

Jim McLaughlin

1 9 8 0

Annual Report

BOARD OF PENSION COMMISSIONERS

CITY OF LOS ANGELES

CALIFORNIA



FOR THE FISCAL YEAR ENDED JUNE 30, 1980

TABLE OF CONTENTS

	Page No.
Mayor and Council	2
Board Letter of Transmittal	3
Manager's Report of Operations	4
Summary of Litigation	19
History of Pension System	25
Report of Actuary	27
Report of Auditor	32
Statement of Assets and Liabilities	33
Statement of Revenues and Expenditures	34
Table of Administrative Expense	38
Table of Operations	39

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

HAL BERNSON
Twelfth District

PEGGY STEVENSON
Thirteenth District

ARTHUR K. SNYDER
Fourteenth District

JOHN S. GIBSON, JR.
Fifteenth District

BOARD OF PENSION COMMISSIONERS 1979-80 ANNUAL REPORT

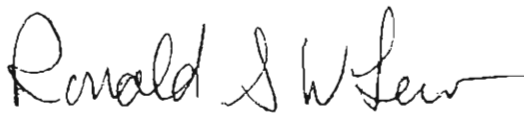
To the Mayor and City Council
of the City of Los Angeles

Presented herewith is the annual report of the Board of Pension Commissioners for the fiscal year ended June 30, 1980, submitted in accordance with the provisions of Section 64 of the City Charter.

We are pleased to report that Pension Systems assets increased by approximately 15½% to a total of \$839 million, more than \$113 million above the prior year's total. Bond investments increased by \$134 million to a total of \$542 million, while common stock investments declined by \$2.8 million to \$130.6 million. At year's end, the portfolio was composed of 66% in bonds, 16% in common stocks, and 18% in temporary investments. The system continued to invest a substantial portion of available cash in short-term money market instruments since yields in excess of 20% were available during the year. These extremely high short-term yields coincided with the continuing high level of interest rates resulting, in part, from the ongoing sweep of inflation throughout the economy. Thus inflation raised the level of short-term yields available, but it also caused a rapid escalation in pension costs.

The system's actuarial evaluation for the period ending June 30, 1980, reported the Unfunded Supplemental Present Value (sometimes called the Unfunded Liability) at \$3.177 billion, as compared with \$2.418 billion the previous year. This substantial increase was due to a number of factors, including changes in actuarial assumptions regarding retirement, withdrawal, disability and mortality, which resulted from a recent actuarial investigation. Other contributing factors were actuarial losses incurred when the actual cost of living adjustments and salary increases exceeded actuarial assumptions, and subsequent adjustments made in the economic actuarial assumptions to bring them more in line with this recent experience. As noted, this accelerating inflation continues to drive up pension costs, further enlarging the problem of funding this and other pension systems.

Respectfully submitted,
BOARD OF PENSION COMMISSIONERS
By



RONALD S. W. LEW
President



RONALD S. W. LEW
President



BERT COHEN
Vice President



OLGA MARCUS



SAM DIANNITTO



ARTHUR BURDORF



KARL L. MOODY



JACK BORMAN

Board of Pension Commissioners
Room 501, 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, 1980. This report includes the financial statements which have been audited by Coopers & Lybrand, who are employed by the Board under contract. In addition there is provided a summary report by the Department's actuaries, Martin E. Segal Company, employed by the Board under contract to examine into the actuarial health of the Pension System, as required by Articles XVII, XVIII and XXXV of the City Charter.

FINANCIAL CONDITION

Pension System assets increased by approximately 15½% during the past year to a total of \$839 million, more than \$113 million above the prior year total. Investments in bonds increased by \$134 million while common stock purchases and sales resulted in a net decrease of \$2.8 million. At year-end, common stocks represented 19% of long-term investments and 16% of the total portfolio while bonds represented 81% and 66% respectively. Temporary investments represent 18% of the total portfolio at year-end.

Revenues from interest and dividends showed an increase of 37% above the previous year. The City's contribution to the cost of the system, provided by taxes and assistance from the General Fund, increased by nearly \$10 million or 7% while member contributions increased by almost \$1.3 million or 8%.

Realized capital losses during the year amounted to a net of approximately \$20.6 million. While there was a gain of approximately \$2.8 million on stock transactions, this was more than offset by losses on bonds. Most of these losses were attributable to the system's method of accounting for bond exchanges, which recognizes the full extent of the loss on the sale at the time of the transaction while amortizing the discount on the purchase over the life of the bond.

Average Purchase Yield

At the end of the fiscal year, the average purchase yield of the portfolio was 8.39%, an increase of over 15% above the 7.28% purchase yield reported last year.

Short-Term Earnings

Temporary investments of the Pension Fund at par at year-end were \$145,630,000. Earnings on temporary investments totaled \$20,674,000, over 2½ times the amount earned the previous year. This significant increase was due to continued upward pressure on short-term interest rates as well as the substantial increase in revenues committed to short-term investments.

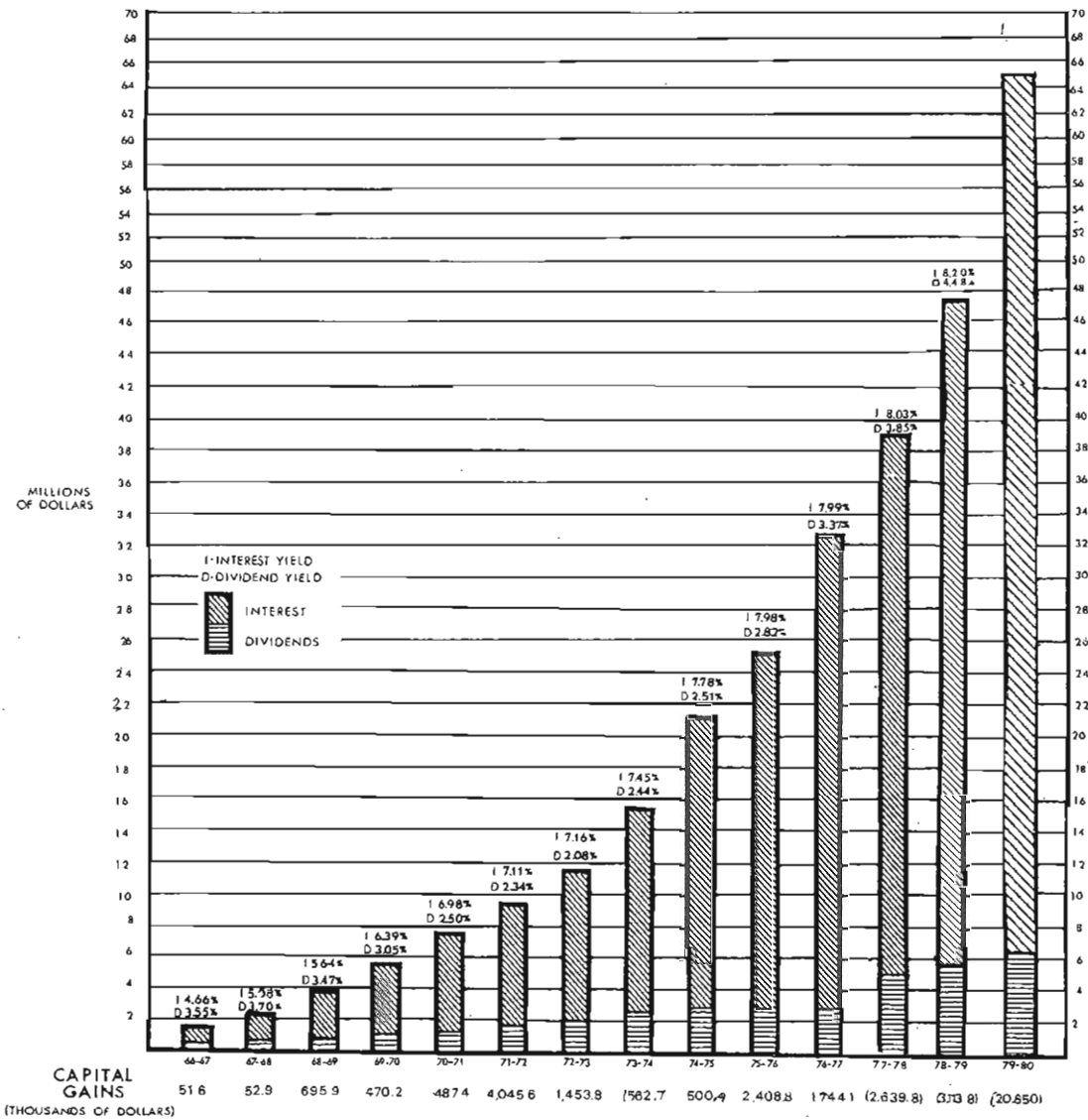
System Earnings from Securities

As shown in the following chart, dividend and interest earnings on securities of the pension funds were nearly \$17.7 million greater than the previous year, reflecting the continued growth of the asset base on which the earnings accrue as well as the high yields available on short-term investments.

As of June 30, 1980, the average purchase yield on bonds was 9.24%. This increase resulted from outright purchases of bonds at higher interest rates as well as a continued emphasis on yield improvement through bond exchange transactions.

The yield on common stocks rose approximately 4.5% as a result of increases in dividend rates. The purchase yield on stocks does not reflect capital gains realized during the year.

PENSION SYSTEM EARNINGS



ACTUARIAL VALUATION, JUNE 30, 1980

The actuarial valuation as of June 30, 1980 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 7¼% to 7½%, 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 5¼% to 6¼% and 6%, respectively, and these changes act to recognize increased cost prospects, and thereby increased tax cost. The report is set forth in detail beginning on page 27.

MEMBERSHIP

As of June 30, 1980, 2560 Firefighters and 6467 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 180 are members of the Old Pension System, with 26 in the Fire Department and 154 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	488	716	1,204
With 5- 9 years	526	1,549	2,075
With 10-19 years	861	3,732	4,593
With 20 years and over	711	624	1,335
TOTALS	2,586	6,621	9,207
Article XVII	26	154	180
Article XVIII	2,560	6,467	9,027

Appointed Fiscal Year 1979-80

During the course of the year 364 members were appointed and became members of the system. Fifteen such members were reappointees.

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.

	1979-80	1978-79	1977-78	1976-77	1975-76
Total Membership July 1st	9,601	9,881	10,229	10,212	10,334
On Leave or Suspension	60	45	40	38	27
On Military Leave	<u>1</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>2</u>
	9,662	9,836	10,187	10,173	10,305
Additions:					
New Appointments	349	252	509	557	402
Reappointments	15	11	43	47	37
Restorations	—	—	—	—	1
Reinstated	—	—	—	—	—
Reactivated	—	—	1	—	1
Return from Leave or Suspension	494	313	349	363	296
Restored from Military Leave ...	<u>45</u>	<u>13</u>	<u>13</u>	<u>17</u>	<u>21</u>
	10,565	10,425	11,102	11,157	11,063
Withdrawals:					
Service Retirements	404	208	560	279	252
Disability Retirements	90	77	88 ^a	108	67
Resigned	233	216	230	166	219
Discharged	12	31	13	19	10
Deaths	8	11	10	15	15
Leaves or Suspensions	619	328	354	365	307
Military Leaves Granted	<u>46</u>	<u>14</u>	<u>11</u>	<u>18</u>	<u>20</u>
Active Membership—June 30th ...	9,153	9,540	9,836	10,187	10,173
On Leave or Suspension	52	60	45	40	38
On Military Leave	<u>2</u>	<u>1</u>	<u>—</u>	<u>2</u>	<u>1</u>
Total Membership—June 30th	9,207	9,601	9,881	10,229	10,212

a — Not included is 1 resignation in 77-78 granted a disability pension in 78-79.

Military Leaves

On June 30, 1980, there were 2 members on military leave. The following schedule indicates the operation of military leave authorization during the fiscal year 1979-80.

On Leave June 30, 1979	1
Granted during 1980	<u>46</u>
	47
Restored—Now Active	<u>45</u>
On Leave June 30, 1980	<u>2</u>

ELIGIBILITY

There were as of June 30, 1980 a total of 1,335 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
1970-71	1,131	1,245	2,376
1971-72	1,121	1,140	2,261
1972-73	998	1,043	2,041
1973-74	894	925	1,819
1974-75	877	863	1,740
1975-76	806	799	1,605
1976-77	819	729	1,548
1977-78	683	564	1,247
1978-79	583	450	1,033
1979-80	711	624	1,335

Members: Eligible Next Ten Years

During the fiscal year 1980-81, an additional 348 members will become eligible if their service is continuous. Of these, 151 are Firefighters and 197 are Police Officers.

The following schedule indicates that 4,556 members of the Fire and Police Departments will become eligible to retire for years of service during the next ten fiscal years, of which 137 are under the Old Pension System.

Fiscal Year	Fire	Police	Total
1981-82	151	197	348
1982-83	210	237	447
1983-84	41	250	291
1984-85	70	225	295
1985-86	85	274	359
1986-87	10	312	322
1987-88	91	570	661
1988-89	28	555	583
1989-90	69	482	551
1990-91	106	593	699
TOTAL	861	3,695	4,556
Article XVII	13	124	137
Article XVIII	848	3,571	4,419

Thus, in addition to 14.5% of the presently active members already eligible to retire as indicated above, there will be an additional 49.5% of total Fire and Police present members who will become eligible to retire or will have retired by June 30, 1991.

Eligibility By Ranks

The following tables show eligibility for retirement by ranks, in both the Fire and Police Departments. These tables indicate that in the Fire Department all 4 Deputy Chiefs are eligible to retire, as are 12 of the 14 Assistant Chiefs, and 48 out of 63 Battalion Chiefs. In the Police Department, 9 out of 10 Deputy Chiefs, 13 out of 19 Commanders, 43 out of 72 Captains and 80 out of 209 Lieutenants are eligible for service retirement.

ELIGIBILITY BY RANKS

June 30, 1980

FIRE

Years Service	Firefighters	Appar. Oper.	Fire-boat Mate	Fire-boat Pilot	Engineer	Inspector	Captain	Battalion Chief	Assist. Chief	Deputy Chief	Chief Engineer	Total Employees
40	1	0	0	0	0	0	0	0	0	0	0	1
39	1	0	0	0	0	1	0	0	0	0	0	2
34	1	0	0	0	0	0	1	0	0	0	0	2
33	1	0	1	0	0	0	4	0	1	0	0	7
32	0	0	0	0	0	0	3	0	1	0	0	4
31	1	1	0	0	2	0	1	2	0	0	0	7
30	2	0	0	0	2	0	1	1	0	0	0	6
29	8	1	0	0	6	2	3	3	0	0	0	23
28	3	0	1	0	3	0	3	0	1	1	1	13
27	5	0	0	1	8	0	3	2	0	0	0	19
26	11	1	3	0	9	2	6	3	1	0	0	36
25	7	2	0	1	10	1	10	3	1	0	0	35
24	43	2	2	1	19	13	44	6	2	1	0	133
23	39	5	0	1	20	5	35	9	2	0	0	116
22	34	1	0	0	12	2	30	7	0	2	0	88
21	41	4	3	0	14	4	29	8	2	0	0	105
20	36	5	0	1	13	9	45	4	1	0	0	114
19	48	11	1	1	26	8	51	5	1	0	0	152
18	72	10	1	0	41	12	65	9	1	0	0	211
17	9	0	0	0	6	3	14	0	0	0	0	32
16	17	4	0	0	10	1	31	1	0	0	0	64
15	34	4	0	0	13	1	33	0	0	0	0	85
13	28	4	0	0	33	3	30	0	0	0	0	98
12	8	4	0	0	9	0	9	0	0	0	0	30
11	25	5	1	0	23	1	12	0	0	0	0	67
10	54	9	0	0	40	3	16	0	0	0	0	122
9	31	9	0	0	27	4	5	0	0	0	0	76
8	24	14	0	0	19	5	6	0	0	0	0	68
7	73	19	1	0	38	6	4	0	0	0	0	141
6	113	37	1	0	16	6	1	0	0	0	0	174
5	61	0	0	0	6	0	0	0	0	0	0	67
4	196	0	0	0	2	0	0	0	0	0	0	198
3	138	1	0	0	0	0	0	0	0	0	0	139
2	56	0	0	0	6	0	6	0	0	0	0	68
1	83	0	0	0	0	0	0	0	0	0	0	83
Totals	1,304	153	15	6	433	92	501	63	14	4	1	2,586
Art. XVII .	18	0	0	0	1	4	3	0	0	0	0	26
Art. XVIII.	1,286	153	15	6	432	88	498	63	14	4	1	2,560

ELIGIBILITY BY RANKS
June 30, 1980
POLICE

Years Service	Police Officers	Detective	Sergeant	Lieutenant	Captain	Commander	Deputy Chief	Police Chief	Total Employees
39	0	1	0	0	0	0	0	0	1
34	0	0	1	0	1	0	0	0	2
33	1	3	0	0	1	0	0	0	5
32	1	1	0	0	0	0	0	0	2
31	0	0	1	1	1	0	0	1	4
30	1	0	1	1	0	0	0	0	3
29	0	0	1	3	0	0	0	0	4
28	2	2	2	3	0	1	0	0	10
27	1	10	2	3	2	2	1	0	21
26	1	5	2	2	4	1	1	0	16
25	10	26	14	8	3	0	0	0	61
24	14	19	9	9	1	3	2	0	57
23	14	40	16	9	12	2	1	0	94
22	16	40	13	12	3	3	0	0	87
21	17	37	34	12	8	0	1	0	109
20	24	61	35	17	7	1	3	0	148
19	39	87	52	19	5	0	1	0	203
18	46	101	66	23	8	2	0	0	246
17	59	96	59	25	9	2	0	0	250
16	87	66	67	9	4	2	0	0	235
15	123	73	56	15	2	0	0	0	269
14	155	95	54	10	1	0	0	0	315
13	351	123	97	11	0	0	0	0	582
12	403	93	66	9	0	0	0	0	571
11	357	64	50	3	0	0	0	0	474
10	485	43	57	2	0	0	0	0	587
9	278	19	34	2	0	0	0	0	333
8	256	8	30	1	0	0	0	0	295
7	426	3	11	0	0	0	0	0	440
6	321	0	4	0	0	0	0	0	325
5	156	0	0	0	0	0	0	0	156
4	233	0	0	0	0	0	0	0	233
3	215	0	0	0	0	0	0	0	215
2	111	0	0	0	0	0	0	0	111
1	157	0	0	0	0	0	0	0	157
Totals	4,360	1,116	834	209	72	19	10	1	6,621
Article XVII	74	43	30	6	1	0	0	0	154
Article XVIII	4,286	1,073	804	203	71	19	10	1	6,467

Years of Service for Eligible Active Members

Years of Service	Fire	Police	Total
20	114	148	262
21	105	109	214
22	88	87	175
23	116	94	210
24	133	57	190
25	35	61	96
26	36	16	52
27	19	21	40
28	13	10	23
29	23	4	27
30	6	3	9
31	7	4	11
32	4	2	6
33	7	5	12
34	2	2	4
39	2	1	3
40	1	0	1
Totals	711	624	1,335

The total number of active Fire and Police members now eligible to retire is 1,335. Of these, 284 have 25 or more years of service.

PENSION ROLL CHANGES

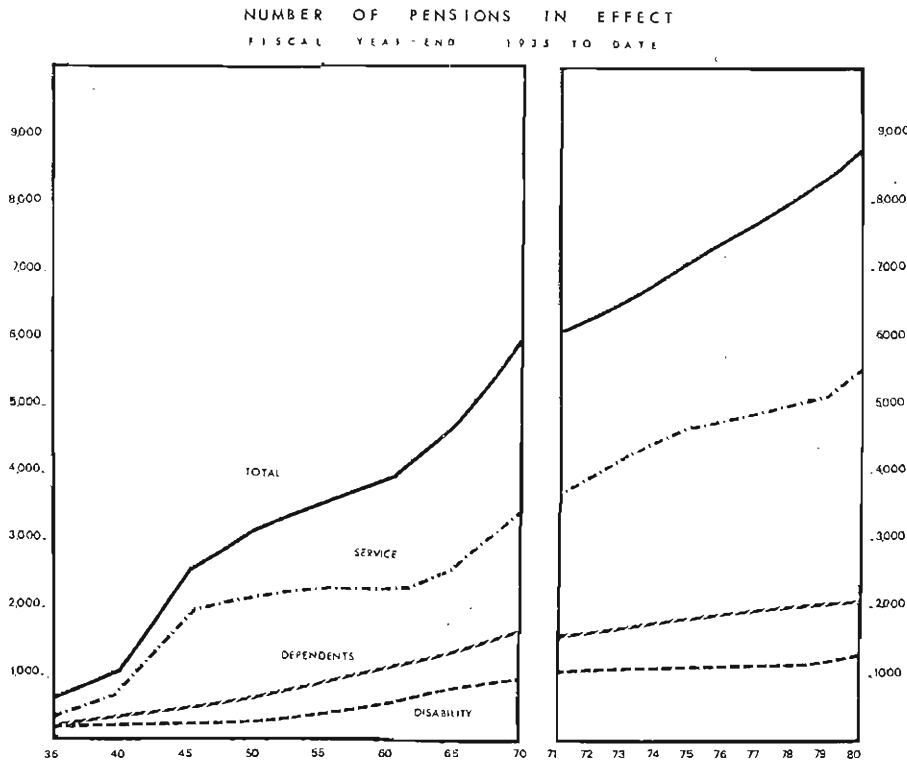
During the fiscal year, 594 pensions were granted or reinstated, 159 discontinued. This resulted in a net increase of 437 members on the pension rolls. The details of pensions granted and terminated during the course of the fiscal year are as follows:

	Service Fluctuating Article	Service Pension Article		Service Disability Article		Non-Service Disability Article		Widows Article		Dependents Article		Minors Article		Total System
	17	17	18	17	18	17	18	17	18	17	18	17	18	
7-1-79	424	1161	3576	550	524	139	70	1642	293	1	1	17	20	8418
Granted	—	14	390	4	76	—	10	70	29	—	—	—	1	594
Reinstated	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deaths	(27)	(32)	(26)	(13)	(1)	(2)	—	(53)	(2)	—	—	—	—	(156)
Reactivated	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Decreased	—	—	—	—	—	—	—	—	(3)	—	—	—	—	(3)
Increased	—	—	—	1	1	—	—	—	—	—	—	—	3	5
Remarriage	—	—	—	—	—	—	—	—	(1)	—	—	—	—	(1)
Majority	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)	(2)
Transfers	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6-30-80	397	1143	3940	542	600	137	80	1659	316	1	1	16	23	8855

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 5,161 to 5,480. Dependent pensions went up from 1,974 to 2,016. Disability pensions increased from 1,283 to 1,359. The total of all pensions in effect showed an increase of 437 from 8,418 to 8,855.



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	Total
\$.00-\$ 599.99 ..	4	1	0	0	3	8
600.00- 699.99 ..	1,403	429	520	0	25	2,377
700.00- 799.99 ..	301	132	113	0	5	551
800.00- 899.99 ..	201	104	68	0	2	375
900.00- 999.99 ..	211	99	45	0	0	355
1,000.00- 1,099.99 ..	228	96	297	0	1	622
1,100.00- 1,199.99 ..	374	86	492	0	2	954
1,200.00- 1,299.99 ..	332	102	122	0	1	557
1,300.00- 1,399.99 ..	354	72	123	1	0	550
1,400.00- 1,499.99 ..	410	61	18	0	0	489
1,500.00- 1,599.99 ..	467	56	90	0	0	613
1,600.00- 1,699.99 ..	307	36	45	1	0	389
1,700.00- 1,799.99 ..	207	22	6	0	0	235
1,800.00- 1,899.99 ..	212	15	1	0	0	228
1,900.00- 1,999.99 ..	166	19	21	0	0	206
2,000.00 and over ...	303	29	14	0	0	346
Totals	5,480	1,359	1,975	2	39	8,855
Average Pension ..	\$1,219.92	\$1,016.75	\$1,027.67	\$1,500.00	\$751.44	\$1,143.79

The overall average of \$1,143.79 is approximately 9.4% over the average for the prior fiscal year of \$1,045.04. The average number of fluctuating pensions, cost of living pensions and fixed pensions is reported as follows:

Fluctuating	Service	Disability	Widows	Dependents	Minors	Totals
Number	397	19	1,019	2	1	1,438
Average Pension ...	\$1,371.97	\$1,196.00	\$1,230.19	\$1,500.00	\$1,687.80	\$1,269.15
Cost of Living						
Number	4,468	1,193	898	0	29	6,588
Average Pension ...	\$1,201.22	\$1,003.76	\$ 793.98	\$.00	725.52	\$1,110.22
Fixed Pension						
Number	615	147	57	0	9	828
Average Pension ...	\$1,257.60	\$1,099.07	948.39	\$.00	\$ 728.04	\$1,188.77
Other Pensions						
Number	0	0	1	0	0	1
Average Pension ...	\$.00	\$.00	\$ 739.65	\$.00	\$.00	739.65

The total fluctuating pensions represent a net decrease of 40 during the fiscal year. Cost of living pensions increased by 160 and fixed pensions increased by 318. (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. Comparison of these average amounts shows that the largest percentage increase (14.5%) occurred in fiscal year 1975-76 due primarily to an 11.7% cost of living increase to eligible pensioners. The average monthly pension for fiscal year 1979-80 increased 9.45% from the prior year.

AVERAGE PENSIONS

Fiscal Year	Overall Average Pension Per Month
1970-71	\$ 511.90
1971-72	560.59
1972-73	597.07
1973-74	638.83
1974-75	703.09
1975-76	805.44
1976-77	880.84
1977-78	979.93
1978-79	1,045.04
1979-80	1,143.79

AGES OF PENSIONERS

The following is an analysis of the ages of all pensioners at the close of June 30, 1980.

Ages	Service	Disability	Widows	Dependents	Minors	Total
0-19	0	0	0	0	39	42
20-24	0	0	0	0	0	0
25-29	0	3	1	0	0	4
30-34	0	49	12	0	0	61
35-39	0	132	25	0	0	157
40-44	37	128	29	0	0	194
45-49	211	163	29	0	0	402
50-54	573	159	75	1	0	808
55-59	1,582	288	167	0	0	2,036
60-64	1,358	238	166	0	0	1,762
65-69	622	102	210	0	0	934
70-74	366	45	264	0	0	675
75-79	216	17	398	0	0	631
80-84	354	28	359	0	0	741
85-89	125	4	178	1	0	308
90-94	30	3	54	1	0	88
95-99	6	0	7	0	0	12
Totals	5,480	1,359	1,974	3	39	8,855
Average Age	63	54	72	73	16	63

SERVICE PENSIONS

Pensions Granted

A total of 404 members of Fire and Police Departments retired effective prior to June 30, 1980 upon service pension. Of the total number, 390 retired under the New Pension System.

Reactivated

The following schedule represents activity in requests for reactivation since its inception on May 2, 1969. There were no requests for reactivation during 1979-80.

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 85 service pensions were discontinued on account of death.

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
1970-71	90	137	227
1971-72	142	166	308
1972-73	150	177	327
1973-74	131	231	362
1974-75	94	176	270
1975-76	98	147	245
1976-77	129	150	279
1977-78	257	303	560
1978-79	82	126	208
1979-80	177	227	404

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
1970-71	56	50	53
1971-72	54	52	53
1972-73	53	51	52
1973-74	54	53	53
1974-75	55	53	53
1975-76	55	52	53
1976-77	54	53	53
1977-78	56	54	55
1978-79	54	50	51
1979-80	54	50	52

Number Retiring Above or Below Age 50

The number of Police Officers and Firefighters who retired under 50 years of age increased over the previous year. In the last 10 years only 15% of Firefighters retired under 50 years of age compared to 32% of Police Officers.

Fiscal Year	FIRE				POLICE			
	Under 50	Exactly 50	Over 50	Total	Under 50	Exactly 50	Over 50	Total
1970-71	12	2	76	90	70	9	58	137
1971-72	26	10	106	142	64	11	91	166
1972-73	36	7	107	150	58	13	106	177
1973-74	25	9	97	131	70	18	143	231
1974-75	13	6	75	94	50	11	115	176
1975-76	8	5	85	98	36	3	108	147
1976-77	20	2	107	129	31	7	112	150
1977-78	11	6	240	257	35	19	249	303
1978-79	13	4	65	82	70	6	50	126
1979-80	38	14	125	177	107	18	102	227
	202	65	1,083	1,350	591	115	1,134	1,840
Percent of Total ..	15%	5%	80%	100%	32%	6%	62%	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 of Service	
		Police	Combined
1970-71	28	24	26
1971-72	27	25	26
1972-73	27	25	26
1973-74	27	27	27
1974-75	27	25	25
1975-76	28	26	27
1976-77	27	26	27
1977-78	29	28	28
1978-79	28	24	26
1979-80	27	25	26

Years of Service at Retirement

	FIRE			POLICE		
	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
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
1978-79	14	68	82	60	66	126
1979-80	36	141	177	85	142	227

In fiscal year 1979-80, 14 of the 177 Fire pensioners retired with 20 years of service and 36 had exactly 25 years of service. Of the 227 total Police pensioners, 54 had attained 20 years of service while 61 had exactly 25 years. The experience of the last ten years indicates that 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, 1980. Of these, 80 were on a service-connected basis; while 10 were nonservice.

Pensions Discontinued

Sixteen disability pensioners were discontinued on account of death during the past year.

Pensions Denied

Twenty-one disability pension applications were denied during the fiscal year. Nineteen applications were withdrawn.

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	F I R E		P O L I C E		Total
	Service	Nonservice	Service	Nonservice	
1970-71	12	0	8	2	22
1971-72	12	1	24	2	39
1972-73	36	3	27	5	71
1973-74	24	1	17	2	44
1974-75	32	4	34	5	75
1975-76	25	0	42	5	72
1976-77	41	1	49	19	110
1977-78	33	3	39	15	90
1978-79	25	1	38	14	78
1979-80	31	0	49	10	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	F I R E		P O L I C E		Total
	Service	Nonservice	Service	Nonservice	
1920-24	1	0	0	0	1
1925-29	0	0	0	0	0
1930-34	1	0	3	0	4
1935-39	2	0	5	0	7
1940-44	2	0	3	0	5
1945-49	2	2	10	3	17
1950-54	12	6	31	10	59
1955-59	35	8	64	37	144
1960-64	48	8	194	24	274
1965-69	28	8	92	30	158
1970-74	110	8	93	10	221
1975-79	149	7	207	50	413
1980-84	10	0	37	9	56
Total	400	47	739	173	1,359

Analysis of Disability Pensioners by Age

Age	Fire	Police	Total
0-24	0	0	0
25-29	0	7	7
30-34	2	66	68
35-39	4	121	125
40-44	35	106	141
45-49	69	93	162
50-54	84	97	181
55-59	107	213	320
60-64	61	126	187
65-69	47	38	85
70-74	21	19	40
75-79	10	6	16
80-84	5	17	22
85-89	1	2	3
90-94	1	1	2
Total	447	912	1,359
Average Age	56	51	53

Age and Service of Disability Pensioners

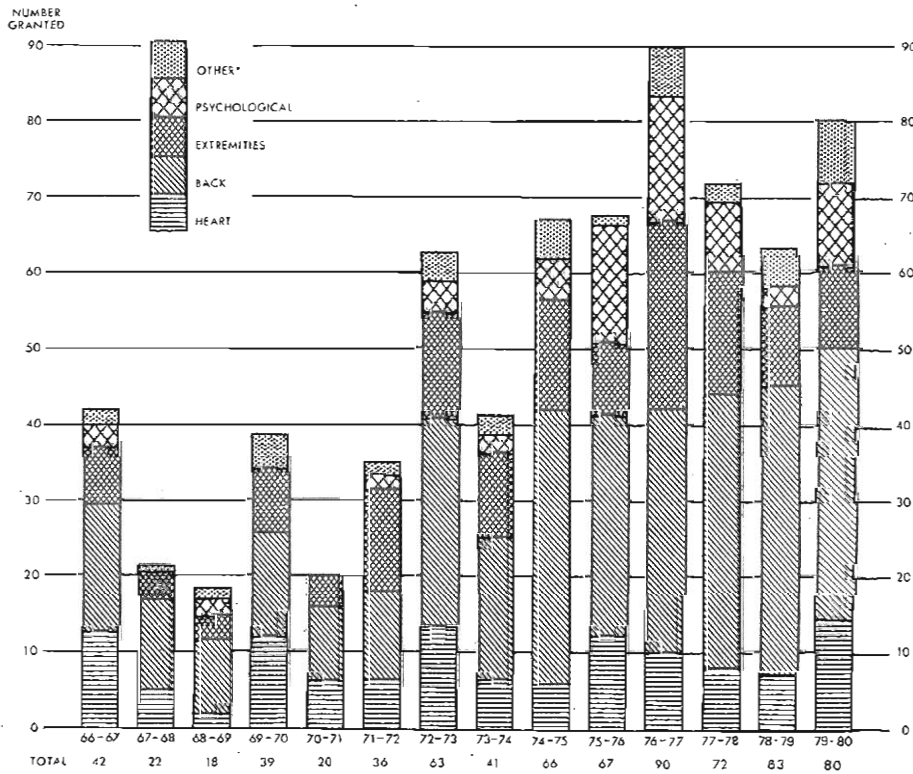
The average age and average number of years of service of Firefighters and Police Officers who were retired upon disability pension during the last ten fiscal years are reflected in the following schedule:

Fiscal Year	Average Age			Average Years		
	Fire	Police	Combined	Fire	Police	Combined
1970-71	39	41	40	15	16	15
1971-72	48	38	41	20	13	16
1972-73	48	36	43	22	11	16
1973-74	50	37	45	22	11	17
1974-75	51	38	44	22	12	17
1975-76	52	39	43	24	13	17
1976-77	50	37	42	23	12	16
1977-78	48	39	42	23	12	16
1978-79	51	40	44	20	12	15
1979-80	50	39	43	24	14	17

Service-Connected Disability

Eighty new service-connected disability pensions were granted in 1979-80, thirteen of which were retroactive to a previous fiscal year. The accompanying chart shows a breakdown by primary disability for the past 14 fiscal years.

SERVICE-CONNECTED DISABILITIES



*OTHER includes hypertension, eye disorders, cancer and miscellaneous physical ailments.

Analysis of Rates

There are 1,142 service-connected and 217 nonservice-connected disability pensions classified by rates in the following schedule as of June 30, 1980. Of this number 80 service-connected and 10 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	174	217
50%	101	295	396
52%	0	1	1
55%	51	90	141
58%	1	1	2
60%	64	124	188
61%	2	0	2
64%	1	0	1
65%	77	118	195
66%	3	0	3
67%	1	1	2
68%	2	0	2
69%	0	1	1
70%	76	45	121
72%	1	0	1
75%	15	32	47
80%	5	15	20
85%	1	6	7
90%	3	9	12
Total	447	912	1,359
Article VII Service			542
Article VII Nonservice			137
Article XVIII Service			600
Article XVIII Nonservice			80

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 seven City approved plans provided through the Firemen's Relief Association, Police Relief Association and United Firefighters of Los Angeles. As of June 30, 1980, there were 2,383 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 1979-80 are listed below for each health plan.

Health Plan	Subsidy Amount
City Basic	\$ 20,790
City Ross Loos	2,502
City Kaiser	21,128
Fire Medical	487,755
Fire Ross Loos	135,644
Police Occidental	376,120
Police Ross Loos	70,195
Blue Cross/Health Net	11,748
Police Kaiser	242,145
UFLAC Kaiser	81,332
Total	\$1,449,359

**DEPARTMENT OF PENSIONS
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 Wright Investors' Service, Century Capital Associates, Chemical Bank and Security Pacific Bank, as well as with M. Lewis Thompson and Dr. Judd Marmor.

PROBATE MATTERS

This office examined 69 probate accountings, as well as petitions and other documents which were received by the Department of Pensions. Sixteen requests for special notice were prepared, filed and served. Eight guardianships and conservatorships were discontinued and sixteen were commenced. There are 102 guardianships pending, 39 covering minors and 63 covering incompetents.

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 yet reached the trial state.

A brief summary of some of the cases handled by the City Attorney for the Board of Pension Commissioners presents the following:

(A) Cases not presenting unique facts or legal issues

I. Decisions upholding the Board:

Evan v. Board of Pension Commissioners
Palmer v. Board of Pension Commissioners
Whyte v. Board of Pension Commissioners
Thomas v. Board of Pension Commissioners
St. Clair v. Board of Pension Commissioners
Pahrman v. Board of Pension Commissioners
Craver v. Board of Pension Commissioners
Wesley v. Board of Pension Commissioners
Young v. Board of Pension Commissioners

II. Decisions reversing the Board:

Lammers v. Board of Pension Commissioners
Johnson v. Board of Pension Commissioners
Causey v. Board of Pension Commissioners
Cullins v. Board of Pension Commissioners
Lucier v. Board of Pension Commissioners
Berry v. Board of Pension Commissioners
LeVine v. Board of Pension Commissioners
Colson v. Board of Pension Commissioners
Miller v. Board of Pension Commissioners
Huizar v. Board of Pension Commissioners
Barrett v. Board of Pension Commissioners
Ramsey v. Board of Pension Commissioners
Kelley v. Board of Pension Commissioners
Montez v. Board of Pension Commissioners
Higginbotham v. Board of Pension Commissioners
Moriarty v. Board of Pension Commissioners

(B) Cases presenting unique facts or legal issues

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

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. Plaintiff appealed and the Circuit Court of Appeals reversed the trial court.

The City has filed a petition for a hearing in the United States Supreme Court.

CRAVER v. CITY OF LOS ANGELES, ET AL

Petitioner sought (and is still 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. He also contends that evidence that originated after the termination of his employment demonstrates his inability to perform the limited duties to which he was assigned.

The case was first tried on January 6, 1972 and judgment was rendered in favor of the City and the Board.

Petitioner appealed from the judgment and, on September 24, 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 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 of agencies 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. The findings and objections thereto, as well as a motion by Craver for reconsideration were before the Board in November of 1978. The Board denied the application for reconsideration and adopted the findings.

Craver filed a Petition for Writ of Mandate which was denied. Craver again appealed.

The matter is now pending in the Court of Appeal.

FARHOOD v. BOARD OF PENSION COMMISSIONERS

Victor Farhood is an applicant for a disability pension. While proceedings were in progress, Mr. Farhood's attorney requested the issuance of a number of subpoenas to compel the attendance of witnesses. The Board decided that in view of the number of persons to be subpoenaed, a preliminary showing as to relevancy of testimony to be elicited would be in order. Counsel for the applicant refused and filed a Petition for Writ of Mandate to order the Board to issue the subpoenas without imposing any conditions. The Petition was granted.

The Board filed a partial appeal, accepting the Superior Court's order as to those persons who are to be subpoenaed for purposes of cross-examination and challenging the right to compel issuance of subpoenas for persons who would render direct testimony, without having first met the Board's condition of a preliminary showing of relevancy.

Subsequently, the attorney for Mr. Farhood indicated in writing willingness to comply with the Board's requirement and the appeal was dismissed.

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 contended 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 was 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. The Court of Appeal reversed the trial court. The City Attorney petitioned for a rehearing in the Court of Appeal. The petition was granted but the Court of Appeal reaffirmed its decision. The City Attorney petitioned the State Supreme Court for a hearing, which petition was denied.

The Goins case is currently in the process of class certification and will again be in court on December 1, 1980 for a trial of unresolved issues.

GURULE v. BOARD OF PENSION COMMISSIONERS

Leo R. Gurule received a nonservice-connected disability pension. He filed a Petition for Writ of Mandate, challenging the Board's determination that his disability was not service-connected.

Some evidence being presented that pre-existing conditions were exacerbated into a disabling state as a total or partial result of non-disabling job-related injuries, the Petition was granted.

The City appealed because the court had relied, in its decision, on the case of **Gelman v. Board of Retirement**, 85 Cal. App. 3d 92 which case is based upon a Government Code section requiring that if work-relatedness is "a cause" of disability, entitlement to a service-connected disability exists. The City contends that the provisions of Section 190.12 of the Charter require a different standard to be applied.

HOLMES v. CITY OF LOS ANGELES

This case presents the issue of the legality of the non-refundability 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 Section 186½ and 190.10 resulted in a contract of adhesion and, secondly, the question of the constitutionality of the non-refundability of members' contributions.

After certification as a class action, the case was tried in the Superior Court in December and January of 1978. The Court rendered judgment in favor of the City. Plaintiffs have appealed from that decision.

LITTLE v. BOARD OF PENSION COMMISSIONERS

This case is worthy of special consideration only because of the fact that it is now on appeal after a decision by the Superior Court and the sole basis of such appeal is the contention that the judge of the Superior Court abused his discretion with respect to the facts, an issue almost never raised by the Board's attorneys (because it is a futile effort under normal circumstances) and rarely presented by petitioners who did not succeed in the Court below.

Parke Little is a police officer whose application for a disability pension was denied. By Petition for Writ of Mandate, he challenged the Board's decision and contended that based upon the evidence contained in the administrative record, he should have been entitled to a service-connected disability pension.

The case was heard on May 10, 1979 in Department 85 of the Superior Court and the Petition was denied. Petitioner in this case filed an appeal and briefs have been filed in the matter.

SHAVER v. BOARD OF PENSION COMMISSIONERS

This is a "domestic relations" matter that went to the Court of Appeal.

Patricia and Clark Shaver (the system member) were divorced in 1967 after 20 years of marriage. The judgment disposed of all community assets without mentioning Clark's pension.

Clark had been a City fireman for most of his marriage. He retired from the department in 1977, and began receiving retirement benefits.

Patricia sought a declaratory judgment determining her to be entitled to a proportionate share of the benefits. She named the Board of Pension Commissioners and Clark as defendants.

The Board demurred, alleging that the judgment did not reserve jurisdiction to divide the pension rights at a future date. Clark also demurred, arguing that the pension rights had not vested prior to the dissolution of the marriage.

The trial court sustained both demurrers without leave to amend and dismissed the action.

Patricia appealed, claiming that the parties remained tenants in common in the pension rights until the marriage was dissolved and that an accounting for and distribution of the funds due after Clark's retirement was required.

Affirming the trial court, the Court of Appeal noted that when the Shaver marriage was dissolved, the applicable law on pension rights was stated in *French v. French* (1941) 17 Cal. 2d 775. There the Supreme Court had ruled that a non-vested right to receive retirement pay was an "expectancy which is not subject to division as community property."

Had plaintiff succeeded in establishing a belated interest in the nonvested pension where the divorce occurred prior to 1976, this would have opened the door for thousands of former spouses to relitigate their pension rights seeking direct payment from the Department.

OPERATIONS

Expenditures

Expenditures for pensions increased over \$11.8 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 paid for the first time in Fiscal Year 1974-75, increased some \$232,000.

Department Administrative Expense

Operating expense of the Fire and Police Pension System increased 12.1% over the prior fiscal year primarily because of salary increases, additional contractual services fees, and higher costs of services and equipment.

Salaries

Salary expense for the year rose 12.4% 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.

Traveling Expense

Traveling expense for the year was some \$6,400 more than the prior year, and meetings attended by board and staff were primarily for training and informational purposes.

Contractual Services

Contractual services increased 9.2% from the previous year. The cost of regular contracts and services increased due to inflationary pressures.

Medical Services

This account showed a 13.2% decrease over the prior year due to the decreased number of required medical examinations.

Actuarial Expense

This account increased 59.7% over the prior year. This increase reflects the hiring of a new actuary at a higher fee.

Health Insurance

This account experienced a 17.0% increase over last year. The difference was due substantially to premium increases by carriers of health insurance plans, as well as the filling of new and vacant positions.

Retirement Contributions

This account experienced a 7.3% decrease over last year.

Dental Insurance

This account showed an increase of 20.2% 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 by \$33,325 over last year. This was due to the Mayor's freeze on the purchase of equipment after the passage of Proposition 13. It was necessary this year to replace old, worn or obsolete equipment. A new car was purchased for \$7,110 to be used by Department staff.

Surety Bonds

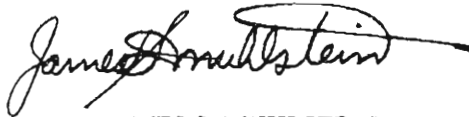
Surety bonds were carried on Department personnel in the following amounts:

Position Operational Coverage:	Amount of Bond
Manager-Secretary	\$ 50,000
Chief Accounting Employee	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,



JAMES S. MUHLSTEIN
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 $1\frac{3}{4}\%$ 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 of service, plus $1\frac{3}{4}\%$ 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 $1\frac{3}{4}\%$ for each of the next ten years of service. The maximum pension of $\frac{2}{3}$ of average salary was retained, but the 1927 limitation was raised to accord with salary level of a police captain or fire battalion chief. Contributions were increased from 4% to 6% of salaries.

1957. Effective April 18, 1957, an amendment removed the maximum limit attached to rank on service pensions.

1958. The California Supreme Court ruled that the 1925 Charter provisions for fixed pensions did not apply to members employed prior to July 1, 1925, nor to widows of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the Charter was amended to re-establish the system on an actuarial basis, with a 50-year amortization period for the unfunded liabilities, and the investment provisions were changed to permit investing up to 35% of the fund in common stocks.

1961. Effective July 1, 1961, a Charter amendment provided a one time cost of living increase on all members' or widows' pensions that were based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension System in Article XVIII was adopted effective January 29, 1967, to provide: annual cost of living adjustments to all members' or widows' pensions that were based on length of service retirement, 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.

MARTIN E. SEGAL COMPANY
520 SOUTH VIRGIL AVENUE
LOS ANGELES, CALIFORNIA 90020
(213) 382-1347

February 18, 1981

Board of Pension Commissioners
City of Los Angeles
Room 501, City Hall South
111 E. 1st Street
Los Angeles, California 90012

Gentlemen and Ms. Marcus:

We are pleased to provide the attached summarized report of the results of the actuarial valuations of the Fire and Police Pension System, the New Pension System, and the Safety Members Pension Plan of the City of Los Angeles, as of June 30, 1980.

We would like to express our sincere appreciation to the Pension Office Staff for their cooperation in providing us with the employee and pensioner data, and other necessary information required to conduct the valuations.

Respectfully submitted,

MARTIN E. SEGAL COMPANY, INC.

James R. Laws, F.S.A.

JRL/as

ACTUARIAL VALUATIONS
OF THE
FIRE AND POLICE PENSION SYSTEM,
THE
NEW PENSION SYSTEM,
AND THE
SAFETY MEMBERS PENSION PLAN
OF THE
CITY OF LOS ANGELES
AS OF
JUNE 30, 1980

SECTION I
RESULTS OF VALUATIONS

As of June 30, 1980, there were 180 active members and 3,824 retired persons covered under Article XVII of the City Charter (hereinafter referred to as the Fire and Police Pension System), and there were 9,027 active members and 4,951 retired persons covered under Article XVIII of the City Charter (hereinafter referred to as the New Pension System). Members appointed on or after the effective date of Article XXXV of the City Charter are covered under the new Safety Members Pension Plan.

The results of the Actuarial Valuation of the three Systems as of June 30, 1980 are shown on the following Actuarial Balance Sheet. These valuations were carried out on the basis of the actuarial assumption adopted as a result of the experience investigation over the four year period ended June 30, 1979, and, pursuant to the Resolution adopted by the Board of Pension Commissioners, upon a 7.75% interest assumption, a 6.125% salary increase assumption, and an assumed 6.00% annual cost of living increase.

The following comments may facilitate a review of the items shown on the Actuarial Balance Sheet.

Item 1 shows the aggregate assets 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 Entry Age Normal Cost and that portion attributable to the Unfunded Supplemental Present Value (also referred to as the Unfunded Accrued 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."

Item 5 was taken directly from the Accounting Balance Sheet. Items 6 through 10 show the actuarially computed liability for all benefits that will be paid under the Systems as they are presently constituted including Cost of Living Benefits.

The City Charter specifies that Cost of Living adjustments will be made to certain pensions each July 1 in accordance with changes in the Consumer Price Index. For the current valuations, we have assumed that persons eligible for such increases will receive future cost of living increases of 6% per annum. We have also assumed that persons eligible to receive "fluctuating" pensions in accordance with increases in salary granted active members will receive future benefit increases of 6% per annum.

**ACTUARIAL BALANCE SHEET AS OF
JUNE 30, 1980**

ASSETS

	Fire and Police Pension System	New Pension System	Combined
1. Assets from Accounting Balance Sheet.....	\$ 34,462,417	\$ 804,692,101	\$ 839,154,518
2. Present Value of Future Contributions by Members.....	2,203,594	181,735,250	183,938,844
3. Present Value of Future Contributions by the City for:			
(a) Entry Age Normal Cost:			
(i) Basic Benefits	5,063,220	373,687,153	378,750,373
(ii) Cost of Living Benefits	5,776,220	513,892,093	519,668,627
(iii) Total	10,839,754	887,579,246	898,419,000
(b) Unfunded Supplemental Present Value:			
(i) Basic Benefits	243,834,856	919,841,269	1,163,676,125
(ii) Cost of Living Benefits	327,285,485	1,686,085,800	2,013,371,285
(iii) Total	571,120,341	2,605,927,069	3,177,047,410
4. TOTAL CURRENT AND FUTURE ASSETS	<u>\$618,626,106</u>	<u>\$4,479,933,666</u>	<u>\$5,098,559,772</u>

LIABILITIES

5. Accounts Payable	\$ 3,189,673	\$ 12,264,082	\$ 15,453,755
6. Present Value of Present Pensions to Pensioners now on Pension Roll:			
(a) Service	166,182,804	1,197,066,144	1,363,248,948
(b) Disability	96,367,818	218,949,024	315,316,842
(c) Dependents	212,683,218	88,141,316	300,824,534
(d) Total	475,233,840	1,504,156,484	1,979,390,324
7. Present Value of Prospective Pensions to Dependents of Present Pensioners:			
(a) Service	60,221,401	314,916,556	375,137,957
(b) Disability	30,679,400	49,974,919	80,654,319
(c) Total	90,900,801	364,891,475	455,792,276
8. Present Value of Prospective Pensions to Presently Active Members:			
(a) Service	34,766,210	1,795,459,744	1,830,225,954
(b) Disability	5,079,830	336,679,969	341,759,799
(c) Total	39,846,040	2,132,139,713	2,171,985,753
9. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die in Active Service	468,921	30,036,707	30,505,628
10. Present Value of Prospective Pensions to Dependents of Presently Active Members who will die after Retirement:			
(a) Service	7,906,430	369,238,524	377,144,954
(b) Disability	1,080,401	67,206,681	68,287,082
(c) Total	8,986,831	436,445,205	445,432,036
11. TOTAL LIABILITIES	<u>\$618,626,106</u>	<u>\$4,479,933,666</u>	<u>\$5,098,559,772</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 Board of Pension Commissioners will prepare a budget each year setting forth the estimated cost of maintaining these retirement systems with the following items budgeted separately:

1. An amount equal to the City's share of defined Entry Age Cost as a level percentage of compensation.
2. An amount equal to a percentage of the salaries of all New Pension System members and a dollar amount for all Fire and Police Pension System members necessary to amortize the "Unfunded Accrued Liability" (also referred to as the Unfunded Supplemental Present Value) of the Systems over a 70-year period beginning with 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 Board of Pension Commissioners' budget for the fiscal year commencing July 1, 1981 be as follows:

	Percentage of Members' Salaries of: Fire and Police Pension System	New Pension System
1. Entry Age Contribution:		
(a) Basic Benefits	14.0%	14.4%
(b) Cost of Living Benefits	<u>16.2%</u>	<u>19.8%</u>
(c) Total	30.2%	34.2%
2. Unfunded Supplemental Present Value Contribution and Health Plan Subsidy as a Percentage of Salary:		
(a) Basic Benefits	Not	10.2%
(b) Cost of Living Benefits	Applicable	<u>17.6%</u>
(c) Total		27.8%
3. Total Percentage of Salary Contribution:		
(a) Basic Benefits	14.0%	24.6%
(b) Cost of Living Benefits	<u>16.2%</u>	<u>37.4%</u>
(c) Total	30.2%	62.0%
4. Unfunded Supplemental Present Value Contribution and Health Plan Subsidy as an Annual Dollar Amount:		
(a) Basic Benefits	\$19,227,255	Not
(b) Cost of Living Benefits	<u>24,858,822</u>	Applicable
(c) Total	\$44,086,077	

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 56 years (from July 1, 1981) by contributions which are projected to remain level as a percentage of salary but which will increase in dollar amount in accordance with the aggregate salary increase assumption; aggregate salaries are assumed to increase at the cost of living assumption of 6%. It is to be noted that this treatment will develop contributions in the early amortization years which will be less than the interest requirement on the liability. Accordingly, the dollar amount of the Unfunded Supplemental Present Value can be expected to increase for 43 years although as a percentage of salary it is projected to decrease.

Section 190.10 of the City Charter refers to Cost-of-Living contributions by New Pension System members as follows:

"That percentage of the amount of salary, as shown on each such payroll, of each System Member whose name appears thereon, but not to exceed 1% thereof, which shall be equal to $\frac{1}{2}$ of the cost of the benefits provided by Section 190.14 as shall be determined by the Board upon an actuarial valuation obtained by it pursuant to Section 190.08, . . ."

The total cost of Cost of Living benefits for the New Pension System amounts to 38.4%. 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.

Section 528 of Article XXXV of the Charter of the City of Los Angeles specifies that Board of Pension Commissioners will prepare a budget each year setting forth the estimated cost of maintaining the Safety Members Pension Plan with the following items budgeted separately:

1. An amount equal to the City's share of a defined Entry Age Cost as a level percentage of salary.
2. An amount equal to a percentage of the salaries of all members of the Safety Members Pension Plan necessary to amortize any Unfunded Accrued Liability.
3. An amount to provide for any benefits granted by the City Council by ordinance.
4. An amount to provide for administrative expenses.

Pursuant to Subparagraph 1, above, we recommend that the Board of Pension Commissioners' budget for the fiscal year commencing July 1, 1981 be as follows:

Percentage of Members' Salaries of the Safety Members Pension Plan	
Entry Age Contribution:	
(a) Basic Benefits	12.6%
(b) Cost of Living Benefits	<u>7.6</u>
(c) Total	20.2%

In our opinion, if these recommendations are adopted, the Fire and Police Pension System, the New Pension System, and the Safety Members Pension Plan, 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.

COOPERS & LYBRAND
CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF
COOPERS & LYBRAND (INTERNATIONAL)

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 for the years ended June 30, 1980 and 1979, and the related statement of revenues, expenditures and changes in deficit 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 aforementioned financial statements present fairly the financial position of the City of Los Angeles Fire and Police Pension System at June 30, 1980 and 1979 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

Los Angeles, California
February 23, 1981

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

BALANCE SHEETS
June 30, 1980 and 1979

	1980	1979
ASSETS:		
Cash and temporary investments:		
Deposits with Treasurer of the City of Los Angeles:		
Restricted	\$ 335,019	\$ 357,364
Unrestricted	610,838	962,010
	945,857	1,319,374
Cash revolving funds	500	500
Temporary short-term investments, at cost plus accrued interest, which approximates market	146,020,957	155,413,456
	\$ 146,967,314	\$ 156,733,330
Receivables:		
Interest and dividends receivable	12,819,795	9,105,585
Due from brokers and others	69,627	4,376,999
Contributions	6,589,298	14,438,490
	19,478,720	27,921,074
Investments:		
Bonds, at amortized cost (market value \$509,633,950 in 1980 and \$378,896,079 in 1979)	542,147,489	407,729,849
Common stock, at cost (market value \$127,369,372 in 1980 and \$122,802,190 in 1979)	130,556,862	133,364,845
Treasurer's deeds, at cost	735	735
Real property, at cost	3,398	3,398
	672,708,484	541,098,827
Total assets	\$ 839,154,518	\$ 725,753,231
LIABILITIES AND DEFICIT:		
Benefits in process of payment	\$ 70,133	\$ 1,727,277
Accounts payable	15,383,622	349,202
	15,453,755	2,076,479
Estimated liability for pensions, at actuarial valuation (Note 3):		
Pensioners	2,434,847,581	1,843,319,793
Active members	1,565,565,573	1,289,993,212
	4,000,413,154	3,133,313,005
	4,015,866,909	3,135,389,484
Deficit:		
Accumulated deficit	(3,177,047,410)	(2,409,874,568)
Workers' Compensation Fund (Note 5)	335,019	238,315
Total liabilities and deficit	(3,176,712,391)	\$ (2,409,636,253)
	\$ 839,154,518	\$ 725,753,231

The accompanying notes are an integral part of the financial statements.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN DEFICIT
For the Year Ended June 30, 1980 and 1979

	1980	1979
Revenues:		
Taxes	\$152,144,133	\$ 84,056,712
Appropriations from City of Los Angeles General Fund	4,089,464	62,027,251
Members' contributions	17,369,257	16,104,051
Sales of unclaimed property	146,511	148,754
Donations	16	37
Miscellaneous	1,248	508
	\$ 173,750,629	\$ 162,337,313
Investment income:		
Interest	59,340,364	42,207,125
Dividends	6,123,866	5,570,023
(Loss) on disposition of investments ..	(20,652,822)	(3,113,823)
	44,811,408	44,663,325
Total revenues	218,562,037	207,000,638
Expenditures:		
Benefits paid to participants:		
Service	75,155,039	67,183,719
Disability	16,086,700	13,931,941
Surviving spouses	24,049,065	22,386,394
Minors and dependents	363,302	321,714
Health insurance subsidy	1,449,359	1,217,737
	117,103,465	105,041,505
Administrative expenses	1,434,561	1,279,307
Total expenditures	118,538,026	106,320,812
Excess of revenues over expenditures before addition to estimated liability for pension requirements	100,024,011	100,679,826
Addition to pension liability requirements Deficiency for the year	867,100,149	427,084,840
	(767,076,138)	(326,405,014)
Deficit, beginning of year	(2,409,636,253)	(2,083,231,239)
Deficit, end of year	(\$3,176,712,391)	(\$2,409,636,253)

The accompanying notes are an integral part of the financial statements.

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS**

1. Description Of Plan:

The City of Los Angeles Fire and Police Pension System operates under provisions of the City Charter of the City of Los Angeles.

In general, the System is a defined benefit pension plan covering all firefighters and police officers of the City of Los Angeles. Benefits are based on members' final compensation and term of service. In addition, the plan provides for disability benefits under certain conditions and benefits to eligible survivors. The System is composed of two groups. Those members hired prior to January 26, 1967 participate in the first established Fire and Police Pension System (Old System) unless they requested transfer to the New Pension System (New System) established for members hired on or after January 26, 1967.

Members with 20 or more years of service are entitled to annual pension benefits equal to 40% of their final compensation, increasing for each year of service over 20 years to a maximum of 70% for 30 or more years of service. There is no minimum age requirement for retirement. Members who terminate their employment for reasons other than death or disability forfeit their accumulated plan benefits including any contributions they have made to the System. The plan provides for cost-of-living increases in the benefits.

2. Summary of Significant Accounting Policies:

Basis Of Presentation

The System's financial statements are prepared on the accrual basis of accounting. Contributions and other income are recorded when earned, expenses when incurred, and gains or losses on investments in the year of disposition.

Investments

Bonds are recorded at face value less unamortized discount, or plus unamortized premium. Bond premium and discounts are amortized to maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired. The stated market value of investments is generally based on published market prices and quotations from major investment dealer firms.

Except for short-term investments, all securities are purchased as long-term investments. Under these circumstances, securities are initially recorded at cost with no recognition of temporary fluctuations in market value. The initial cost of debt-type securities is adjusted through the amortization process.

3. Estimated Liability For Pensions:

The estimated liability for pensions reflects the liabilities as determined by the System's actuaries based upon actuarial valuations as of June 30, 1980 and 1979. Such liabilities represent computed amounts, which if such amounts were held by the System with additions from future contributions to be received to cover normal costs and with interest on investments compounded annually at a certain assumed rate, would be sufficient to meet the pension obligations. In 1980 the valuations were determined on the basis of (1) actuarial assumptions adopted as a result of a four-year (July 1, 1975-June 30, 1979) experience investigation made by an actuarial consulting firm (in prior years valuations

were determined using an investigation as of December 31, 1975) and (2) economic assumptions adopted by the Board of Pension Commissioners.

The economic assumptions consist of the following:

	<u>1980</u>	<u>1979</u>
Investment return	7¾%	7¼%
Annual salary scale increase	6½%	5¼%
Annual cost of living increase	6	5¼

The changes in actuarial experience and economic assumptions noted above had the effect of increasing the additions to pension liability requirement by \$356,027,666.

4. Funding Policy:

As a condition of participation, members are required to contribute a percentage of their salary to the System. The System's actuaries in their reports as of June 30, 1980 and June 30, 1979 recommended that New Pension System (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 (Old System) members are required by the City Charter to contribute 6% of salary.

The Charter of the City of Los Angeles specifies that the City will make the following contributions each year:

- a. An amount equal to the City's share of defined entry age costs.
- b. An amount equal to a percentage of salaries of all New System members, and a dollar amount for Old System members, necessary to amortize the "unfunded liability" of the system over a 70 year period beginning with the fiscal year commencing July 1, 1967.
- c. An amount to provide for Health Plan subsidies for retired members.
- d. An amount to provide for administrative expenses.

Accordingly, the actuaries for the System have determined the contributions for items (a), (b) and (c) above for the fiscal year commencing July 1, 1981 to be as follows:

	<u>Percentage of Members' Salaries</u>	
	<u>Fire and Police Pension System</u>	<u>New Pension System</u>
Entry age contribution	30.2%	34.2%
Unfunded liability and health plan subsidy	*	27.8
	<u>30.2%</u>	<u>62.0%</u>

* Stated as required dollar amount of \$44,086,077.

The actuarially determined unfunded liability of the System is \$3,177,047,410 at June 30, 1980 and \$2,409,874,568 at June 30, 1979 (which takes into account the present values of future normal cost contributions by both the members and the City). In accordance with the City Charter, the amount at June 30, 1980 is to be amortized over the next 57 years through contributions to be made by the City. Contributions on behalf of the New Pension System should remain level as a percentage of salary but will increase in dollar amount in accordance with the assumed salary scale increase at 6½% per annum compounded annually. This treatment is projected to develop contributions

which will be less than the interest requirements on the liability until the year 2023. Contributions to provide for the unfunded liability on behalf of the Fire and Police Pension System is determined as a level dollar amount over the remaining 57 year amortization period.

5. 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 \$303,296 made during the year ended June 30, 1980 (\$525,636 for 1979) are included under "Benefits Paid To Participants".

6. Contingent Liabilities:

Several legal actions against the Board of Pension Commissioners were pending at June 30, 1980. Except for two class actions for which the combined potential liability is deemed to be not material to the net assets of the System, Counsel for the Fire and Police Pension System believes that good and meritorious defenses exist and that the Board should prevail.

DEPARTMENT OF PENSIONS
ADMINISTRATIVE EXPENSE COMPARISON

SCHEDULE 1

Operating Expense	1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74
Salaries	\$ 636,935	\$ 566,713	\$ 515,625	\$ 461,699	\$420,573	\$392,171	\$319,517
Overtime .....	.....	.....	288	280	795	2,295	.....
Office and Administrative Expense.....	43,441	37,995	34,378	35,797	29,383	25,056	16,559
Operating Supplies and Expense	7,800	2,200	.....	.....	.....	.....	.....
Printing and Binding	11,721	13,921	8,553	10,364	9,114	6,747	5,498
Traveling	13,894	7,499	12,017	15,947	7,400	6,569	6,254
Contractual Services	423,610	387,966	288,514	310,858	226,283	190,667	107,181
Field Equipment	800	(367)	460	659	573	570	569
Petroleum Products	1,566	(500)	1,200	449	769	562	570
Transportation	2,259	3,336	988	1,304	1,116	722	513
Annual Audit	8,000	6,000	6,000	5,050	5,050	4,250	3,820
Governmental Meetings	35	.....	225	70	.....	1,960	395
Litigation	35,680	26,284	23,913	27,923	17,900	8,428	9,018
Medical Services	153,374	176,614	134,502	131,300	100,985	47,842	30,784
Actuarial Expense	19,000	11,900	15,900	8,500	17,500	8,500	8,500
Health Insurance	25,800	22,046	18,929	18,499	12,573	8,418	4,451
Retirement Contributions	13,129	14,160	12,607	11,292	7,264	.....	.....
Tuition Reimbursement .....	.....	.....	166	156	.....	.....	.....
Dental Insurance	3,877	3,224	2,972	2,729	620	.....	.....
Equipment, Furniture & Fixtures	33,641	316	11,840	11,616	3,910	7,797	5,018
	<u>\$1,434,562</u>	<u>\$1,279,307</u>	<u>\$1,089,077</u>	<u>\$1,054,492</u>	<u>\$861,808</u>	<u>\$712,554</u>	<u>\$518,647</u>

**DEPARTMENT OF PENSIONS
STATEMENT OF OPERATIONS
Fiscal Years 1973-74 to 1979-80**

Schedule 2

REVENUES	1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74
Taxes	\$ 152,144,133	\$ 84,056,712	\$ 115,361,071	\$ 112,730,821	\$ 102,938,709	\$ 89,414,396	\$ 87,397,038
Appropriations from General Fund	4,089,464	62,027,251					
Dividends	6,123,866	5,570,023	5,018,001	3,975,236	2,960,875	2,817,894	2,448,289
Interest	59,340,364	42,207,125	33,943,580	28,456,089	22,654,773	18,425,424	13,119,191
Gain (Loss) on Sales of Investments	(20,652,822)	(3,113,823)	(2,639,822)	1,744,096	2,409,035	631,849	1,563,851
Members' Contributions	17,369,257	16,104,051	15,804,432	14,749,506	15,694,080	12,642,986	11,276,454
Sales of Unclaimed Property	146,511	148,754	194,243	184,006	146,398	109,199	94,489
Donations	16	37	180	222	365	371	9,244
Miscellaneous	1,248	508	2,684	1,101	3,316	11,324	31,298
***TOTAL REVENUES available for current year's expenditures	\$ 218,562,037	\$ 207,000,638	\$ 167,684,369	\$ 161,841,077	\$ 146,807,551	\$ 124,053,443	\$ 115,939,854
EXPENDITURES							
Pensions Paid							
Service	\$ 75,155,039	\$ 67,183,719	\$ 56,359,503	\$ 49,190,942	\$ 43,160,457	\$ 38,340,313	\$ 31,662,143
Disability	16,086,700	13,931,941	12,475,580	10,243,947	8,683,637	7,333,963	6,334,436
Widows	24,049,065	22,386,394	20,762,266	19,011,550	17,450,355	16,284,184	13,601,122
Minors & Dependents	363,302	321,714	311,202	277,665	325,972	288,431	291,919
TOTAL PENSIONS	\$ 115,654,106	\$ 103,823,768	\$ 89,908,551	\$ 78,724,104	\$ 69,620,421	\$ 62,246,891	\$ 51,889,620
Administrative Expense	\$ 1,434,562	\$ 1,279,307	\$ 1,089,077	\$ 1,054,492	\$ 861,808	\$ 712,554	\$ 518,647
Health Insurance Subsidy	1,449,359	1,217,737	1,004,154	760,614	349,111	61,118	.....
TOTAL EXPENDITURES	\$ 118,538,027	\$ 106,320,812	\$ 92,001,782	\$ 80,539,210	\$ 70,831,340	\$ 63,020,563	\$ 52,408,267
EXCESS OF REVENUES OVER EXPENDITURES	\$ 100,024,010	\$ 100,679,826	\$ 75,682,587	\$ 81,301,867	\$ 75,976,211	\$ 61,032,880	\$ 63,531,587
Reduction of (addition to) Actuarial Reserve	(867,100,149)	(427,084,840)	(217,083,265)	(304,924,672)	(427,563,454)	(151,654,957)	(154,211,797)
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	(767,076,138)	(326,405,014)	(141,400,678)	(223,622,805)	(351,587,243)	(90,622,077)	(348,876,753)
Fund deficit at beginning of year	(2,409,636,253)	(2,083,231,239)	(1,941,830,561)	(1,718,207,756)	(1,366,620,513)	(1,152,414,193)	(803,537,440)
Fund deficit at end of year	\$(3,176,712,391)	\$(2,409,636,253)	\$(2,083,231,239)	\$(1,941,830,561)	\$(1,718,207,756)	\$(1,243,036,270)	\$(1,152,414,193)

*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.

***Restated to reflect the relocation of Gain (Loss) on Sales of Investments under the major heading REVENUES.