18,425,424	13,119,191	9,680,994	8,087,889	6,255,043	4,720,395	3,153,521
Members' Contributions ..	12,642,986	11,276,454	10,678,323	9,797,464	8,848,302	7,455,724	6,677,287
Sales of Unclaimed Property	109,199	94,489	60,098	145,903	155,170	158,851	72,807
Donations	371	9,244	524	320	360	168	526
Miscellaneous	11,324	31,298	31,689	222,148	38,802	7,457	6,657
TOTAL REVENUES available for cur- rent year's expenditures	<u>\$ 123,421,594</u>	<u>\$ 114,376,003</u>	<u>\$ 99,193,024</u>	<u>\$ 83,165,375</u>	<u>\$ 75,995,086</u>	<u>\$ 63,951,595</u>	<u>\$ 60,358,730</u>
EXPENDITURES							
Pensions Paid							
Service	\$ 38,340,312	\$ 31,662,143	\$ 28,191,298	\$ 24,248,061	\$ 21,204,493	\$ 19,356,718	\$ 17,770,007
Disability	7,333,964	6,334,436	5,546,572	4,908,673	4,373,793	4,173,725	3,825,222
Widows	16,284,184	13,601,122	12,765,000	11,806,446	10,578,872	9,232,752	8,345,293
Minors & Dependents ..	288,431	291,919	224,330	228,477	189,411	198,215	162,453
TOTAL PENSIONS	<u>\$ 62,246,891</u>	<u>\$ 51,889,620</u>	<u>\$ 46,727,200</u>	<u>\$ 41,191,657</u>	<u>\$ 36,346,569</u>	<u>\$ 32,961,410</u>	<u>\$ 30,102,975</u>
Administrative Expense	\$ 712,554	\$ 518,647	\$ 455,033	\$ 431,036	\$ 348,086	\$ 330,026	\$ 279,986
Health Insurance Subsidy ..	61,118						
TOTAL EXPENDITURES	<u>\$ 63,020,563</u>	<u>\$ 52,408,267</u>	<u>\$ 47,182,233</u>	<u>\$ 41,622,693</u>	<u>\$ 36,694,655</u>	<u>\$ 33,291,436</u>	<u>\$ 30,382,961</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 60,401,031</u>	<u>\$ 61,967,736</u>	<u>\$ 52,010,791</u>	<u>\$ 41,542,682</u>	<u>\$ 39,300,431</u>	<u>\$ 30,660,159</u>	<u>\$ 29,975,760</u>
Gain (Loss) on Sales of Investments	\$ 631,849	\$ 1,563,851	\$ 1,499,362	\$ 4,057,693	\$ 472,948	\$ 470,440	\$ 445,069
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 61,032,880</u>	<u>\$ 63,531,587</u>	<u>\$ 53,510,153</u>	<u>\$ 45,600,375</u>	<u>\$ 39,773,379</u>	<u>\$ 31,130,599</u>	<u>\$ 30,420,838</u>
Reduction of (Addition to) Actuarial Reserve	(151,654,957)	(154,211,797)	3,566,682	(184,411,363)	(84,401,166)	(61,890,773)	(43,586,828)
Revenue (deficiency) for the year before cumulative ef- fect of accounting change		(90,680,210)					
Cumulative effect of accounting change*		(258,196,543)					
Revenue (deficit) for the year	\$ (90,622,077)	\$ (348,876,753)	\$ 57,076,835	\$ (138,810,988)	\$ (44,627,787)	\$ (30,760,174)	\$ (13,165,990)
Fund deficit at beginning of year	(1,152,414,193)	(803,537,440)	(860,614,275)	(721,803,287)	(677,175,500)	(646,415,326)	(633,240,336)
Fund deficit at end of year	<u>\$(1,243,036,270)</u>	<u>\$(1,152,414,193)</u>	<u>\$(803,537,440)</u>	<u>\$(860,614,275)</u>	<u>\$(721,803,287)</u>	<u>\$(677,175,500)</u>	<u>\$(646,415,326)</u>

*Reference is made to the second paragraph of note 2 of notes to financial statements on page 37 of this report.