

Jim McGuigan

1978

Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES

CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1978

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ELECTIVE OFFICERS OF THE CITY OF LOS ANGELES



TOM BRADLEY
Mayor

BURT PINES
City Attorney

IRA REINER
City Controller

LOS ANGELES CITY COUNCIL

BOB RONKA
First District

JOEL WACHS
Second District

JOY PICUS*
Third District

JOHN FERRARO
Fourth District

ZEV YAROSLAVSKY
Fifth District

PAT RUSSELL
Sixth District

ERNANI BERNARDI
Seventh District

ROBERT C. FARRELL
Eighth District

GILBERT W. LINDSAY
Ninth District

DAVID 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 Personnel and Labor Relations Committee

**BOARD OF PENSION COMMISSIONERS
1977-78 ANNUAL REPORT**

To the Mayor and City Council
of the City of Los Angeles

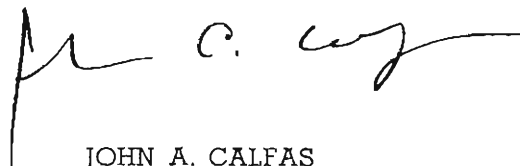
Presented herewith is the annual report of the Board of Pension Commissioners for the fiscal year ended June 30, 1978, submitted in accordance with the provisions of Section 64 of the City Charter.

Inflation continues to drive up pension costs, and is the predominant peril to this and other pension systems. This Board has moved toward countering inflation in those ways available to us. During the year advantage was taken of high interest rates in the short-term money markets, and at year end this portion of our investable funds was at an all time high. We also recognized the need for more diversity in investment management, now that our assets are more than 600 million, by adding a second investment advisor. We also greatly expanded our program of bond exchanges, in order to improve the yield from the pension funds.

Disability claims continue to be a serious burden to us, though less so than in many other public pension systems. We were extremely gratified that Mayor Bradley pursued our suggestion and established an interdepartmental committee to probe the related problems of disability and workers' compensation. At year end this committee was nearing the completion of its assignment.

An additional area of deep concern to this Board has been the actuarial assumptions that underlie the calculations of system cost. As set forth in the detail of this report, we have revised the basic assumptions to recognize our higher earnings capacity, and the increasing cost of inflation.

Respectfully submitted,
BOARD OF PENSION COMMISSIONERS
By

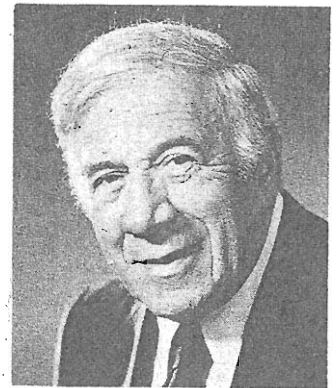


JOHN A. CALFAS
President

JAC:wms



JOHN A. CALFAS
President



JACK BORMAN
Vice President



RONALD S.W. LEW



STUART D. BUCHALTER



DICK STANTON



OLGA MARCUS



SAM DIANNITTO

Board of Pension Commissioners
Room 155, City Hall South
111 East First Street
Los Angeles, California 90012

Honorable Members:

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, 1978. 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, Towers, Perrin, Forster & Crosby, Inc., employed by the Board under contract to examine into the actuarial health of the Pension System, as required by Articles XVII and XVIII of the City Charter.

FINANCIAL CONDITION

Pension System assets increased approximately 14% during the past year to a total of \$623 million, some \$76 million above the prior year total. More than 56% of the increase was converted into bond investments, while common stock purchases and sales resulted in a net decrease of approximately \$1½ million and the remainder was carried in short-term investments.

Revenues from interest and dividends showed an increase of 20% above the prior year. Taxes, representing the City's contribution to the cost of the system, increased by nearly \$3 million or 2% while member contributions increased by \$1 million or 7%.

Realized capital losses during the year amount to a net of approximately \$2.6 million. A substantial percentage of the losses was the result of the restructuring of the portfolio following the decision of the Board to diversify the management of the assets by contracting with a second investment advisory firm.

Portfolio changes during the year included bond and stock purchases of nearly \$124 million and sales of over \$82 million and reflected continued emphasis on increasing the use of bonds with their relatively high current yields. At the end of the year, common stocks had been reduced to approximately 25% of the Department's portfolio, while the bond component increased to 75%.

Average Purchase Yield

At the end of the fiscal year, the average purchase yield of the portfolio was 6.98%, a substantial increase over the 6.73% purchase yield reported last year.

Short-Term Earnings

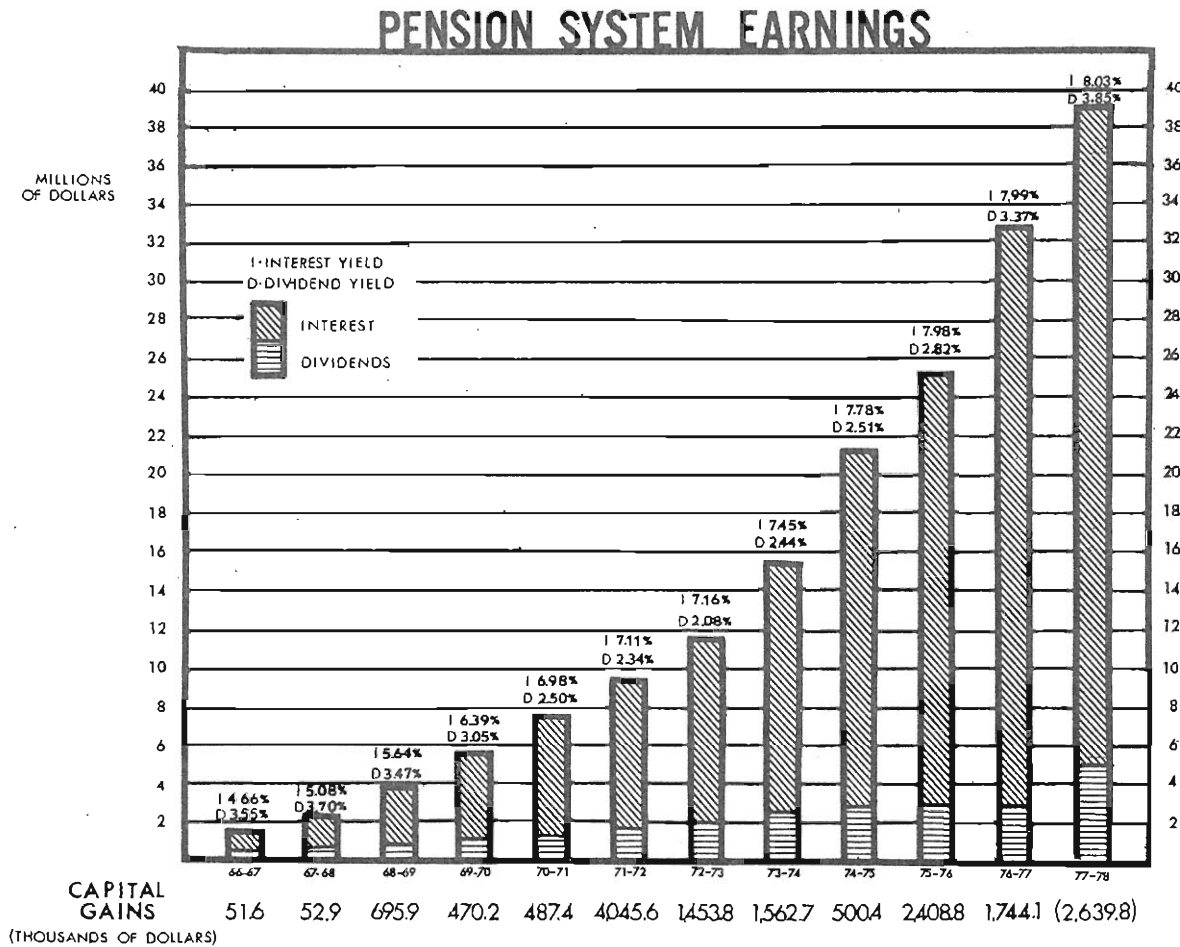
Temporary investments of the Pension Fund at year-end at par were \$76,255,000, a substantial increase over the amount held at the close of the prior year. Earnings on temporary investments totaled \$2,800,000, a 62% increase over the amount earned the previous year. This significant increase was due to the resumed upward trend in short-term interest rates as well as the increased proportion of revenues committed to short-term investments.

System Earnings from Securities

As shown in the following chart, earnings on securities of the pension funds were nearly \$7 million greater than the previous year, reflecting the continued growth of the asset base on which the earnings accrue as well as the 20% increase in the amount of dividends received.

As of June 30, 1978, the average purchase yield on bonds was 8.03%, a slight increase over the prior year. Since the average purchase yield on new bond investments was essentially the same as the average purchase yield on bonds owned at the beginning of the year, the overall yield increase is a function of the continued emphasis on improvement of the bond portfolio through bond exchange transactions. During the fiscal year, bonds with a total par value of \$44,492,000 were exchanged for bonds totaling \$44,292,000, resulting in an improvement in quality, an increase of annual income in excess of \$48,000, as well as an improvement in yield.

The yield on common stocks rose approximately 14% as a result of increases in dividend rates. The purchase yield on stocks does not reflect capital losses realized during the year.



ACTUARIAL VALUATION, JUNE 30, 1978

The actuarial valuation as of June 30, 1978 incorporates changes in experience assumptions authorized by the Board of Pension Commissioners for:

- (1) Earnings of the system
- (2) Estimated long-term increases in salaries of active members
- (3) Estimated long-term increases in the cost of living benefit for retired members

The earnings assumption was increased from 5¾% to 6½%, and this change acts to recognize greater earnings prospects, and thereby lowered tax cost. The salary and cost of living escalator assumptions were increased from 3½% to 4½% and these changes act to recognize increased cost prospects, and thereby increased tax cost. The report is set forth in detail beginning on page 28.

Overall, the actuarial valuation, when applied to the existing salary totals for sworn members of the Fire and Police Departments, will result in an increase of some \$13 million in the 1979-80 fiscal year. These cost increases primarily reflect the continuing impact of inflation on the system.

MEMBERSHIP

As of June 30, 1978, 2,767 Firefighters and 7,114 Police Officers 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 236 are members of the Old Pension System, with 36 in the Fire Department and 200 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	730	1,512	2,242
With 5-9 years	365	2,419	2,784
With 10-19 years	989	2,619	3,608
With 20 years and over	683	564	1,247
TOTALS	<u>2,767</u>	<u>7,114</u>	<u>9,881</u>
Article XVII	36	200	236
Article XVIII	2,731	6,914	9,645

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.

	1977-78	1976-77	1975-76	1974-75	1973-74
Total Membership July 1st	10,229	10,212	10,334	10,223	10,102
On Leave or Suspension	40	38	27	52	30
On Military Leave	2	1	2	5	10
	<u>10,187</u>	<u>10,173</u>	<u>10,305</u>	<u>10,166</u>	<u>10,062</u>

	1977-78	1976-77	1975-76	1974-75	1973-74
Additions:					
New Appointments	509	557	402	749	970
Reappointments	43	47	37	32	27
Restorations	—	—	1	2	8
Reinstated	—	—	—	1	6
Reactivated	1	—	1	—	1
Return from Leave or Suspension.....	349	363	296	405	265
Restored from Military Leave	13	17	21	28	8
	<u>11,102</u>	<u>11,157</u>	<u>11,063</u>	<u>11,383</u>	<u>11,347</u>
Withdrawals:					
Service Retirements	560	279	252	270	362
Disability Retirements	88a	108	67	69	44
Resigned	230	166	219	313	454
Discharged	13	19	10	10	8
Deaths	10	15	15	11	23
Leaves or Suspensions	354	365	307	380	287
Military Leaves Granted	11	18	20	25	3
Active Membership — June 30th.....	<u>9,836</u>	<u>10,187</u>	<u>10,173</u>	<u>10,305</u>	<u>10,166</u>
On Leave or Suspension	45	40	38	27	52
On Military Leave	—	2	1	2	5
Total Membership — June 30th.....	<u>9,881</u>	<u>10,229</u>	<u>10,212</u>	<u>10,334</u>	<u>10,223</u>

a — Not included are 2 discharges in 1976-77 granted disability pensions in 1977-78.

Military Leaves

On June 30, 1977, there were 2 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1977-78:

On Leave June 30, 1977	2
Granted during 1977-78	11
	<u>13</u>
Restored — Now Active	13
On Leave June 30, 1978	<u>0</u>

Appointed Fiscal Year 1977-78

During the course of the year 552 members were appointed and became members of the system. Some 239 or 43% were married at the date of entrance. Forty-three such members were reappointees with an average age of 27. Of the 509 original appointees the median age was 23, the mode 23, and the average 24.

ELIGIBILITY

There were as of June 30, 1978 a total of 1,247 members eligible to retire. The following schedule shows the number of members eligible to retire at the end of each fiscal year as indicated:

Members Eligible Past Ten Years

Fiscal Year	Fire	Police	Total
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
1975-1976	806	799	1,605
1976-1977	819	729	1,548
1977-1978	683	564	1,247

Members Eligible Next Ten Years

During the fiscal year 1978-79, an additional 244 members will become eligible if their service is continuous. Of these, 103 are Firefighters and 141 are Police Officers.

The following schedule indicates that 3,367 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 213 are under the Old Pension System.

Fiscal Year	Fire	Police	Total
1978-1979	103	141	244
1979-1980	110	141	251
1980-1981	115	151	266
1981-1982	155	201	356
1982-1983	218	248	466
1983-1984	41	256	297
1984-1985	71	236	307
1985-1986	86	286	372
1986-1987	8	325	333
1987-1988	91	597	688
Totals	998	2,582	3,580
Article XVII	26	187	213
Article XVIII	972	2,395	3,367

Thus, in addition to 12.6% of the presently active members already eligible to retire as indicated above, there will be an additional 36.2% of total Fire and Police present members who will become eligible to retire or will have retired by June 30, 1988.

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 2 out of 3 Deputy Chiefs are eligible to retire, as are 9 out of 12 Assistant Chiefs, 39 out of 56 Battalion Chiefs, 175 out of 479 Captains and 165 out of 448 Engineers. In the Police Department 11 out of 12 Deputy Chiefs, 12 out of 19 Commanders, 40 out of 80 Captains and 75 out of 234 Lieutenants are eligible for service retirement.

ELIGIBILITY BY RANKS

June 30, 1978

FIRE

Years Service	Fire- fighters	Appar. Oper.	Fire- boat Mate	Fire- boat Pilot	Engineer	Inspector	Captain	Battalion Chief	Ass't Chief	Deputy Chief	Chief Engineer	Total Empl's
41	—	—	—	—	—	—	1	—	—	—	—	1
37	1	—	—	—	1	—	—	—	—	—	—	2
36	1	—	—	—	—	1	1	—	—	—	—	3
34	1	—	—	—	—	—	—	—	—	—	—	1
31	7	—	—	—	4	—	8	1	1	—	—	21
30	7	1	—	—	6	2	9	2	2	1	—	30
29	2	1	—	—	7	—	5	4	—	—	—	19
28	9	1	1	2	17	—	11	6	—	—	—	47
27	5	1	—	—	6	—	3	1	—	—	—	16
26	22	2	—	—	25	2	16	4	—	—	—	71
25	5	—	1	—	8	—	8	—	3	—	1	26
24	10	—	—	1	14	2	7	2	—	—	—	36
23	30	1	1	—	18	7	15	4	1	—	—	77
22	10	2	1	—	11	1	13	4	1	—	—	43
21	64	3	1	1	25	15	37	4	1	1	—	152
20	55	5	1	—	23	6	41	7	—	—	—	138
19	52	1	—	—	14	3	32	3	1	1	—	107
18	44	5	3	—	16	4	32	4	2	—	—	110
17	44	5	—	1	14	9	41	3	—	—	—	117
16	63	15	1	—	29	5	43	1	—	—	—	157
15	87	15	—	—	41	13	54	6	—	—	—	216
14	14	1	—	—	5	2	12	—	—	—	—	34
13	22	5	—	—	16	2	20	—	—	—	—	65
12	37	5	—	—	15	2	26	—	—	—	—	85
10	39	5	—	—	32	2	20	—	—	—	—	98
9	12	2	—	—	8	1	7	—	—	—	—	30
8	33	7	—	—	19	—	9	—	—	—	—	68
7	68	16	—	—	32	2	5	—	—	—	—	123
6	37	13	—	—	20	3	3	—	—	—	—	76
5	39	13	—	—	14	2	—	—	—	—	—	68
4	116	20	—	—	8	—	—	—	—	—	—	144
3	175	—	—	—	—	—	—	—	—	—	—	175
2	66	—	—	—	—	—	—	—	—	—	—	66
1	198	—	—	—	—	—	—	—	—	—	—	198
0	147	—	—	—	—	—	—	—	—	—	—	147
Totals	1,522	145	10	5	448	86	479	56	12	3	1	2,767

ELIGIBILITY BY RANKS

June 30, 1978

POLICE

Years Service	Police Officers	Investigator	Sergeant	Lieutenant	Captain	Commander	Deputy Chief	Police Chief	Total Empl's
36.....	—	1	—	—	—	—	—	—	1
34.....	—	1	—	—	—	1	—	—	2
31.....	2	2	3	—	2	1	—	—	10
30.....	5	4	3	2	3	—	—	—	17
29.....	5	5	7	2	5	—	2	—	26
28.....	6	6	3	2	3	—	2	1	23
27.....	4	6	3	4	—	—	—	—	17
26.....	4	5	4	6	—	—	—	—	19
25.....	4	10	4	4	—	1	1	—	24
24.....	11	27	11	13	3	3	1	—	69
23.....	15	32	17	8	6	2	2	—	82
22.....	12	28	20	9	5	1	—	—	75
21.....	18	22	13	10	2	2	2	—	69
20.....	25	52	25	15	11	1	1	—	130
19.....	26	62	27	20	4	1	—	—	140
18.....	25	44	50	16	6	2	—	—	143
17.....	28	62	37	16	7	3	1	—	154
16.....	40	91	53	17	4	1	—	—	206
15.....	58	101	70	21	8	—	—	—	258
14.....	64	97	61	27	7	—	—	—	256
13.....	95	68	70	10	4	—	—	—	247
12.....	135	72	58	14	—	—	—	—	279
11.....	167	94	55	8	—	—	—	—	324
10.....	395	119	93	5	—	—	—	—	612
9.....	465	79	63	3	—	—	—	—	610
8.....	407	51	38	—	—	—	—	—	496
7.....	572	22	39	2	—	—	—	—	635
6.....	320	10	15	—	—	—	—	—	345
5.....	317	6	10	—	—	—	—	—	333
4.....	492	2	—	—	—	—	—	—	494
3.....	351	—	—	—	—	—	—	—	351
2.....	180	—	—	—	—	—	—	—	180
1.....	243	—	—	—	—	—	—	—	243
0.....	244	—	—	—	—	—	—	—	244
Totals	4,735	1,181	852	234	80	19	12	1	7,114

PENSION ROLL CHANGES

During the fiscal year, 764 pensions were granted and reinstated, 225 discontinued. This resulted in a net increase of 539 members on the pension rolls. 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	
7-1-77	532	1222	2867	575	401	137	44	1656	237	1	1	19	20	7712	
Granted	—	6	554	4	68	3	15	73	32	—	—	3	5	763	
Reinstated	—	—	—	—	—	—	—	—	1	—	—	—	—	1	
Deaths	(58)	(32)	(25)	(20)	(2)	(3)	(1)	(73)	(2)	—	—	—	—	(216)	
Reactivated	—	—	(1)	—	—	—	—	—	—	—	—	—	—	(1)	
Decreased	—	—	—	1*	7*	—	—	5*	10*	—	—	—	—	23*	
Increased	—	—	—	3*	5*	—	—	—	2*	—	—	—	—	10*	
Remarriage	—	—	—	—	—	—	—	(2)	(1)	—	—	—	—	(3)	
Majority	—	—	—	—	—	—	—	—	—	—	—	(3)	(1)	(4)	
Transfers	—	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)	
6-30-78	474	1196	3395	559	467	137	58	1654	267	1	1	19	23	8251	

* Statistical only, does not affect totals

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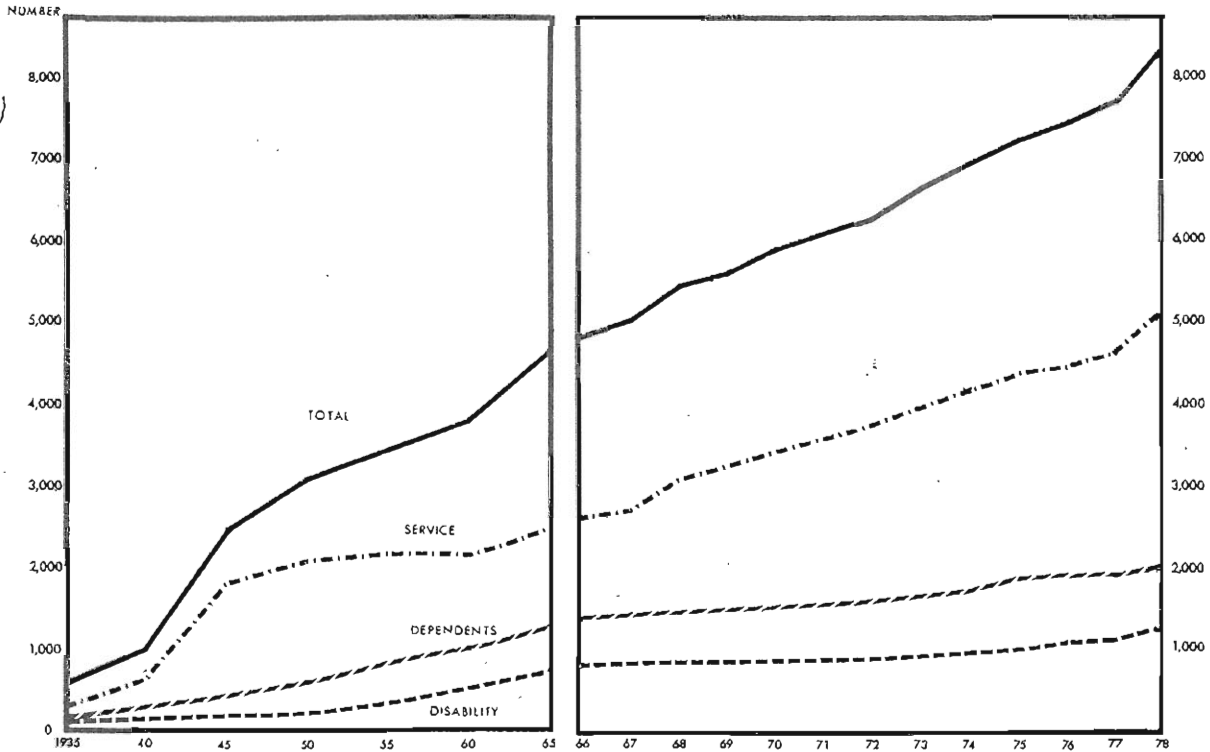
PENSIONS IN EFFECT — 1935 TO DATE

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 4,621 to 5,065. Dependent pensions went up from 1,934 to 1,965. Disability pensions increased from 1,157 to 1,221. The total of all pensions in effect showed an increase of 539 from 7,712 to 8,251.

The dramatic increase in service pensions was probably due in part to the passage of Proposition 13, which was on the ballot for the election of June 2, 1978. This initiative significantly reduced the amount of property tax that could be collected for the City. In apparent anticipation of fewer promotional opportunities and possible loss or reduction of future wage increases and certain fringe benefits, more than 300 members elected to take service pensions during the month of June.

NUMBER OF PENSIONS IN EFFECT
FISCAL YEAR - END 1935 TO DATE



PENSIONS CLASSIFIED BY AMOUNTS

The following schedule shows the classification of pensions paid by number of pensioners in \$100.00 brackets up to the monthly amount of \$2,000.00 and the average pension being paid in each classification:

Amounts	Service	Disability	Widows	Dependents	Minors	Totals
\$ 00-\$ 599.99.....	1,379	411	459	2	29	2,280
600.00- 699.99.....	355	132	127	0	5	619
700.00- 799.99.....	192	130	64	0	4	390
800.00- 899.99.....	201	92	60	0	0	353
900.00- 999.99.....	332	85	650	0	0	1,067
1,000.00- 1,099.99.....	335	86	155	0	2	578
1,100.00- 1,199.99.....	402	74	202	0	1	679
1,200.00- 1,299.99.....	385	53	19	0	0	457
1,300.00- 1,399.99.....	426	53	97	0	0	576
1,400.00- 1,499.99.....	325	34	45	0	1	405
1,500.00- 1,599.99.....	199	18	6	0	0	223
1,600.00- 1,699.99.....	205	22	3	0	0	230
1,700.00- 1,799.99.....	124	14	20	0	0	158
1,800.00- 1,899.99.....	39	2	0	0	0	41
1,900.00- 1,999.99.....	34	4	0	0	0	38
2,000.00- and over.....	132	11	14	0	0	157
Totals	5,065	1,221	1,921	2	42	8,251
Average Pension..	\$1,040.28	\$862.97	\$903.38	\$530.25	\$625.06	\$979.93

The overall average of \$979.93 is approximately 11.25% over the average for the prior fiscal year of \$880.84. The average number of fluctuating pensions, cost of living pensions and fixed pensions is reported as follows:

Fluctuating	Service	Disability	Widows	Dependents	Minors	Total
Number	474	27	1,057	0	1	1,559
Average Pension ..	\$1,182.95	\$1,037.96	\$1,064.78	\$ —	\$1,463.34	\$1,100.50
Cost of Living						
Number	4,188	1,092	774	2	28	6,084
Average Pension ..	\$1,017.94	\$ 848.04	\$ 685.92	\$530.25	\$ 543.38	\$ 942.87
Fixed Pension						
Number	403	102	88	0	13	606
Average Pension ..	\$1,104.62	\$ 976.46	\$ 884.79	\$ —	\$ 736.50	\$1,043.23
Other Pensions						
Number	0	0	2	0	0	2
Average Pension ..	\$ —	\$ —	\$ 569.83	\$ —	\$ —	\$ 569.83

The total fluctuating pensions represent a net decrease of 72 during the fiscal year. Cost of living pensions increased by 614 and fixed pensions decreased by 3.

(Note: Fluctuating pensions are those that directly parallel 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).

AVERAGE MONTHLY PENSIONS FOR LAST TEN YEARS

The following chart shows the overall average pension paid for the last ten years. The largest percentage increase (14.5%) occurred in fiscal year 1975-76. During that year, the cost of living increase to eligible pensioners was an unprecedented 11.7%. The percentage increase for fiscal year 1977-78 was 11.25%.

AVERAGE PENSIONS

Fiscal Year	Overall Average Pension Per Month
1968-1969	\$440.24
1969-1970	468.42
1970-1971	511.90
1971-1972	560.59
1972-1973	597.07
1973-1974	638.83
1974-1975	703.09
1975-1976	805.44
1976-1977	880.84
1977-1978	979.93

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1978.

Ages	Service	Disability	Widows	Dependents	Minors	Total
0-19	0	0	0	0	42	42
20-24	0	0	0	0	0	0
25-29	0	7	3	0	0	10
30-34	0	72	15	0	0	87
35-39	0	95	21	0	0	116
40-44	22	116	30	0	0	168
45-49	159	131	38	0	0	328
50-54	1,049	231	123	0	0	1,403
55-59	1,504	278	134	0	0	1,916
60-64	884	137	176	0	0	1,197
65-69	488	73	207	0	0	768
70-74	221	26	352	1	0	600
75-79	386	37	400	0	0	823
80-84	264	13	261	0	0	538
85-89	75	2	134	1	0	212
90-94	9	3	26	0	0	38
95-99	4	0	1	0	0	5
Totals	5,065	1,221	1,921	2	42	8,251
Average Age	61	53	70	80	15	62

SERVICE PENSIONS

Pensions Granted

A total of 560 members of Fire and Police Departments retired effective prior to June 30, 1978, upon service pension. Of the total number, 554 retired under the New Pension System.

Reactivated

During the fiscal year 1977-78 one request for return to active duty was 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	72	70	2	10	58

Pensions Discontinued

During the fiscal year a total of 115 service pensions were discontinued on account of death. These individuals were on the pension roll an average of twenty-three and a half years although the range of life after retirement varied from one month to forty-four years.

Service Retirements by Years

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

Fiscal Year	Fire	Police	Total
1968-1969.....	86	251	337
1969-1970.....	66	169	235
1970-1971.....	90	137	227
1971-1972.....	142	166	308
1972-1973.....	150	177	327
1973-1974.....	131	231	362
1974-1975.....	94	176	270
1975-1976.....	98	147	245
1976-1977.....	129	150	279
1977-1978.....	257	303	560

Average Age at Date of Retirement

An analysis of the average age of Firefighters and Police Officers 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
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
1975-1976.....	55	52	53
1976-1977.....	54	53	53
1977-1978.....	56	54	55

Number Retiring Above or Below Age 50

The number of Police Officers retiring under 50 years of age increased while the number of Firefighters decreased. In the last 10 years only 16% of Firefighters retired under 50 years of age compared to 38% of Police Officers. However, since 1972 there has been a distinct shift in this experience for Police Officers.

Fiscal Year	F I R E				P O L I C E			
	Under 50	Exactly 50	Over 50	Total	Under 50	Exactly 50	Over 50	Total
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
1975-1976	8	5	85	98	36	3	108	147
1976-1977	20	2	107	129	31	7	112	150
1977-1978	11	6	240	257	35	19	249	303
	201	57	985	1,243	723	113	1,071	1,907
Percent of Total.....	16%	5%	79%	100%	38%	6%	56%	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
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
1975-1976.....	28	26	27
1976-1977.....	27	26	27
1977-1978.....	29	28	28

Years of Service at Retirement

	F I R E			P O L I C E		
	Less Than 25 Years Of Service	25 Years Of Service And Over	Fire Total	Less Than 25 Years Of Service	25 Years Of Service And Over	Police Total
1968-69.....	27	59	86	208	43	251
1969-70.....	30	36	66	143	26	169
1970-71.....	22	68	90	81	56	137
1971-72.....	24	118	142	51	115	166
1972-73.....	21	129	150	39	138	177
1973-74.....	14	117	131	31	200	231
1974-75.....	14	80	94	32	144	176
1975-76.....	10	88	98	33	114	147
1976-77.....	18	111	129	33	117	150
1977-78.....	15	242	257	35	268	303

The experience of the last 10 years shows that more and more members of the system choose to retire after completion of 25 years.

DISABILITY PENSIONS**Pensions Granted**

A total of 90 members of Fire and Police Departments were granted disability pensions during the fiscal year ended June 30, 1978. Of these, 72 were granted on a service-connected basis; while 18 were nonservice.

Pensions Discontinued

Twenty-six pensioners were discontinued on account of death 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 statements:

Pension Effective Fiscal Year	FIRE		POLICE		Total
	Service	Nonservice	Service	Nonservice	
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
1975-1976	25	0	42	5	72
1976-1977	41	1	49	19	110
1977-1978	33	3	39	15	90

Effective Dates of Current Disability Pensions

The following schedule shows effective dates of disability pensioners currently on the pension roll grouped in five year intervals:

Pension Effective Fiscal Year	FIRE		POLICE		Total
	Service	Nonservice	Service	Nonservice	
1905-1909	1	0	0	0	1
1910-1914	1	0	0	0	1
1915-1919	0	0	1	0	1
1920-1924	1	0	0	0	1
1925-1929	1	0	0	0	1
1930-1934	1	0	2	0	3
1935-1939	3	0	10	0	13
1940-1944	2	0	7	0	9
1945-1949	2	2	7	3	14
1950-1954	12	3	32	10	57
1955-1959	37	8	63	27	135
1960-1964	44	9	201	33	287
1965-1969	24	8	98	31	161
1970-1974	107	7	88	10	212
1975-1979	122	6	159	38	325
Total	358	43	668	152	1,221

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
0-24	0	0	0
25-29	0	7	7
30-34	1	71	72
35-39	17	78	95
40-44	33	83	116
45-49	61	70	131
50-54	73	158	231
55-59	90	188	278
60-64	49	88	137
65-69	42	31	73
70-74	16	10	26
75-79	14	23	37
80-84	3	10	13
85-89	1	1	2
90-94	1	2	3
Total	401	820	1,221
Average Age	56	52	53

Age and Service of Disability Pensioners

The average age and average number of years of service of Firefighters and Police Officers who were retired upon disability pension during the last ten fiscal years are reflected in the following schedule:

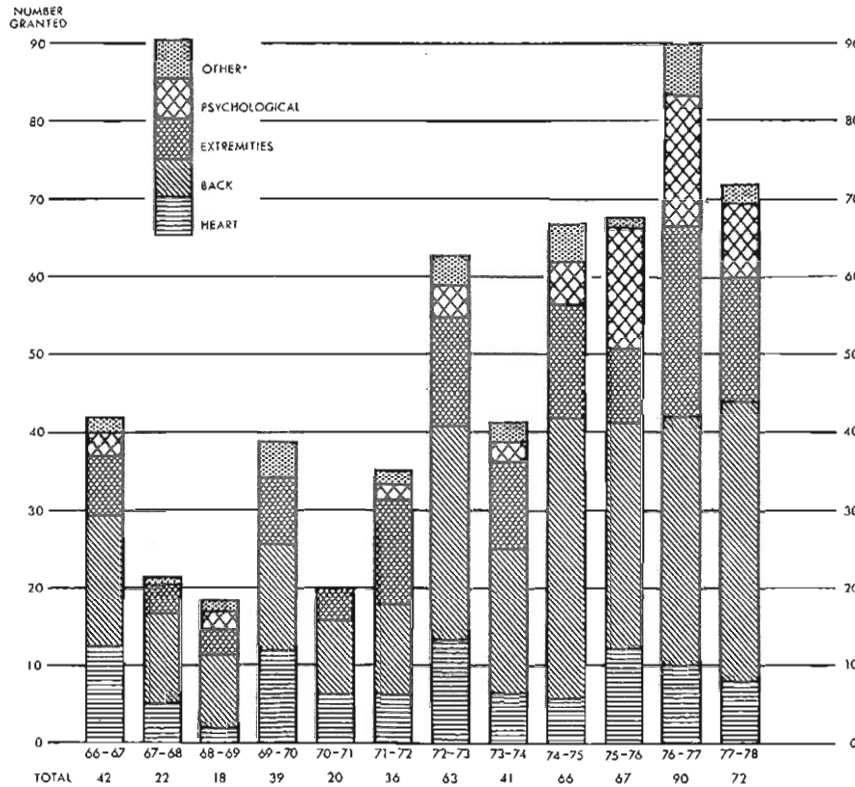
Fiscal Year	Average Age			Average Years		
	Fire	Police	Combined	Fire	Police	Combined
1968-1969.....	37	40	39	9	14	13
1969-1970.....	48	40	45	21	14	18
1970-1971.....	39	41	40	15	16	15
1971-1972.....	48	38	41	20	13	16
1972-1973.....	48	36	43	22	11	16
1973-1974.....	50	37	45	22	11	17
1974-1975.....	51	38	44	22	12	17
1975-1976.....	52	39	43	24	13	17
1976-1977.....	50	37	42	23	12	16
1977-1978.....	48	39	42	23	12	16

Average age and years of service for Police Officers remain low when compared to Firefighters.

Service-Connected Disability

Seventy-two new service-connected disability pensions were granted in 1977-78. The accompanying chart shows a breakdown by primary disability for the last 14 years.

SERVICE-CONNECTED DISABILITIES



(Other) *

* Includes hypertension, eye disorders, cancer and miscellaneous physical ailments.

Analysis of Rates

There are 1,026 service-connected and 195 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1978. Of this number 68 service-connected and 15 nonservice-connected disability pensions were granted under the New Pension System during the past year.

Analysis of Disability Pensioners by Rate

Rate	Fire	Police	Total
40%	43	152	195
50%	88	250	338
52%	0	1	1
55%	37	75	112
57½%	1	0	1
58%	1	0	1
60%	56	110	166
61%	3	0	3
64%	1	0	1
65%	74	122	196
66%	1	0	1
67%	1	1	2
68%	2	0	2
69%	0	1	1
70%	66	46	112
72½%	1	0	1
75%	15	34	49
80%	5	14	19
85%	1	6	7
90%	5	8	13
Total	401	820	1,221

HEALTH INSURANCE SUBSIDIES

On April 30, 1975 the Pension Department began paying subsidies toward the health insurance premiums of retired members. To be eligible for these subsidies, pensioners must be at least sixty years of age and have completed a minimum of ten years of service. Also, the retired members must be enrolled in City sponsored or City approved plans. Finally, if eligible for federally funded Medicare, members must be enrolled to the extent of their entitlement. The program was expanded on September 30, 1976 to include subsidy payments on behalf of spouses and dependents of eligible members.

Currently, subsidies are paid toward three City sponsored plans provided through the Personnel Department and six City approved plans provided through the Firemen's Relief Association, Police Relief Association and United Firefighters of Los Angeles. As of June 30, 1978, there were 1,949 members receiving subsidy benefits. The actual amount of subsidy that is paid on behalf of each eligible member varies, depending on years of service, Medicare status, and the actual cost of the particular health plan.

The total subsidy amounts for fiscal year 1977-78 are listed below for each health plan.

Health Plan	Subsidy Amount
City Basic	\$ 7,866.16
City Ross Loos	770.22
City Kaiser	6,365.10
Fire Medical	356,857.05
Fire Ross Loos	101,117.10
Police Occidental	232,561.72
Police Ross Loos	110,904.93
Police Kaiser	142,257.41
UFLAC Kaiser	44,860.29
Total	\$1,003,559.98

SUMMARIZATION OF MAJOR ACTIVITIES OF THE LEGAL SECTION

CONTRACTS

The City Attorney prepared and approved as to form contracts between the Board of Pension Commissioners and Becker Securities; Towers, Perrin, Forster & Crosby; Lionel D. Edie; Security Pacific National Bank and Peat, Marwick, Mitchell & Co.

PROBATE MATTERS

This office examined 75 probate accountings, as well as petitions and other documents which were received by the Department of Pensions and 12 requests for special notice were prepared, filed and served. Twelve guardianships and conservatorships were discontinued and twelve were commenced. There are 101 guardianships pending, 51 covering incompetents and 50 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 state.

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

BLAKE v. CITY OF LOS ANGELES, BOARD OF PENSION COMMISSIONERS, ET AL

This is a class action brought by Fanchon Blake, a former police woman on behalf of herself and all others similarly situated, seeking injunctive and other relief against the City for its alleged unfair employment practices.

The complaint also sought adjustment of the pensions of the members of the class, predicated on the theory that but for the City's past position with respect to promotional opportunities for women police officers, higher pensions would have become payable to plaintiffs.

The City Attorney filed a motion for summary judgment and the Federal District Court granted the motion.

As of the close of the fiscal year, this case is on appeal by plaintiffs.

CAMACHO v. BOARD OF PENSION COMMISSIONERS

The Board of Pension Commissioners denied Christopher Camacho's application for a disability pension. Petitioner relied heavily, if not exclusively, on the holding in **Topanga Assn. for a Scenic Community v. County of Los Angeles**, 11 Cal. 3d 506, attacking the Board's determination on the grounds that no findings were made in support of its decision. The City Attorney contended, inter alia, that the minutes of the proceedings before the Board contain and constitute proper findings.

The case was set for hearing in the Superior Court on July 24, 1975 and the writ issued.

Subsequently, further proceedings took place before the Board on December 18, 1975 and January 22, 1976 with the result that findings were formulated reiterating the Board's previous position that the applicant was not disabled. The

Board's decision focused very much on the fact that the applicant did, for two years prior to his termination, perform the regular duties of a police officer.

The case was again taken to the Superior Court and, again, the City prevailed.

Petitioner appealed. However, the Court of Appeal, on June 29, 1978, upheld the decision of the Superior Court.

COOPER v. BOARD OF PENSION COMMISSIONERS

In this mandate action by a former police officer, petitioner contended that the weight of the evidence supported his entitlement to a service-connected disability pension and that the Board erred in awarding him a nonservice-connected disability pension.

The Superior Court agreed with the Board's conclusion that a preponderance of the evidence supported the finding of nonservice-connected causation of petitioner's disability. Consequently, the petition was denied.

Since the time to appeal has run on this case, the matter is now final and concluded.

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 and, on September 4, 1974, the Court of Appeal, while upholding the trial court's determination with respect to the applicable criteria of disability, remanded the matter to the trial court for further disposition in recognition of the new standards established by the State Supreme Court in **Bixby v. Pierno**, 4 Cal. 3d 130 and **Strumsky v. San Diego County Employees Retirement System**, 11 Cal. 3d 28, i.e. the use of the "independent judgment test" in the review of decisions by adjudicatory bodies such as the Board of Pension Commissioners.

The case was retried in Department 85 of the Superior Court and remanded to the Board by stipulation so as to comply with the requirements of **Topanga Assn. for a Scenic Community v. County of Los Angeles**, 11 Cal. 3d 506.

The Board rescinded its former action and reconsidered the case. However, upon the conclusion of its proceedings, the Board again denied the application. The City Attorney was instructed to prepare findings. Said findings and objections thereto, as well as a motion by Craver for reconsideration will be before the Board sometime in November of 1978.

GOINS ET AL v. BOARD OF PENSION COMMISSIONERS

This is an action brought by the widow of a police officer predicated on the requirements that a widow, in order to be eligible for a pension as a qualified surviving spouse of a deceased system member who at the time of death was retired, must have been married to the deceased at least one year prior to the date

of his retirement. Plaintiff contends that Section 183½ of Article XVII "amended" Section 183 so as to require that a widow in order to be eligible for a pension need to have been married to a retired pensioner for only one year prior to death.

It is the Board's contention that Section 183½ added a survivor's benefit for members under Article XVII of the Charter by providing for a widow's pension in case of death after five years of service due to other than service-connected causes. Only a most casual reading of the provisions of Section 183½ could lead to the type of "interpretation" that would support plaintiffs' contentions.

The City Attorney filed a motion for summary judgment which was granted.

Plaintiff appealed. Briefs have been filed, but no hearing date has been set in the Court of Appeal.

HOLMES v. CITY OF LOS ANGELES

This case presents the not so novel issue of the legality of the nonrefundability provisions of Sections 186½ and 190.10 of the City Charter. The reportable aspects of the case are as follows:

This is the first time that a suit has been brought framed as a class action, seeking to compel the City to return monies to terminated former System Members which were contributed by them as members of the System.

The City proceeded to move for summary judgment, which motion was granted in part. However, the court determined that two triable issues remained to be adjudicated: whether the provisions of Sections 186½ and 190.10 resulted in a contract of adhesion and, secondly, the question of the constitutionality of the nonrefundability of members' contributions.

After certification as a class action, the case was set for trial in the Superior Court on October 20, 1978.

MORIARITY v. BOARD OF PENSION COMMISSIONERS

In this mandate action by a former police officer, petitioner contended that the weight of the evidence supported her entitlement to a disability pension.

Petitioner's claim had been based on physical and psychiatric problems.

The Superior Court in denying the petition, upheld the Board's decision and had the court's minute order reflect that petitioner was not disabled from all duties as a police officer and that the weight of the evidence supported a finding that petitioner was unwilling to perform the duties for which she was then qualified.

Since the time to appeal has run on this case, the matter is now final and 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.

The case was tried and, on May 5, 1976, judgment was entered in favor of the Board of Pension Commissioners. Plaintiff appealed from the judgment but the Court of Appeal dismissed the appeal and remanded the matter to the trial court for further proceedings.

WESLEY v. BOARD OF PENSION COMMISSIONERS

In this case, a nonservice-connected disability pension was granted to a former police officer. Upon petition for writ of mandate, the Superior Court upheld the Board's determination. Petitioner appealed and contended that he had been denied procedural due process and that the court below erred in deciding the case upon the weight of the evidence alone, disregarding the prejudicial effect certain documentation in the administrative record had on the Board's decision.

The case was heard in the Court of Appeal on February 28, 1977 and the judgment of the Superior Court was affirmed.

Petitioner petitioned the State Supreme Court to grant a hearing, which petition was denied. The matter is now final and concluded.

OPERATIONS

Expenditures

Expenditures for pensions increased nearly \$11.2 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 that was paid for the first time in fiscal year 1974-75, increased some \$244,000.

Administrative Expense

Administrative expense of the Fire and Police Pension System increased 3.3% over the prior fiscal year primarily because of salary increases and higher costs of services.

Salaries

Salary expense for the year rose 11.7% above the prior year, representing an across-the-board cost of living salary increase and, in addition, the filling of vacant positions to handle the increased workload of the Department.

Travel Expense

Travel expense for the year was some 25% less than the prior year, and meetings attended by board and staff were primarily for training and informational purposes.

Contractual Services

Contractual services decreased 7.2% from the previous year. In 1976-77 two contracts were granted for one-time services in the total amount of \$41,000, but no contracts of this kind were granted this year. This was the major factor behind the decrease in this account. The cost of regular contracts and services increased slightly due to inflationary pressures. Near the end of the fiscal year an additional investment advisor was placed under contract in order to diversify investment management.

Medical Services

This account showed a 2.4% increase over the prior year. This slight increase reflects the rising cost of required medical services.

Health Insurance

This account experienced a 2.3% increase over last year. The difference was due substantially to premium increases by the carriers of health insurance plans.

Retirement Contributions

This account experienced an 11.6% increase over last year. This was attributable to higher salary rates and the filling of new and vacant positions.

Dental Insurance

This account showed an increase of 10% over last year, and reflects increases in premium costs as well as the filling of new and vacant positions.

Equipment, Furniture and Fixtures

Expenditures in this category increased only 1.9% over last year. Replacements of old, worn, or obsolete equipment remained fairly stable with only a few

purchases of new items required for new positions. The modest increase reflects current prices for equipping the department work force.

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	10,000

Nominee Partnership

Manager-Secretary	1,000,000
Assistant Managers	1,000,000
Other Partners	1,000,000

Respectfully submitted,



M. LEWIS THOMPSON
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 June 10, 1901. Basic retirement provisions were one-half of salary of rank held after 20 years of service and attainment of age 60, and a service-connected pension of one-half of the salary of the rank held at the date of retirement. There were also dependent benefits.

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

1923-1925. Effective January 29, 1923, the substance of these two ordinances was adopted into the Charter. The system was placed upon an actuarial basis. Also 1-2/3% for each year of service, in addition to the minimum of 20 required, was authorized up to a maximum pension of 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 of service, plus 1-2/3% 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 of 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 1-2/3% for each of the next ten years of service. The maximum pension of 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, 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.

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 firefighters 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.

1976. Article XVIII was amended, effective April 15, 1977, to eliminate the mandatory retirement age provisions. Also, the ordinance governing health insurance subsidy for pensioners was amended, effective September 30, 1976, to include subsidy payments on behalf of spouses and dependents of eligible members.

TOWERS, PERRIN, FORSTER & CROSBY
ONE CENTURY PLAZA
LOS ANGELES, CALIFORNIA 90067
(213) 553-3470

November 8, 1978

Board of Pension Commissionouers
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, 1978.

We wish to express our sincere appreciation to the Pension Office staff for the completeness and accuracy of the employee data they furnished for the valuation.

Respectfully submitted,

TOWERS, PERRIN, FORSTER & CROSBY

Harry M. Church

**ACTUARIAL VALUATIONS
OF THE
FIRE AND POLICE PENSION SYSTEM
AND
NEW PENSION SYSTEM
OF THE
CITY OF LOS ANGELES
AS OF
JUNE 30, 1978**

**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, 1978, there were 236 active members and 4,040 retired persons covered under Article XVII of the Charter (hereinafter referred to as the Fire and Police Pension System) and there were 9,645 active members and 4,211 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, 1978 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, 1975, and, pursuant to the Resolution adopted by the Board of Pension Commissioners, upon a 6 $\frac{5}{8}$ % interest assumption, a 4 $\frac{1}{2}$ % salary scale, and an assumed 4 $\frac{1}{2}$ % annual cost of living increase. The actuarial assumptions were discussed in detail in our report to the Board of Pension Commissioners dated May 26, 1976.

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 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. For the current valuations, we have assumed that persons eligible for unlimited increases will receive 4½% per annum, future cost of living increases. Also, we have assumed that persons eligible to receive "fluctuating" pensions in accordance with increases in salary granted active members, will receive 4½% per annum, future increases.

**ACTUARIAL BALANCE SHEET AS OF
JUNE 30, 1978**

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet	\$ 21,676,220	\$ 601,568,957	\$ 623,245,177
2. Present Value of Future Contributions by Members ..	3,073,697	171,755,279	174,828,976
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Cost:			
(i) Basic Benefits	6,198,624	321,427,737	327,626,361
(ii) Cost of Living Benefits	7,274,417	338,603,264	345,877,681
(iii) Total	13,473,041	660,031,001	673,504,042
(b) Seventy Year Amortization of Unfunded Supplemental Present Value:			
(i) Basic Benefits	259,635,276	700,881,511	960,516,787
(ii) Cost of Living Benefits	222,138,538	911,847,325	1,133,985,863
(iii) Total	481,773,814	1,612,728,836	2,094,502,650
4. TOTAL ASSETS	<u>\$519,996,772</u>	<u>\$3,046,084,073</u>	<u>\$3,566,080,845</u>

LIABILITIES

5. Accounts Payable	\$ 37,743	\$ 210,508	\$ 248,251
6. Reserve for Investment Losses	2,375,204	8,512,256	10,887,460
7. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	134,066,409	734,978,936	869,045,345
(b) Disability	67,607,719	118,642,609	186,250,328
(c) Dependents	166,039,307	52,793,260	218,832,567
(d) Total	367,713,435	906,414,805	1,274,128,240
8. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	66,259,630	262,177,880	328,437,510
(b) Disability	33,484,399	46,315,010	79,799,409
(c) Total	99,744,029	308,492,890	408,236,919
9. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	33,506,647	1,192,904,960	1,226,411,607
(b) Disability	3,366,650	143,159,507	146,526,157
(c) Total	36,873,297	1,336,064,467	1,372,937,764
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service:	1,225,676	47,391,464	48,617,140
11. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	10,389,011	373,428,478	383,817,489
(b) Disability	1,638,377	65,569,205	67,207,582
(c) Total	12,027,388	438,997,683	451,025,071
12. TOTAL LIABILITIES	<u>\$519,996,772</u>	<u>\$3,046,084,073</u>	<u>\$3,566,080,845</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" (now referred to as Unfunded Supplemental Present Value) 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, 1979, be as follows:

	Percentage of Member's Salaries of:	
	Fire and Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	12.1%	13.1%
(b) Cost of Living Benefits	14.2%	13.8%
(c) Total	26.3%	26.9%
2. Unfunded Supplemental Present Value Contribution and Health Plan Subsidy Required as Percentage of Salary:		
(a) Basic Benefits	Not	9.9%
(b) Cost of Living Benefits	Applicable	12.5%
(c) Total		22.4%
3. Total Percentage of Salary Contribution:		
(a) Basic Benefits	12.1%	23.0%
(b) Cost of Living Benefits	14.2%	26.3%
(c) Total	26.3%	49.3%
4. Unfunded Supplemental Present Value Contribution and Health Plan Subsidy Required as Annual Dollar Amount:		
(a) Basic Benefits	\$18,038,514	Not
(b) Cost of Living Benefits	15,058,740	Applicable
(c) Total	\$33,097,254	

The foregoing recommendation for the Health Insurance Subsidy for retired members reflects meeting such obligation on a pay-as-you-go basis.

The foregoing recommendation for the Unfunded Supplemental Present Value for the New Pension System reflects amortizing the liability over the remaining 59 years by contributions which should remain level as a percentage of salary but which will increase in dollar amount in accordance with the assumed

salary scale, i.e., 4½% per annum, compounded annually. It is to be noted that this treatment will develop contributions in the near future which will be less than the interest requirement on the liability. Accordingly, the Unfunded Supplemental Present Value can be expected to increase for the next several years.

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 27.3%. 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 in compliance with the Charter of the City of Los Angeles and in accordance with the methods and assumptions underlying the calculations.

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 balance sheets of the City of Los Angeles Fire and Police Pension System as of June 30, 1978 and 1977 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 examinations were 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.

In our opinion, the accompanying balance sheets, and statements of 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, 1978 and 1977, 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 applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

November 10, 1978

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

BALANCE SHEETS

June 30, 1978 and 1977

ASSETS

	1978	1977
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles:		
Restricted	\$ 383,951	87,718
Unrestricted	675,093	377,473
	1,059,044	465,191
Cash revolving funds	500	500
Temporary short-term investments, at cost, which approximates market, plus accrued interest	76,145,146	40,816,831
	77,204,690	41,282,522
Receivables:		
Interest and dividends receivable	8,811,925	7,974,729
Due from brokers	175,000	
Other	3,890,884	5,375,289
	12,877,809	13,350,018
Investments:		
Bonds, at amortized cost (quoted market, \$374,216,674 in 1978 and \$362,468,640 in 1977)	\$ 399,819,887	358,247,448
Common stock, at cost (quoted market, \$114,847,148 in 1978 and \$119,660,719 in 1977)	133,338,658	134,781,665
Treasurer's deeds, at cost	735	735
Real property, at cost	3,398	3,398
	533,162,678	493,033,246
	\$ 623,245,177	547,665,786

LIABILITIES AND FUND CAPITAL (DEFICIT)

Accounts payable	\$ 248,251	351,447
Estimated liability for pensions, at actuarial valuation (note 2):		
Pensioners	\$1,681,981,208	1,407,536,573
Active members	1,024,246,957	1,081,608,327
	2,706,228,165	2,489,144,900
	2,706,476,416	2,489,496,347
Fund capital (deficit):		
Accumulated deficit	(2,094,502,650)	(1,955,445,561)
Workers' Compensation Fund (note 3)	383,951	87,718
Reserve for investment losses	10,887,460	13,527,282
Contingent liability (note 4)		(1,941,830,561)
	\$ 623,245,177	547,665,786

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES AND EXPENDITURES

Years ended June 30, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Revenues:		
Taxes	\$115,361,071	112,730,821
Interest	33,943,580	28,456,089
Dividends	5,018,001	3,975,236
Members' contributions	15,804,432	14,749,506
Sales of unclaimed property	194,243	184,006
Donations	180	222
Miscellaneous	2,684	1,101
Total revenues	<u>170,324,191</u>	<u>160,096,981</u>
Expenditures:		
Pensions paid (note 3):		
Service	\$56,359,503	49,190,942
Disability	12,475,580	10,243,947
Widows	20,762,266	19,011,550
Minors and dependents	311,202	277,665
Health insurance subsidy	1,004,154	760,614
	<u>90,912,705</u>	<u>79,484,718</u>
Administrative expenses	<u>1,089,077</u>	<u>92,001,782</u>
Excess of revenues over expenditures before gain (loss) on disposition of investments and addition to estimated liability for pension requirements	78,322,409	79,557,771
Gain (loss) on disposition of investments	<u>(2,639,822)</u>	<u>1,744,096</u>
Addition to pension liability requirements (note 2)	75,682,587	81,301,867
	217,083,265	304,924,672
Deficiency for the year	<u>\$141,400,678</u>	<u>\$223,622,805</u>

See accompanying notes to financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF CHANGES IN FUND CAPITAL (DEFICIT)

Years ended June 30, 1978 and 1977

	<u>Accumulated (deficit)</u>	<u>Workers' Compensation Fund (note 3)</u>	<u>Reserve for investment losses</u>	<u>Total</u>
Balance (deficit), July 1, 1976	\$(1,730,043,132)	\$ 52,190	\$11,783,186	\$(1,718,207,756)
Revenue (deficiency) for the year (note 2)	<u>(225,402,429)</u>	<u>35,528</u>	<u>1,744,096</u>	<u>(223,622,805)</u>
Balance (deficit), June 30, 1977	(1,955,445,561)	87,718	13,527,282	(1,941,830,561)
Revenue (deficiency) for the year (note 2)	<u>(139,057,089)</u>	<u>296,233</u>	<u>(2,639,822)</u>	<u>(141,400,678)</u>
Balance (deficit), June 30, 1978	<u><u>\$(2,094,502,650)</u></u>	<u><u>\$383,951</u></u>	<u><u>\$10,887,460</u></u>	<u><u>\$(2,083,231,239)</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, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Source of cash and temporary investments:		
From operations:		
Excess of revenues over expenditures before gain (loss) on disposition of investments and addition to estimated liability for pension requirements	\$78,322,409	\$79,557,771
Gain (loss) on disposition of investments credited to reserve for investment losses	(2,639,822)	1,744,096
Total funds provided from operations	<u>75,682,587</u>	<u>81,301,867</u>
Decrease in other receivables	1,484,405	—
	<u>77,166,992</u>	<u>81,301,867</u>
 Application of cash and temporary investments:		
Net increase (decrease) in investments:		
Bonds	41,572,439	63,842,143
Preferred stock	—	(211,659)
Common stock	(1,443,007)	16,021,961
Increase in interest and dividends receivable	837,196	2,041,651
Increase in other receivables	—	1,461,112
Decrease in accounts payable	103,196	933,695
Due from broker	175,000	—
	<u>41,244,824</u>	<u>84,088,903</u>
Net increase (decrease) in cash and temporary investments	35,922,168	(2,787,036)
 Cash and temporary investment balances:		
Beginning of year	41,282,522	44,069,558
End of year	<u>\$77,204,690</u>	<u>\$41,282,522</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1978 and 1977

(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. Where quoted market values are not available, par value is used for market.

Estimated Liability for Pensions

The Charter of the City of Los Angeles provides that the Fire and Police Pension System be maintained on a reserve basis that 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) Estimated Liability for Pensions

The estimated liability for pensions reflects the liabilities as determined by the System's independent actuaries based upon actuarial valuations as of June 30, 1978 and 1977. Such liabilities represent computed amounts, which if such amounts were held by the fund, with additions from future contributions to be received to cover normal costs and with interest on fund investments compounded annually at certain assumed rate, would be sufficient to meet the pension obligations. The valuations were determined on the basis of actuarial assumptions adopted as a result of investigations made by the System's independent actuaries as of December 31, 1975 and pursuant to the resolutions adopted by the Board of Pension Commissioners and consisted of the following:

	June 30	
	1978	1977
Interest assumption	6⅞ %	5¾ %
Annual salary scale increase	4½	3½
Annual cost-of-living increase	4½	3½

Additions to the estimated liability for pensions for 1978 and 1977 aggregated \$217,083,265 and \$304,924,672, respectively. Such increases were occasioned by changes in the actuarial assumptions adopted by the System for each of the years ending June 30, 1978 and 1977. The principal factors for such increases in both 1978 and 1977 were increases in the annual salary scale increase assumption of 1% and ½%, respectively, over prior years. 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 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.

Accordingly, the independent actuaries for the System have determined the contributions for items 1, 2 and 3 above for the fiscal year commencing July 1, 1979 to be as follows:

	<u>Percentage of members' salaries:</u>	
	<u>Fire and Police Pension System</u>	<u>New Pension System</u>
1. Entry age contribution	26.3%	26.9%
2. Unfunded past service and health plan subsidy	*	22.4
Total contribution	<u>26.3%</u>	<u>49.3%</u>

* Stated as required dollar amount of \$33,097,524.

The actuarially determined unfunded past service liability ("Fund capital (deficit) — Accumulated deficit") of the Pension System is \$2,094,502,650, at June 30, 1978 and \$1,955,445,561 at June 30, 1977. In accordance with the City Charter, the amount at June 30, 1978 is to be amortized over the next 59 years through contributions to be made by the City. Such contributions should remain level as a percentage of salary but will increase in dollar amount in accordance with the assumed salary scale at 4½% per annum compounded annually. This treatment can be expected to develop contributions in the near future which will be less than the interest requirements on the liability. Accordingly, the unfunded past service liability can be expected to increase for the next several years. For the fiscal year commencing July 1, 1977 and subsequent years, this liability is to be amortized with annual contributions which are expected to be a level percentage of members' salaries, rather than with level dollar amounts, as was done in years ended June 30, 1975 and prior. With members' salaries expected to grow at the compound annual rate of 4½% per year, this method of amortization is expected to generate contributions in future years that will grow in proportion to the growth in members' salaries.

The System's independent actuaries in their reports as of June 30, 1978 and 1977 recommended that New System members contribute 1% in addition to the 6% member contribution rate provided in the City Charter. Such recommendations have been adopted by this System.

(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 \$528,767 made during the year ended June 30, 1978 (\$324,412 for 1977) are included under pensions paid.

(4) Contingent Liability

Several legal actions against the Board of Pension Commissioners were pending at June 30, 1978. Counsel for the Fire and Police Pension System believes that while the potential liability might be significant, the Board of Pension Commissioners and the City of Los Angeles have good and meritorious defenses and should prevail in such litigation or Board action.

PENSION DEPARTMENT
ADMINISTRATIVE EXPENSE COMPARISON

Schedule 1

Operating Expense	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72
Salaries	\$ 515,625	\$ 461,699	\$420,573	\$392,171	\$319,517	\$277,373	\$249,940
Overtime	288	280	795	2,295	....	....	....
Office and Administrative Expense	34,378	35,797	29,383	25,056	16,559	11,891	13,572
Operating Supplies and Expense .....	....	....	....	....	....	50	....
Printing and Binding	8,553	10,364	9,114	6,747	5,498	6,215	6,671
Traveling	12,017	15,947	7,400	6,569	6,254	7,363	4,908
Contractual Services	288,514	310,858	226,283	190,667	107,181	90,661	82,906
Field Equipment	460	659	573	570	569	460	250
Petroleum Products	1,200	449	769	562	570	216	204
Transportation	988	1,304	1,116	722	513	410	233
Annual Audit	6,000	5,050	5,050	4,250	3,820	3,412	3,621
Governmental Meetings	225	70	....	1,960	395	100	42
Litigation	23,913	27,923	17,900	8,428	9,018	7,983	8,165
Medical Services	134,502	131,300	100,985	47,842	30,784	31,447	24,529
Actuarial Expense	15,900	8,500	17,500	8,500	8,500	6,500	6,500
Health Insurance	18,929	18,499	12,573	8,418	4,451	6,464	4,077
Retirement Contributions	12,607	11,292	7,264	....	....	....	....
Tuition Reimbursement	166	156	....	....	....	....	....
Dental Insurance	2,972	2,729	620	....	....	....	....
Equipment, Furniture & Fixtures	11,840	11,616	3,910	7,797	5,018	4,488	25,418
	<u>\$1,089,077</u>	<u>\$1,054,492</u>	<u>\$861,808</u>	<u>\$712,554</u>	<u>\$518,647</u>	<u>\$455,033</u>	<u>\$431,036</u>

PENSION DEPARTMENT
STATEMENT OF OPERATIONS
 Fiscal Years 1971-72 to 1977-78

Schedule 2

	1977-78	1976-77	* 1975-76	** 1974-75	** 1973-74	** 1972-73	** 1971-72
REVENUES							
Taxes	\$ 115,361,071	\$ 112,730,821	\$ 102,938,709	\$ 89,414,396	\$ 87,397,038	\$ 76,790,463	\$ 63,381,284
Dividends	5,018,001	3,975,236	2,960,875	2,817,894	2,448,289	1,950,933	1,530,367
Interest	33,943,580	28,456,089	22,654,773	18,425,424	13,119,191	9,680,994	8,087,889
Members' Contributions ..	15,804,432	14,749,506	15,694,080	12,642,986	11,276,454	10,678,323	9,797,464
Sales of Unclaimed Property	194,243	184,006	146,398	109,199	94,489	60,098	145,903
Donations	180	222	365	371	9,244	524	320
Miscellaneous	2,684	1,101	3,316	11,324	31,298	31,689	222,148
TOTAL REVENUES available for current year's expenditures ..	<u>\$ 170,324,191</u>	<u>\$ 160,096,981</u>	<u>\$ 144,398,516</u>	<u>\$ 123,421,594</u>	<u>\$ 114,376,003</u>	<u>\$ 99,193,024</u>	<u>\$ 83,165,375</u>
EXPENDITURES							
Pensions Paid							
Service	\$ 56,359,503	\$ 49,190,942	\$ 43,160,457	\$ 38,340,313	\$ 31,662,143	\$ 28,191,298	\$ 24,248,061
Disability	12,475,580	10,243,947	8,683,637	7,333,963	6,334,436	5,546,572	4,908,673
Widows	20,762,266	19,011,550	17,450,355	16,284,184	13,601,122	12,765,000	11,806,446
Minors & Dependents ..	311,202	277,665	325,972	288,431	291,919	224,330	228,477
TOTAL PENSIONS.	<u>\$ 89,908,551</u>	<u>\$ 78,724,104</u>	<u>\$ 69,620,421</u>	<u>\$ 62,246,891</u>	<u>\$ 51,889,620</u>	<u>\$ 46,727,200</u>	<u>\$ 41,191,657</u>
Administrative Expense ..	\$ 1,089,077	\$ 1,054,492	\$ 861,808	\$ 712,554	\$ 518,647	\$ 455,033	\$ 431,036
Health Insurance Subsidy ..	1,004,154	760,614	349,111	61,118	.....	.....	.....
TOTAL EXPENDITURES	<u>\$ 92,001,782</u>	<u>\$ 80,539,210</u>	<u>\$ 70,831,340</u>	<u>\$ 63,020,563</u>	<u>\$ 52,408,267</u>	<u>\$ 47,182,233</u>	<u>\$ 41,622,693</u>
EXCESS OF REVENUES OVER EXPENDITURES \$	<u>78,322,409</u>	<u>79,557,771</u>	<u>73,567,176</u>	<u>60,401,031</u>	<u>61,967,736</u>	<u>52,010,791</u>	<u>41,542,682</u>
Gain (Loss) on Sales of Investments	<u>\$ (2,639,822)</u>	<u>\$ 1,744,096</u>	<u>\$ 2,409,035</u>	<u>\$ 631,849</u>	<u>\$ 1,563,851</u>	<u>\$ 1,499,362</u>	<u>\$ 4,057,693</u>
EXCESS OF REVENUES OVER EXPENDITURES \$	<u>75,682,587</u>	<u>\$ 81,301,867</u>	<u>\$ 75,976,211</u>	<u>\$ 61,032,880</u>	<u>\$ 63,531,587</u>	<u>\$ 53,510,153</u>	<u>\$ 45,600,375</u>
Reduction of (addition to) Actuarial Reserve	<u>(217,083,265)</u>	<u>(304,924,672)</u>	<u>(427,563,454)</u>	<u>(151,654,957)</u>	<u>(154,211,797)</u>	<u>3,566,682</u>	<u>(184,411,363)</u>
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	<u>(141,400,678)</u>	<u>(223,622,805)</u>	<u>(351,587,243)</u>	<u>(90,622,077)</u>	<u>(348,876,753)</u>	<u>57,076,835</u>	<u>(138,810,988)</u>
Fund deficit at beginning of year	<u>\$ (1,941,830,561)</u>	<u>\$ (1,718,207,756)</u>	<u>\$ (1,366,620,513)</u>	<u>\$ (1,152,414,193)</u>	<u>\$ (803,537,440)</u>	<u>\$ (860,614,275)</u>	<u>\$ (721,803,287)</u>
Fund deficit at end of year.	<u>\$ (2,083,231,239)</u>	<u>\$ (1,941,830,561)</u>	<u>\$ (1,718,207,756)</u>	<u>\$ (1,243,036,270)</u>	<u>\$ (1,152,414,193)</u>	<u>\$ (803,537,440)</u>	<u>\$ (860,614,275)</u>

* Restated as described in Note 2 to Notes to Financial Statements for Fiscal Year 1976-77.

** Not restated to reflect all provisions of the 1969 City Charter Amendments as described in Note 2 to Notes to Financial Statements for Fiscal Year 1976-77.