CITY OF LOS ANGELES

BOARD OF PENSION COMMISSIONERS

Annual Report 1983

DEPARTMENT OF PENSIONS

FIRE AND POLICE PENSION SYSTEMS

MAYOR

Tom Bradley

CITY ATTORNEY

Ira Reiner

CONTROLLER

James Kenneth Hahn

CITY COUNCIL

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Joan Milke Flores, President Pro Tempore

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Tenth District

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Eleventh District

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Twelfth District

Peggy Stevenson
Thirteenth District

Arthur K. Snyder
Fourteenth District

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Fifteenth District

DEPARTMENT OF
PENSIONS
Room 501, City Hall South
Los Angeles, Ca 90012

ANNUAL REPORT 1983

GENERAL MANAGER
Gary Mattingly

ASSISTANT MANAGERS
William S. Hutchison
James J. McGuigan

LEGAL
Siegfried O. Hillmer
Assistant City Attorney

ACTUARY
Towers, Perrin, Forster & Crosby

AUDITOR
Touche Ross & Co.

CUSTODIAN BANK
Bankers Trust Company

INVESTMENT ADVISORS
Chemical Bank
Security Pacific Investment Managers
Wright Investors' Service
The Boston Company

PERFORMANCE MEASUREMENT
A. G. Becker Incorporated

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CITY OF LOS ANGELES

CALIFORNIA

TOM BRADLEY
MAYOR

DEPARTMENT OF PENSIONS
501 CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012-4182
485-2833

GARY MATTINGLY
GENERAL MANAGER

Board of Pension Commissioners
1982-83 Annual Report

Honorable Tom Bradley, Mayor
and
Honorable Members of the
City Council

Honorable Members:

Presented herewith is the Annual Report on the affairs and operations of the Department of Pensions for the fiscal year ended June 30, 1983 in accordance with Section 64 of the City Charter.

This report includes financial statements prepared by Touche, Ross & Co. and a summary report of the actuary, Towers, Perrin, Forster & Crosby.

We are pleased to report that the market value of pension system assets increased by $514 million, or 53 percent during the past year to a total of $1.487 billion.

Total revenues for the year also reflect a 28% increase over the previous year due primarily to gains in investments and a new securities lending program instituted during the year. Significant growth in revenues was accomplished despite a $36.2 million decrease in City contributions due to passage of Charter Amendment H and a resulting decrease in actuarial funding requirements.

The number of active members increased by 179, or 2 percent, to a total of 9600. The monthly pension roll increased by $.17 million, or 1 percent, to $14.7 million.

Respectively submitted,

David Bow Woo

DAVID BOW WOO
PRESIDENT
BOARD OF PENSION COMMISSIONERS

Dave Velasquez, Vice-President
Sherman ~~Sheldon~~ Andelson, Commissioner
Dellene Arthur, Commissioner
Bert Cohen, Commissioner
Sam Diannitto, Commissioner
Kenneth Staggs, Commissioner

BOARD OF PENSION COMMISSIONERS

DAVID BOW WOO
PRESIDENT
DAVE VELASQUEZ
VICE-PRESIDENT
SHERMAN L. ANDELSON
DELLENE ARTHUR
BERT COHEN
SAM DIANNITTO

CITY OF LOS ANGELES

CALIFORNIA

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GARY MATTINGLY
GENERAL MANAGER

The Honorable Board
of Pension Commissioners
City of Los Angeles

Honorable Members:

Fiscal year 1983 was clearly a significant year for the Los Angeles Fire and Police Pension System.

Our rate of return on investments was 47 percent, not only setting a record for our investment returns but also outranking 62 percent of the pension funds as measured by A. G. Becker and Company, Inc. The equity portion of our portfolio earned 69 percent while the bond portion, which was in the top 14 percent of funds measured by Becker, returned 35 percent.

Our first contract with a master custodian, Bankers Trust Company, was approved allowing thousands of stock and bond certificates to be moved from the City Treasurer's vault to the Depository Trust Company in New York to facilitate electronic processing. This contract also allowed us, for the first time, to engage in securities lending which will return several hundred thousand dollars per year in additional revenue.

In June of 1982 the electorate placed a three percent cap on pensioners' cost of living adjustments for service earned after July 1, 1982 (Proposition H). We are currently being sued by the Los Angeles Police Protective League and the United Firefighters of Los Angeles City seeking a removal of this three percent cap. The eventual resolution of this lawsuit could have significant impact on our future liabilities and required contributions from the City.

Hon. Board of Pension
Commissioners

Page 2.

The electorate in November 1982 approved the transfer of paramedics and civilian ambulance drivers from the City Employees Retirement System to the Fire and Police Pension System. This Charter change increased our active membership by approximately 450 members.

In April 1983 the electorate approved allowing active members to discontinue employee contributions to the Pension System upon the completion of 30 years of service.

During 1983 a major modernization project was begun to convert 18,000 active and retired member files to a computer-accessed microfilm system. When completed, this automated filing system will reduce access time to member records, improve security and save labor costs and space.

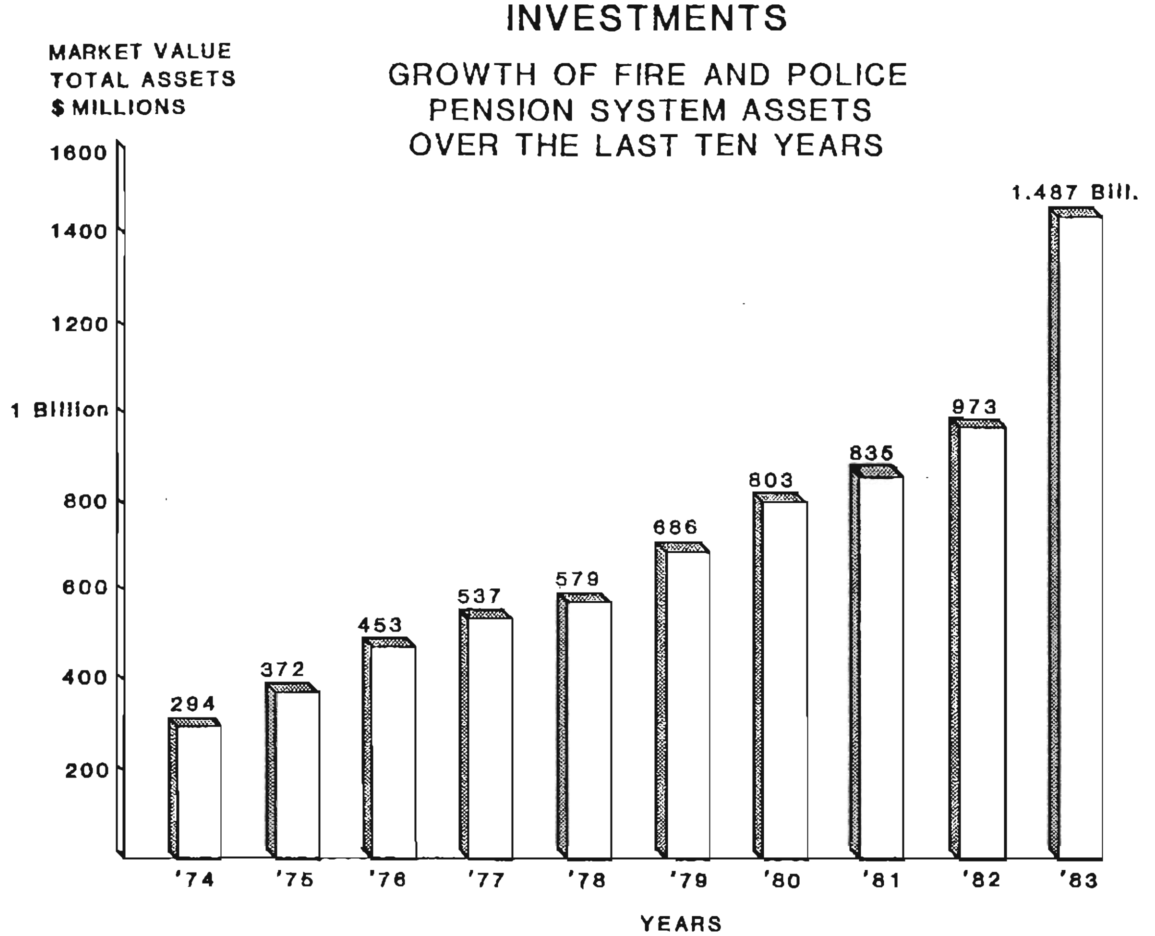
Clearly, fiscal year 1983 has been one of change within the Los Angeles Fire and Police Pension System. During fiscal year 1984, the Department of Pensions will continue to look forward to meeting the challenges brought about by these changes and in continuing to meet the needs of our members.

Very truly yours,

Gary Mattingly

GM:ph

INVESTMENTS

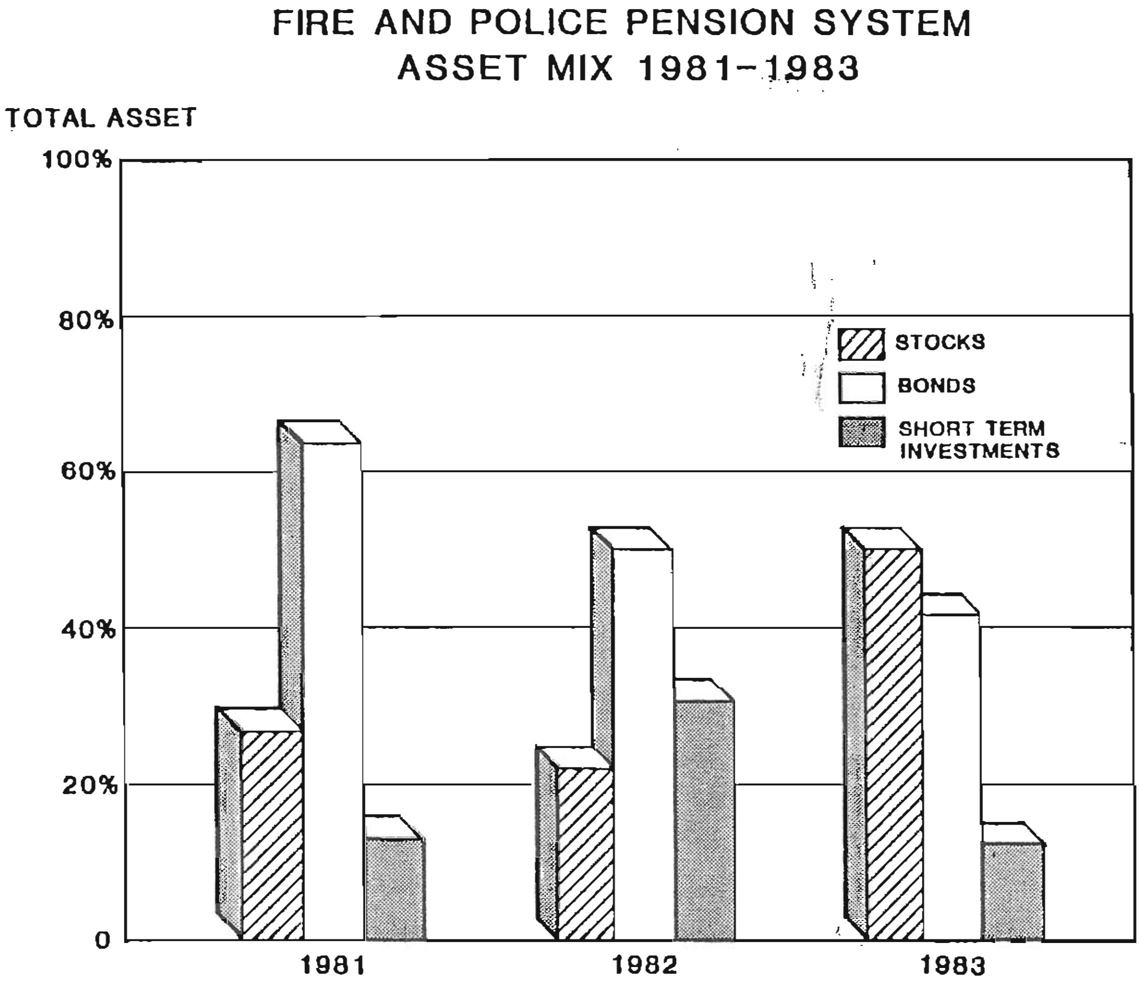


As demonstrated by the above chart, the Fire and Police Pension System assets continued to grow to a record market value of $1.487 billion.

Investments in bonds increased by $74.16 million to a total of $519.18 million, while common stocks increased by $553.43 million to a total of $759.63 million. Temporary investments in money market instruments decreased by $129.80 million to a total of $169.04 million. This reflected the continued implementation of the asset reallocation strategy by the Board of Pension Commissioners upon the counsel of the investment advisors to increase the overall commitment to the stock market to 60% of assets while decreasing commitment of bonds to 40%. This strategy was completed in the middle of the fiscal year. Part of the decrease in money market instruments was due to a much higher commitment by equity managers of their allocated assets to the stock market.

Revenues from interest and dividends decreased by $6.24 million to a total of $97.51 million. This decline reflected the shift of assets away from bonds toward stocks, thereby giving up income in pursuit of a higher total rate of return. The City's contribution to the cost of the system, provided by taxes and assistance from the General Fund, decreased by $36.17 million to a total of $191.36 million. Member contributions decreased by $231.000, to a total of $20.88 million. Benefits paid to participants increased by $19.18 million to a total of $179.43 million.

Realized capital gains during the year amounted to a net of approximately $61.64 million. This is a reversal of the capital losses this fund has experienced since 1978. Most of these losses were due to loss recognition in bond swaps, where the capital loss was fully recognized whenever a bond traded at a loss.



The fund showed an excellent relative performance for fiscal year 1982-83, returning 46.9% and outperforming 62% of the balanced funds as measured by the A.G. Becker investment measurement service.

The performance of the equity portion of the fund, up 68.8%, compared very favorably with the stock market environment, where the annual return for the Standard & Poor's 500 Index was 61.2%.

As indicated above, asset allocation for the year ending June 30, 1983 showed increased asset deployment to stocks and a decreased emphasis on bonds and short term investments. All new monies were allocated to common stock managers, who committed these funds to stocks.

The bond portion of the fund ranked in the top 14% of funds measured by the Becker service, with an annual rate of return of 35.4%. There was a high turnover in issues, 98.9%, as the two bond managers, Boston Company and Security Pacific Investment Management, continued an aggressive bond swap strategy.

The equity portion of the fund showed a net gain due primarily to a rising market. The equity managers, Security Pacific Investment Managers, Wright Investor's Service, and Chemical Bank, committed between 84 and 96% of their assets under management to equity investments. The equity portion of the fund was a highly diversified, lower-than-market-risk porfolio.

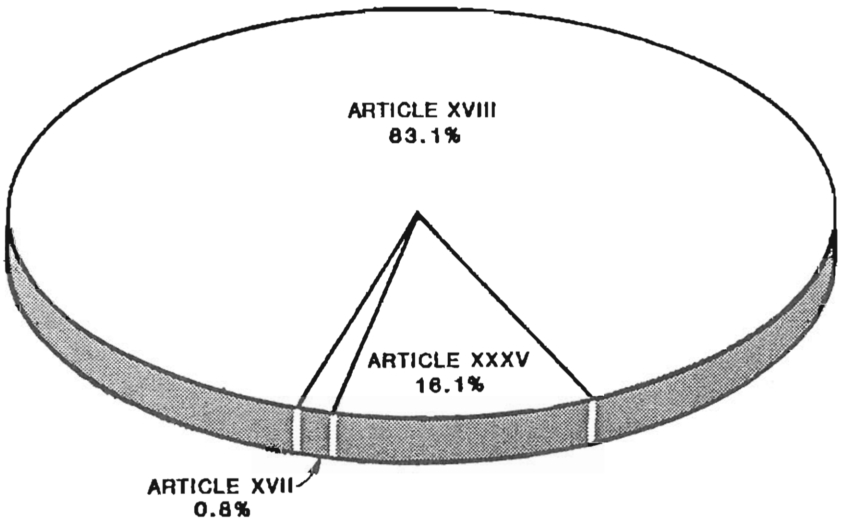
ANNUAL RATES
OF RETURN BASED ON MARKET VALUE

Fiscal Year	Equities	Bonds	Total Fund *
Ended June 30			
1976	7.3%	11.6%	8.9%
1977	-5.4%	13.8%	7.4%
1978	-.1%	-.5%	.3%
1979	12.1%	6.97%	8.2%
1980	15.2%	-2.0%	5.8%
1981	20.5%	-8.9%	-1.3%
1982	-13.9%	12.7%	6.2%
1983	68.8%	35.4%	46.9%

* Total fund includes short term investments

MEMBERSHIP

ACTIVE MEMBERS



MEMBERSHIP BY ARTICLE:

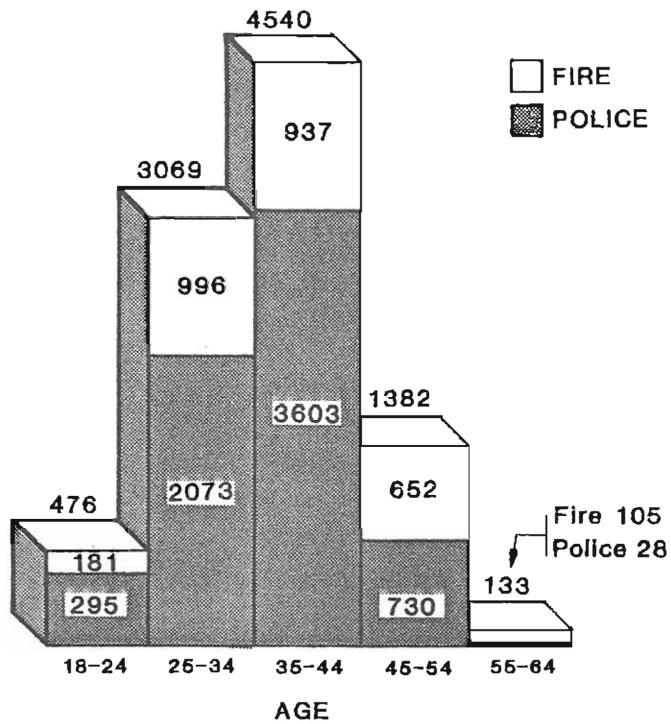
	FIRE	POLICE	TOTAL
XVII	9	70	79
XVIII	2313	5660	7973
XXXV *	548	1000	1548
	2870	6730	9600

* Paramedics and Ambulance Drivers included in Fire Department beginning in 1983.

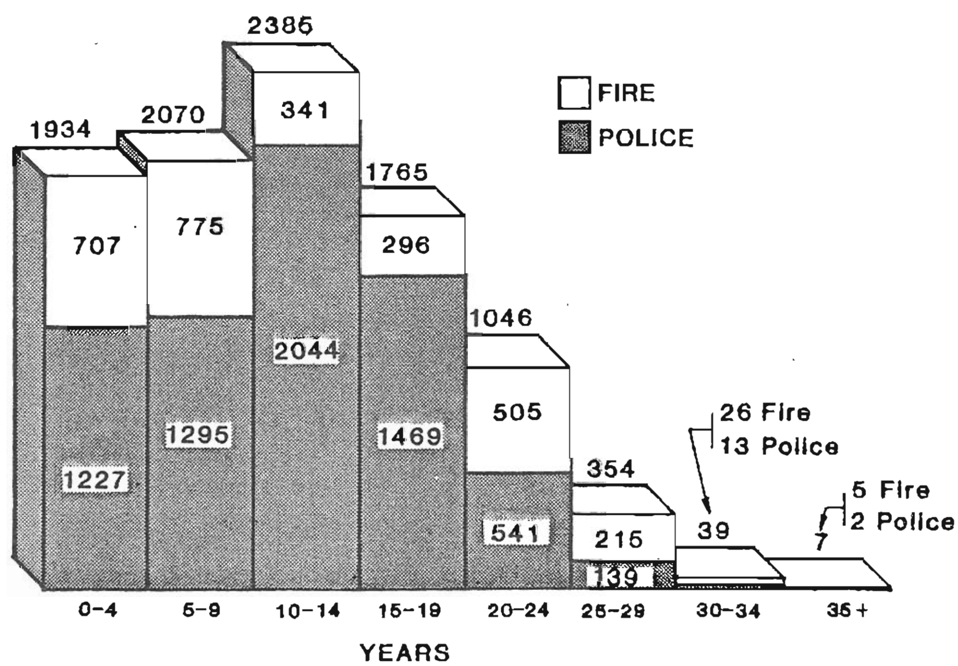
Three separate pension plans cover the active membership of the Los Angeles Fire and Police Pension Systems. Of these, the Fire and Police Pension System (Article XVII) and the New Pension System (Article XVIII) are closed to new members. As expected, membership in these pension plans continued to decline during the fiscal year 1983 as members either retired or terminated employment.

Membership in the Safety Members Pension Plan (Article XXXV) rose significantly due to the addition of new hirees and the transfer of paramedics and civilian ambulance drivers from the City Employees' Retirement System (CERS). Total membership in the three pension plans which comprise the Los Angeles Fire and Police Pension Systems, as of June 30, 1983, equalled 9,600, a net increase of 179 members since June 30, 1982.

AGE COMPARISON BY DEPARTMENT
(Active Members)

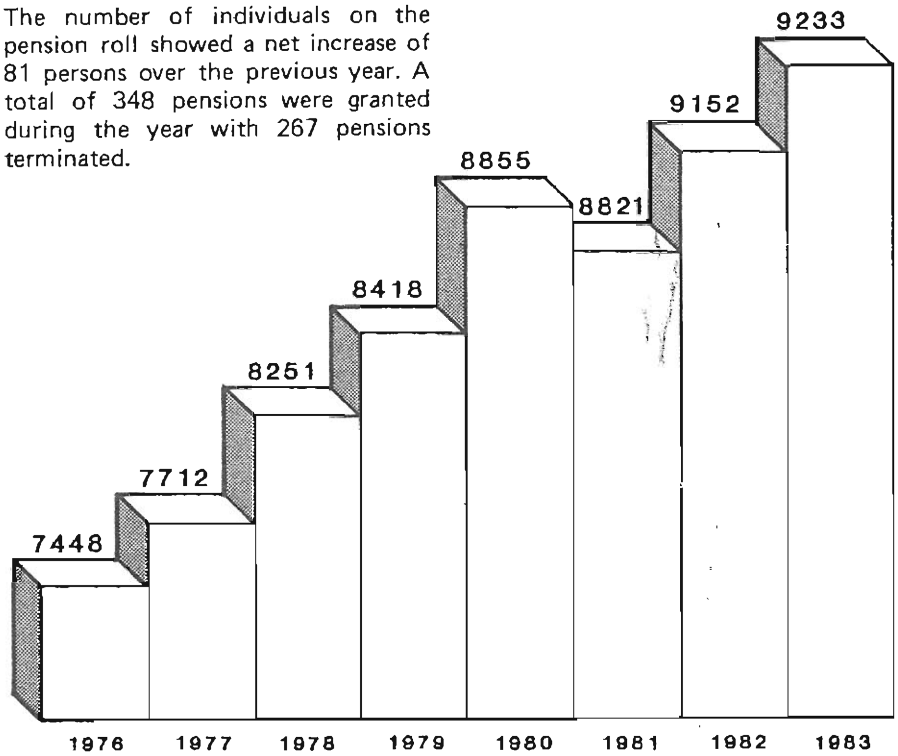


COMPARISON OF YEARS OF SERVICE BY DEPARTMENT
(Active Members)



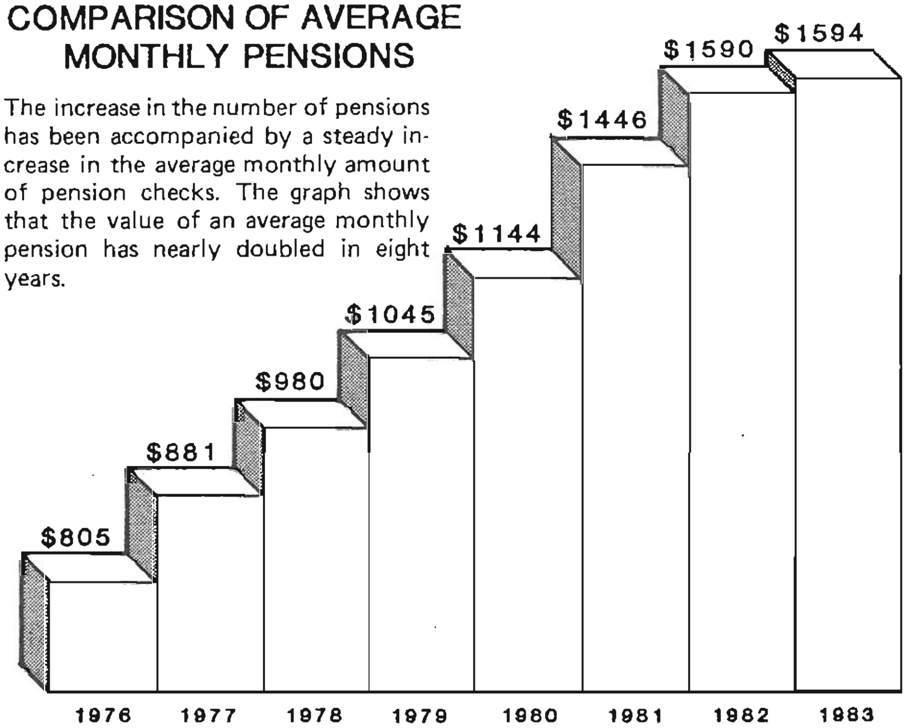
RETIRED MEMBERS

The number of individuals on the pension roll showed a net increase of 81 persons over the previous year. A total of 348 pensions were granted during the year with 267 pensions terminated.



COMPARISON OF AVERAGE MONTHLY PENSIONS

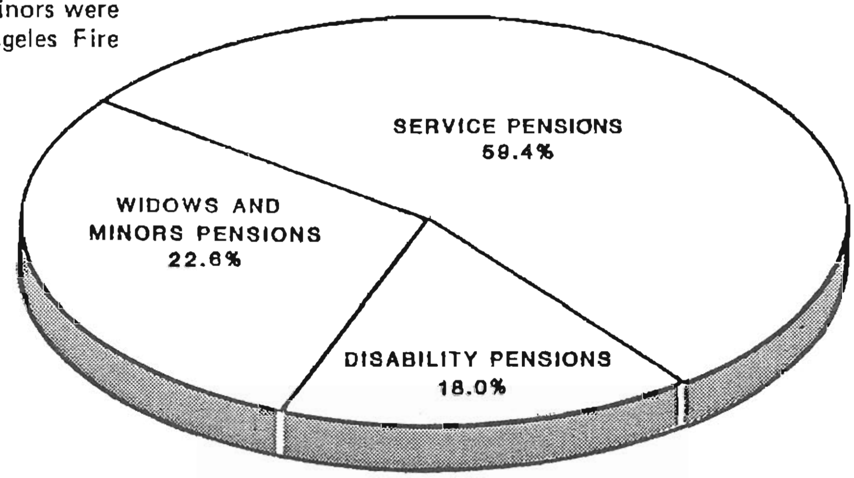
The increase in the number of pensions has been accompanied by a steady increase in the average monthly amount of pension checks. The graph shows that the value of an average monthly pension has nearly doubled in eight years.



*TO NEAREST DOLLAR

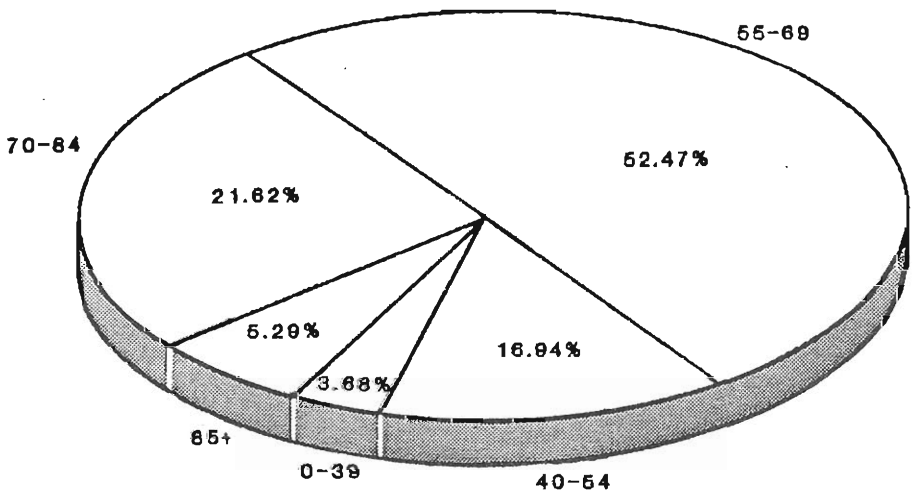
TYPES OF PENSIONS

Pension benefits are payable to System Members and their survivors. As of June 30, 1983, 5,487 service pensions, 1,662 disability pensions and 2,084 pensions to widows and minors were being paid by the Los Angeles Fire and Police Pension Systems.



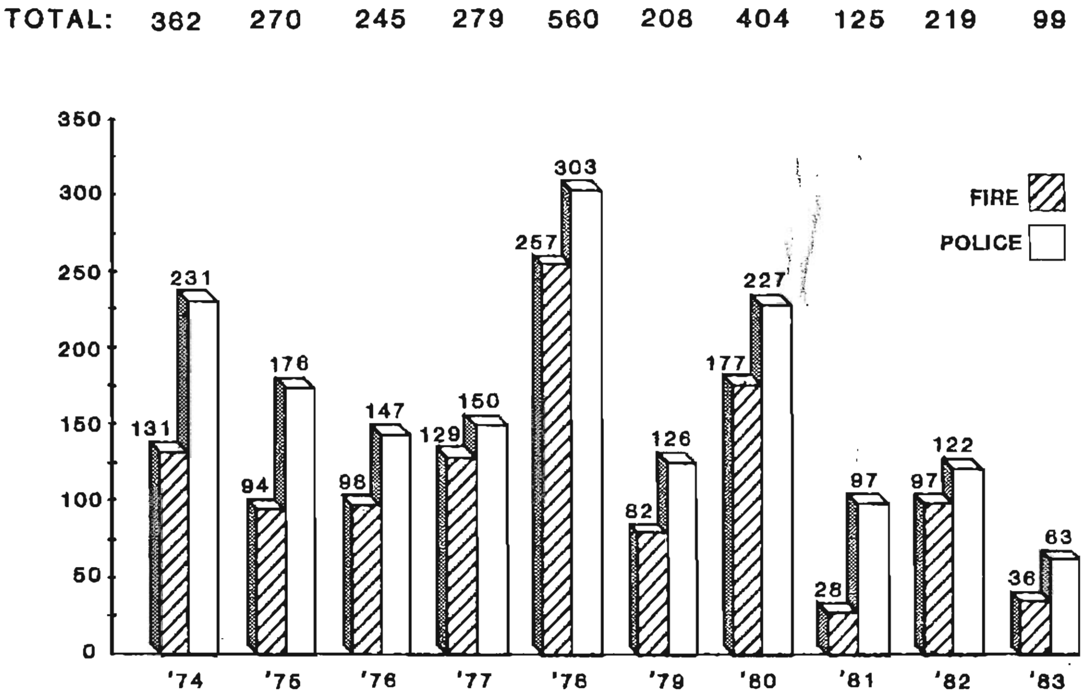
AGE MIX OF PENSIONS

AS OF JUNE 1983



AGE	NUMBER
0-39 =	340
40-54 =	1564
55-69 =	4845
70-84 =	1996
85+ =	488
TOTAL =	9233

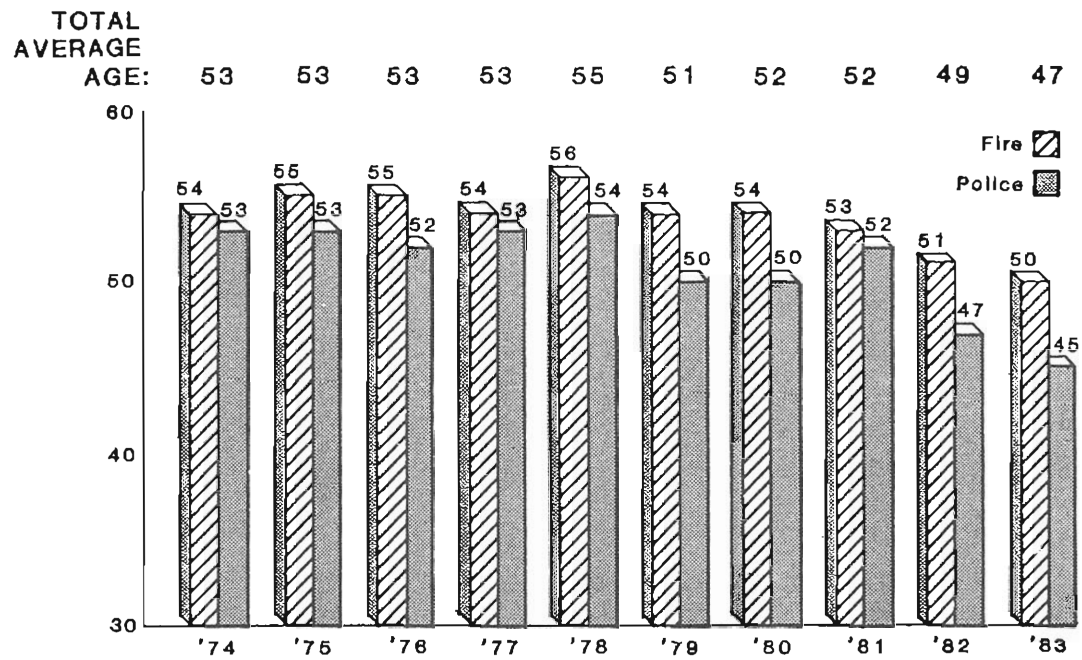
SERVICE PENSIONS



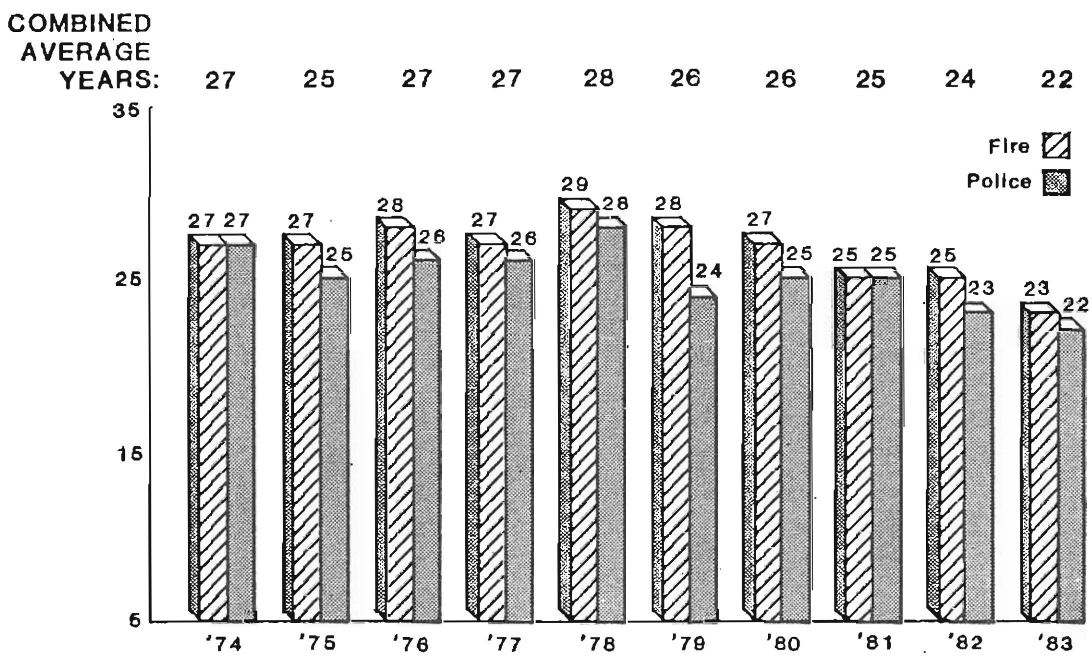
The above graph illustrates the total number of members who have retired on service pensions, by department, for the last ten fiscal years. Although no trends are indicated, the graph shows that the number of service pension retirements in the Police Department decreased between fiscal years 1982 and 1983 by 48% – from 122 to 63. During the same time, Fire Department service pension retirements decreased by 63% – from 97 to 36.

The graphs on the following page give a comparison of the average age and average years of service at retirement by department. Both indicate a general downward trend since 1978. This overall trend continued during 1983 with both departments showing a decrease in average years and age at retirement.

AVERAGE AGE AT RETIREMENT BY DEPARTMENT

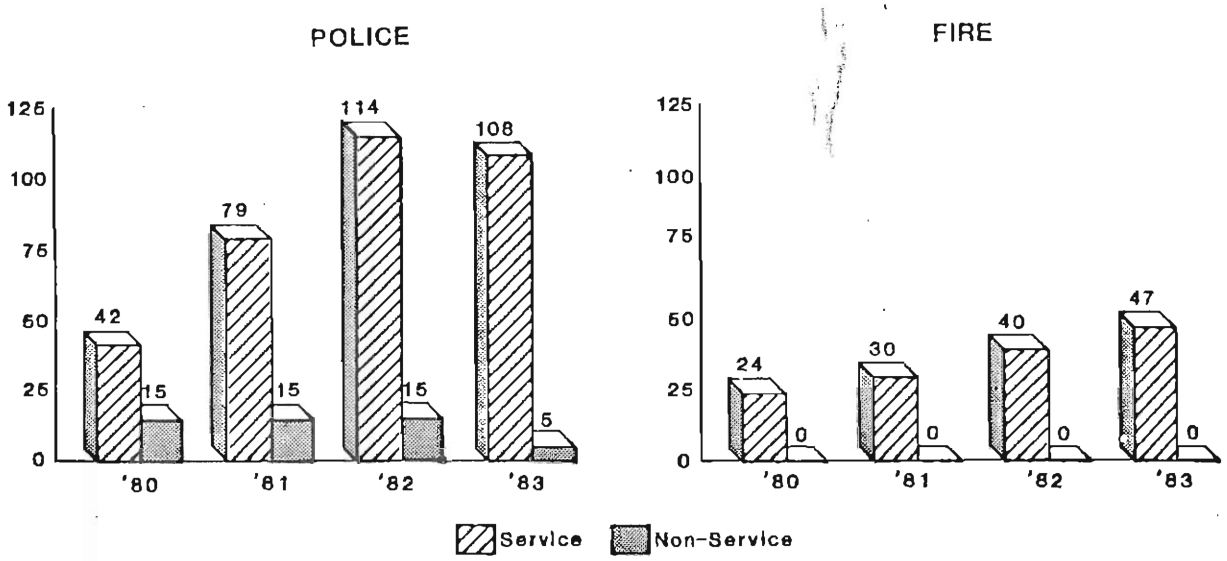


AVERAGE YEARS OF SERVICE AT RETIREMENT BY DEPARTMENT

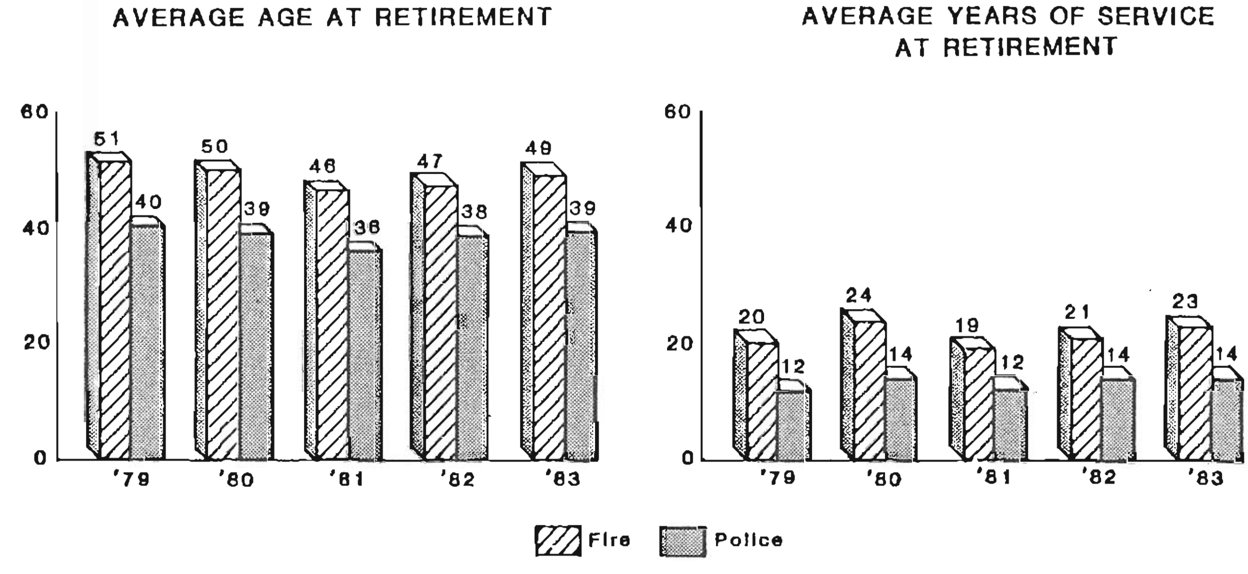


DISABILITY RETIREMENTS

The following graph illustrates the total number of disability pensions granted by department, service or non-service connected, over a four year period:



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



SERVICE CONNECTED DISABILITY PENSIONS
BY TYPE AND DEPARTMENT *

* by effective date	1980 Fire	1980 Police	1980 Total	1981 Fire	1981 Police	1981 Total	1982 Fire	1982 Police	1982 Total	1983 Fire	1983 Police	1983 Total
Back only	3	4	7	8	10	18	14	25	39	19	16	35
Back, neck and orthopedic	4	7	11	5	7	12	6	18	24	10	4	14
Others orthopedic	5	1	6	5	5	10	3	1	4	5	2	7
Casdiovascular	5	4	9	4	3	7	4	7	11	7	4	11
Internal	0	2	2	0	0	0	0	2	2	0	4	4
Multiple	5	6	11	1	8	9	6	18	24	3	13	16
Miscellaneous	1	1	2	1	1	2	3	2	5	0	1	1
Psychological only	0	0	0	0	6	6	1	12	13	1	15	16
Psychological plus physical	0	5	5	3	24	27	0	24	24	1	32	33
Totals	23	30	53	27	64	91	37	109	146	46	91	137

The above chart gives a comparison of the types and number of service connected disability pensions made effective, by department, during the fiscal years since 1979-80. As indicated by the chart, a significant increase in the number of back only; back, neck and orthopedic; psychological; and psychological plus physical disability pensions took place in fiscal 1981. This trend continued during fiscal 1983.

The graph on the following page gives a comparison of disability pensions granted by department and rank.

DISABILITY RETIREMENTS BY RANK

	1982	1983
Police		
Police Officer	92	76
Sergeant	19	16
Detective	15	21
Lieutenant	2	0
Captain	1	0
Commander	0	0
Deputy Chief	0	0
Asst. Chief	0	0
Totals *	129	113

	1982	1983
Fire		
Ambulance Driver/ Paramedic	0	0
Firefighter	20	21
Apparatus Operator	1	2
Engineer	7	5
Inspector	2	0
Captain	9	17
Battalion Chief	0	2
Asst. Chief	1	0
Deputy Chief	0	0
Totals *	40	47

* Totals indicate number of disability pensions granted during the fiscal year.

ACTUARY REPORT

ACTUARIAL BALANCE SHEET AS OF JUNE 30, 1983

ASSETS

	Fire and Police Pension System	New Pension System	Safety Members Pension Plan	Combined
1. Applicable Assets	$ 15,695,968	$1,205,802,310	$ 23,327,194	$1,244,825,472
2. Present Value of Future Contributions by Members	1,060,098	193,328,944	46,994,639	241,383,681
3. Present Value of Future Contributions by the City for:				
(a) Entry Age Normal Cost				
(i) Basic Benefits	2,109,954	344,028,864	71,971,248	418,110,066
(ii) Cost-of-Living Benefits	1,218,893	169,241,936	44,136,160	214,596,989
(iii) Total	3,328,847	513,270,800	116,107,408	632,707,055
(b) Unfunded Supplemental Present Value:	589,222,404	2,953,138,315	2,047,460	3,544,408,170
4. TOTAL	$ 609,307,317	$4,865,540,369	$188,476,701	$5,663,324,387

LIABILITIES

	Fire and Police Pension System	New Pension System	Safety Members Pension Plan	Combined
5. Present Value of Benefits Already Granted				
(a) Service	$225,815,147	$1,838,943,259	—	$2,064,758,406
(b) Disability	142,608,876	517,379,159	—	659,988,035
(c) Dependents	213,835,300	129,732,644	—	343,567,944
(d) Total	582,259,323	2,486,055,062	—	3,068,314,385
6. Present Value of Benefits to Be Granted				
(a) Service	25,008,344	2,079,470,304	$134,121,808	2,238,600,456
(b) Disability	1,842,477	266,876,014	45,608,583	314,327,074
(c) Death	162,547	21,295,766	3,679,473	25,137,786
(d) Total	27,013,368	2,367,642,084	183,409,864	2,578,065,316
7. Refund of Employee Contributions	34,626	11,843,223	5,066,837	16,944,686
8. TOTAL LIABILITIES	$609,307,317	$4,865,540,369	$188,476,701	$5,663,324,387

RESULTS OF VALUATIONS

As of June 30, 1983, there were 9,600 active and 9,233 retired members of the Los Angeles Fire and Police Pension System. Members of the pension systems are entitled to pension and auxiliary benefits according to Articles XVII, XVIII or XXXV of the City Charter.

The results of the actuarial valuation of the three systems as of June 30, 1983 are shown on the Actuarial Balance Sheet (see opposite page). These valuations were based on the demographic assumptions adopted December 31, 1980. These assumptions were 8% annual interest, 6% annual salary, and 6% annual consumer price index increase and are identical to those used in the actuarial reports of June 30, 1981 and 1982.

The Assets and Accounts Payable items of the Actuarial Balance Sheet were provided by the Pension Office and were accepted without audit.

The preparation of the Actuarial Balance Sheet involved three steps. First, the amount and timing of all future payments to be made by the three systems were determined. Then these payments were discounted at the valuation interest rate to the date of valuation, thereby determining the present value. As the Balance Sheet shows, the total present value of benefits to be paid out is $5.66 billion and is the "liability" of the Systems.

The second step was the determination of how this liability was to be met. Item 1 in the Balance Sheet represents the amount of assets ($1.24 billion) already accumulated in the Systems. Item 2 is the present value of member contributions ($241 million). Item 3(a) is the present value of future city normal costs. Using the Entry Age Normal Cost Method, the City is (as a first step) budgeting the following percentages of the respective payrolls:

Article	Normal Cost Percentage
XVII	18.84
XVIII	18.59
XXV	19.76

These contribution percentages are known as normal cost percentages. The Entry Age Normal Cost percentage is, simply stated, the City's level percentage of payroll needed to fund benefits for new entrants (hypothetical new entrants after Proposition H for Articles XVII and XVIII) to the Systems. The current present value of these contributions is $633 million.

For the third step, the existing assets ($1.24 billion), plus the present value of future normal costs ($.63 billion), plus the present value of future member contributions ($.24 billion) were compared to the present value of the benefits to be paid out ($5.66 billion). The Systems were short by $3.54 billion.

The shortfall (or balancing item) of $3.54 billion is the Unfunded Actuarial Liability (UAL) of the Systems. To fund the Systems into actuarial balance, a pattern of contributions which has a present value of $3.54 billion is needed.

The Actuary has determined that the appropriate amounts needed to amortize the UAL are as follows:

Article	Amount	Pattern
XVII	$47,888,285	As a level dollar through the fiscal year 2037.
XVIII	$87,671,135	Increasing by 6% per year through the fiscal year 2037.
XXXV	0.30%	As a level percentage of Article XXXV payroll for periods up to 15 years.

RECOMMENDED CONTRIBUTIONS

The actuarial cost methods for determining the annual budget for Articles XVII, XVIII and XXXV are given in Sections 186.2, 190.09 and 528, respectively of the City Charter. All three sections specify the Entry Age Normal Cost Method as the basis for determining the budget amounts.

The entry Age Normal Cost Method defines the Normal Cost as the Level percentage of salary necessary to fund the projected future benefit over the period from the date of entry (i.e., employment) to the date of retirement. The Normal Cost percentage is subdivided into two parts. The first part is the percentage of salary specified as the member contribution; the second part, the City portion, is the balance after deducting the member contribution percentage from the total Normal Cost percentage. The actuarial liability is equal to the excess of total present value of benefits (earned and unearned with respect to all current members) over the present value of future City Normal Costs with respect to current members. The excess of the actuarial liability over the assets, as noted before, is called the Unfunded Actuarial Liability (UAL) and is amortized using techniques and periods that vary from article to article. The various techniques and periods are discussed article by article in the following sections.

BUDGET FOR FIRE AND POLICE PENSION SYSTEM (ARTICLE XVII)

The pension budget for the Fire and Police Pension System includes the entry Age Normal Cost and an amount to amortize the UAL over the period ending with the fiscal year 2036-2037. Traditionally, the amortization of the Unfunded Actuarial Liability has been a level dollar amount including principal and interest. The following summarizes the actuary's results:

	June 30, 1982	June 30, 1983
1. City's Entry Age Normal Cost *	20.57%	18.84%
2. Amortization of the UAL	$50,113,774	$47,888,285
3. Health Plan Subsidy	1,025,000	1,250,000

* Percentage is applied to Article XVII payroll only

The Health Plan Subsidy budget was developed by the pension office and is included here for completeness.

BUDGET FOR NEW PENSION SYSTEM (ARTICLE XVIII)

The budget for the New Pension system included the Entry Age Normal Cost and an amount sufficient to amortize the UAL of the New Pension System over the Period ending with the fiscal year 2036-2037.

The amortization of the New Pension System's UAL was designed to produce an increasing payment pattern so that each year's payment would be the same percentage of the System's total payroll (which also presumably increased at the same rate). The amortization payments have been calculated to increase at the same rate as the System's cost-of-living increase assumption (currently at 6% per year). The combination of the length of the amortization period and the increasing payment pattern implies that payments in earlier years are insufficient to cover interest on the UAL; therefore, the UAL can be expected to increase for many future years. Under the current assumptions, by the year 2022 the amortization payment will have grown sufficiently to start meeting the interest on the then current unfunded liability.

Since the New Pension System is now closed to new entrants, it is virtually impossible for the increasing amortization payments (when viewed in terms of dollars) as described above to remain a level percentage of New Pension System payroll since that payroll will have declined to zero in about 30 years as all current members retire or resign.

Nevertheless, it would be appropriate to continue the traditional increasing payment pattern for amortizing the Article XVIII UAL because the payment can reasonably be expected to remain as a level percentage of total (Articles XVII, XVIII and XXXV) payroll. Using this approach the results can be summarized as follows:

	June 30, 1982	June 30, 1983
1. City's Entry Age Normal Cost *	19.35%	18.59%
2. Amortization of the UAL	$84,618,133 (28.03%)**	$87,671,135 (28.17%)***
3. Health Plan Subsidy	$3,075,000	$3,750,000

* Percentage is applied to Article XVIII payroll only.

** This percentage is based on the City Administrative Officer's 1983-84 budget estimate for Article XVII sworn salaries of $301,860,261

*** This percentage is based on the actuary's estimate of Article XVIII sworn salaries for 1984-85 of $311,194,215.

Note that for long-term budget purposes the dollar amount shown for 1983 can be expected to grow by 6% per year if all assumptions are met. The percentage figures shown for 1983 are expected to increase dramatically as Article XVIII membership shrinks.

Section 190.09 might be interpreted to require the amortization of Article XVIII UAL over the remaining expected payroll of the closed group of Article XVIII members. Such an interpretation would greatly increase the City's 1984-85 budget requirement for Article XVIII. It is estimated that under this interpretation, the Article XVIII budget for fiscal year 1984-85 would be 125.52% of pay. This interpretation was not applied last year, moreover, it was probably not contemplated at the time Article XXXV was drafted.

Section 190.09 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 Normal Cost for cost-of-living benefits amounts to 6.13%. It is the Actuary's opinion that if the System were to maintain separate accounts for basic and cost-of-living assets there would also be a UAL with respect to cost-of-living benefits so the total cost (Normal Cost plus amortization) would be in excess of 6.13% of payroll. Accordingly, it is recommended that New System members contribute 1% in addition of the 6% rate provided in the City Charter, for a total of 7% of salary.

BUDGET FOR SAFETY MEMBERS PENSION PLAN (ARTICLE XXXV)

The budget for the Safety Members Pension plan consists of the Entry Age Normal Cost plus the amount needed to amortize the UAL. Presumably, the UAL has resulted from actuarial experience gains and losses and these are to be amortized over 15 years. Using this approach the results can be summarized as follows:

	June 30, 1982	June 30, 1983
1. City's Entry Age Normal Cost*	19.23%	19.76%
2. Amortization of UAL *	-1.66%	.30%
3. Total Contributions*	17.57%	20.06%

* Percentage is applied to Safety Members Pension Plan members only.

The primary reason for the increase in the percentage for amortization of Article XXXV UAL was the rehire of Article XVII and XVIII members who previously terminated. Upon rehire such members are granted past service in the Article XXXV plan based on their previous service in the other plans. Since there is no corresponding asset transfer, an increase in the UAL of Article XXXV results. Since the Article XXXV UAL is small to begin with, the moderate number of such rehires has had a disproportionate effect as the Article XXXV payroll base increases in future years.

The percentage for amortization of Article XXXV UAL also increased because of the added past service liability due to the transfer into Article XXXV of paramedics and civilian ambulance drivers from the Los Angeles City Employees' Retirement System. The amount of assets transferred for the paramedics and civilian ambulance drivers who had elected past service credit as of June 30, 1983 was based on the liability determined using the Unit Credit Method; however, the liability in this report, per the City charter, is established by the Entry Age Method and is higher than the Unit Credit liability. It is estimated that the difference between the liability and the assets for the paramedics and civilian ambulance drivers who had elected past service credit as of June 30, 1983 is about $1.6 million. Approximately $.9 million of that is due to the definition of which salary (i.e., current or projected) was used in determining the "unit credit asset transfer amount" and the balance is due to the difference in methods.

The increase in the percentage for amortization of Article XXXV UAL would have been larger had it not been for investment and withdrawal gains.

In the opinion of the Actuary, with adoption of the above recommendations, all three systems will be maintained in compliance with the City Charter and in accordance with the methods and assumptions underlying the calculations.

AUDITOR REPORT

Touche Ross & Co.
December 6, 1984

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, 1983 and 1982, and the related statements of revenues, expenditures and changes in deficit and financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 4, the System is a defendant in a lawsuit seeking removal of the 3% cap on cost of living adjustments for years of service subsequent to July 1, 1982.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty discussed in the preceding paragraph been known, the aforementioned financial statements present fairly the financial position of the City of Los Angeles Fire and Police Pension System at June 30, 1983 and 1982 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

CITY OF LOS ANGELES

FIRE AND POLICE PENSION SYSTEM

BALANCE SHEETS

	June 30 1983		June 30 1982	
ASSETS:				
Cash (Note 2):				
Restricted (Note 3)	$ 1,346,684		$ 374,024	
Unrestricted	2,293,698	$ 3,640,382	1,098,457	$ 1,472,481
Receivables:				
Accrued interest and dividend income	15,582,257		18,949,355	
Contributions	1,255,293		1,026,599	
Due from brokers and others	18,842,840	35,680,390	135,493	20,111,447
Investments (Note 2):				
Temporary, at cost plus accrued interest, which approximates market	169,043,274		298,835,710	
Bonds, at amortized cost (market value $519,182,204 in 1983 and $446,026,051 in 1982)	506,208,022		506,497,915	
Common stock, at cost (market value $759,625,213 in 1983 and $206,196,333 in 1982)	559,066,542	1,234,317,838	218,479,018	1,023,812,643
Total assets		1,273,638,610		1,045,396,571
LIABILITIES:				
Benefits in process of payment	605,333			
Accounts payable	330,786		1,775,441	
Due to brokers	40,352,015	41,288,134		1,775,441
CONTINGENT LIABILITIES (Note 4)				
NET ASSETS AVAILABLE FOR BENEFITS		$1,232,350,476		$1,043,621,130
ESTIMATED LIABILITY AT ACTUARIAL VALUATION FOR:				
Pensions (Note 5):				
Pensioners	$3,068,314,385		$3,063,522,686	
Active members	1,703,974,580		1,457,402,497	
Refund of employees contributions	16,944,686	$4,789,233,651	15,086,643	$4,536,011,826
DEFICIT (Note 6)		(3,556,883,175)		(3,492,390,696)
FUND BALANCE		$1,232,350,476		$1,043,621,130

CITY OF LOS ANGELES

FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN DEFICIT

	Year ended June 30			
	1983		1982	
REVENUES:				
Taxes	$185,444,978		$192,536,914	
Appropriations from City of Los Angeles general fund	5,912,139		34,992,265	
Members' contributions	20,882,898		21,114,860	
Sales of unclaimed property	330,403		233,881	
Miscellaneous	2,949	$ 212,573,367	3,356	$ 248,881,276
Investment income:				
Interest	80,320,446		94,664,863	
Dividends	17,193,368		9,085,310	
Gain (loss) on disposition of investments	61,643,813		(61,623,916)	
Securities lending income (Note 7)	128,430	159,286,057		42,126,257
		371,859,424		291,007,533
EXPENDITURES:				
Benefits paid to participants:				
Service	112,427,805		103,528,010	
Disability	29,641,956		23,854,627	
Surviving spouses	33,408,895		30,032,133	
Minors and dependents	477,250		422,909	
Health insurance subsidy	3,472,942		2,407,767	
	179,428,848		160,245,446	
Administrative expense	3,701,230	183,130,078	2,593,584	162,839,030
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ADDITION TO ESTIMATED LIABILITY FOR PENSION REQUIREMENTS		188,729,346		128,168,503
ADDITION TO PENSION LIABILITY REQUIREMENTS		253,221,825		250,324,604
DEFICIENCY FOR THE YEAR		(64,492,479)		(122,156,101)
DEFICIT, beginning of year		(3,492,390,696)		(3,370,234,595)
DEFICIT, end of year		($3,556,883,175)		($3,492,390,696)

See accompanying notes to the financial statements.

CITY OF LOS ANGELES

FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended June 30	
	1983	1982
SOURCE OF FUNDS:		
Net income	$188,729,346	$128,168,503
Decrease (increase) in temporary investments	129,792,436	(183,853,365)
Increase (decrease) in accounts payable and accrued expenses	39,512,693	(705,076)
Decrease in accrued interest and dividends	3,367,098	8,247
Decrease in bond investments	289,893	66,706,437
	361,691,466	10,324,746
USE OF FUNDS:		
Increase in common stock investments	340,587,524	16,615,205
Increase (decrease) in proceeds from sale of investments receivable	18,707,347	(1,347,337)
Increase (decrease) in contributions receivable	228,694	(5,448,856)
	359,523,565	9,819,012
INCREASE IN CASH	$ 2,167,901	$ 505,734

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1983 AND 1982

NOTE 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 three 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 hired after December 8, 1980 participate in the newly-established Safety Members Pension Plan.

Members with 20 or more years of service in the Fire and Police Pension System and New Pension System 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%. There is no minimum age requirement. The plans provide for unlimited cost-of-living adjustments in benefits for service prior to June 30, 1982 and a 3% adjustment cap in benefits for all subsequent service. Members who terminate their employment after July 1, 1982 are entitled to a refund of contributions if they do not receive a pension. Members of the Safety Members Pension plan must be age 50 with 10 years of service to be entitled to an annual pension. Benefits are equal to 20% of their one-year average compensation, increasing for each year of service over 10 years to a maximum of 70% for 30 years. Benefits are adjusted by the cost-of living rate a maximum of 3% per year.

NOTE 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.

CASH

Cash consists primarily of an individual interest in the cash held by the Treasurer of the City of Los Angeles.

INVESTMENTS

Temporary investments, consisting primarily of commercial paper, certificates of deposit and treasury bills, are carried at cost which approximates market at June 30, 1983 and 1982.

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 dealers.

INCOME FROM INVESTMENTS:

The Charter of the City of Los Angeles provides that income from investments, exclusive of capital gains and losses, shall be credited to member contribution accounts. Realized capital gains and losses on investments are recognized in the City's actuarial funding calculation.

NOTE 3 - WORKERS' COMPENSATION FUND:

Restricted cash consists of tax revenues which are deposited directly into the Workers' Compensation Fund for Fire and Police pensioners by the City Controller. Workers' compensation benefits to pensioners of the Fire and Police Pension System are paid therefrom. In the event that the Fund becomes inactive, any remaining balance would become the property of the Fire and Police General Fund.

NOTE 4 - CONTINGENT LIABILITIES:

Several legal actions against the Board of Pension Commissioners were pending at June 30, 1983. Except for the following case, the combined potential liability is deemed to be not material to the net assets of the System.

The case, filed by the L.A. Police Protective League, challenges the legality of the proposition, described in Note 8, in regards to the 3% cap on cost of living adjustments for years of service subsequent to July 1, 1982. The eventual outcome of this case cannot be predicted, and the ultimate liability with respect to it cannot be reasonably estimated. Since the minimum potential liability for this case cannot be reasonably estimated, no liability for it has been recorded in the financial statements.

NOTE 5 - 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, 1983 and 1982. 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 1983 and 1982, 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, and (2) economic assumptions adopted by the Board of Pension Commissioners.

The most significant economic and actuarial assumptions consist of the following for 1983 and 1982:

	1983	1982
- Investment return	8%	8%
- Annual salary scale increase	6%	6%

- Annual cost of living increase;

	1983	1982
Fire and Police Pension System and new pension system members:		
Accrued for service prior to June 30, 1982	6%	6%
Accrued for all subsequent service	3%	6%
Safety Members Pension Plan Members	3%	6%

- Employee turnover and retirement - Expected rates of employee turnover and retirement were developed during the last actuarial investigation based on actual experience of the System. These rates will be used until the next actuarial investigation.

- Mortality among retirees - The valuation for those on service retirement is based upon the 1971 Group Annuity Mortality Table projected to 1980. The valuation for those on disability retirement is based upon the 1974 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

- Mortality among spouses - The valuation is based upon the 1951 Female Group Mortality Table.

- Remarriage among spouses - Expected rates of remarriage were developed during the last actuarial investigation based upon actual experience of the System. These rates will be used until the next actuarial investigation.

NOTE 6 - 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, 1983 and 1982, 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. Safety Members Pension Plan members are required to contribute 8% 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. For the New Pension System members and the Fire and Police Pension System members, a dollar or amount necessary to amortize the "unfunded liability" of the system over a 70-year period beginning with the fiscal year commencing July 1, 1967. Under the Safety Member Pension Plan, any "unfunded liability" of that system shall be amortized over a 30-year period and actuarial experience gains and losses shall be amortized over a 15-year period.

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, 1983 to be as follows:

	Percentage of members' salaries		
	Fire and Police Pension System	New Pension System	Safety Members Pension Plan
Entry-age normal cost contribution	18.84%	18.59%	19.76%
Amortization of the unfunded liability	$47,888,285*	$87,671,135*	0.30%
Health plan subsidy	$ 1,250,000	$ 3,750,000	

* Stated as required dollar amount.

The actuarially determined unfunded liability of the System is $3,556,883,175 at June 30, 1983 and $3,492,764,720 at June 30, 1982 (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, 1983 is to be amortized over the next 54 years through contributions to be made by the City reduced by capital gains.

NOTE 7 - SECURITIES LENDING:

The System had entered into various short-term arrangements whereby investments with a cost basis of $104,525,042 and a market value of $132,408,835 at June 30, 1983 were loaned to various brokers. The lending arrangements are collateralized by cash and marketable securities of $135,386,318. These agreements provide for the return of the investments and for a payment of: a) a fee, when the collateral is marketable securities, or b) interest earned when the collateral is cash on deposit. The securities on loan to the broke: continue to be shown at their cost basis in the balance sheet.

NOTE 8 - CHANGES TO PLAN PROVISIONS:

On July 1, 1982, two changes in the System became effective as a result of a ballot proposition approved by the electorate of the City of Los Angeles. The first change gave all members who were active on July 1, 1982 a vested right to their past contributions and accrued interest in the event of their termination prior to retirement. The dollar amount of the contributions and interest at June 30, 1983 is $195.789.042. The second change placed a 3% limitation on cost of living benefits for all service subsequent to June 30, 1982 (Note 4).

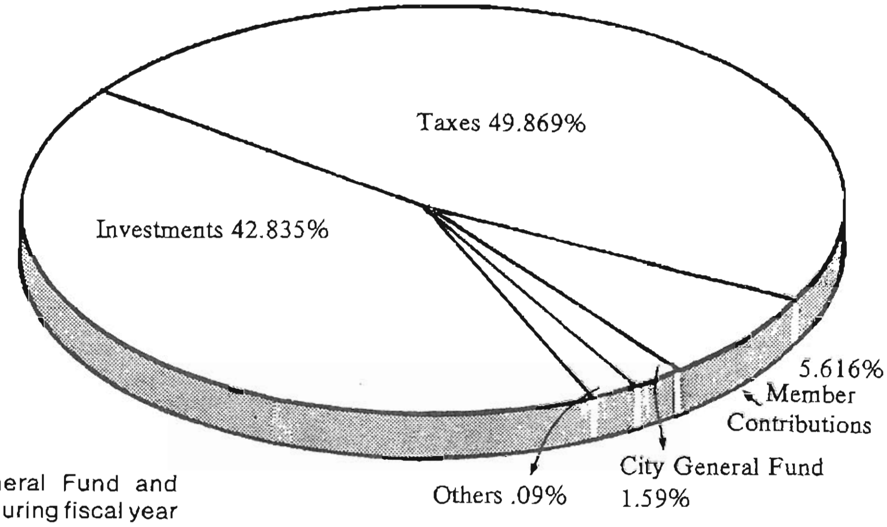
BUDGET

STATEMENT OF OPERATIONS

		1982-83		1981-82		1980-81
Revenues:						
Taxes	$	185,444,978	$	192,536,914	$	148,781,062
Appropriations from General Fund		5,912,139		34,992,265		27,894,805
Dividends		17,193,368		9,085,310		6,568,053
Interest		80,320,446		94,664,863		79,708,881
Gain (Loss) on Sales of Investments		61,643,813		(61,623,916)		(45,344,724)
Members' contributions		20,882,898		21,114,860		18,206,901
Sales of unclaimed property		330,403		233,881		379,036
Donations		—		485		69,288
Miscellaneous		2,949		2,871		—
TOTAL REVENUES available for current year's expenditures	$	371,859,424	$	291,007,533	$	236,263,302
Expenditures:						
Pensions Paid						
Service	$	112,427,805	$	103,528,010	$	93,048,325
Disability		29,641,956		23,854,627		21,866,968
Surviving spouses		33,408,895		30,032,133		25,231,405
Minors and dependents		477,250		422,909		418,552
TOTAL PENSIONS	$	175,955,906	$	157,837,679	$	140,564,250
Administrative expenses	$	3,701,230	$	2,593,584	$	2,199,329
Health insurance subsidy		3,472,942		2,407,767		1,746,859
TOTAL EXPENDITURES	$	183,130,078	$	162,839,030	$	144,511,438
EXCESS OF REVENUES OVER EXPENDITURES	$	188,729,346	$	128,168,503	$	91,751,864
Reduction of (addition to) Actuarial Reserve		253,221,825		250,324,604		285,274,068
Revenue (deficiency) for the year before cumulative effect of accounting change		—		—		—
Revenue (deficit) for the year		(64,492,479)		(122,156,101)		(193,522,204)
Fund deficit at beginning of year		(3,492,390,696)		(3,370,234,595)		(3,176,712,391)
Fund deficit at end of year	($	3,556,883,175)	($	3,492,390,696)	($	3,370,234,595)

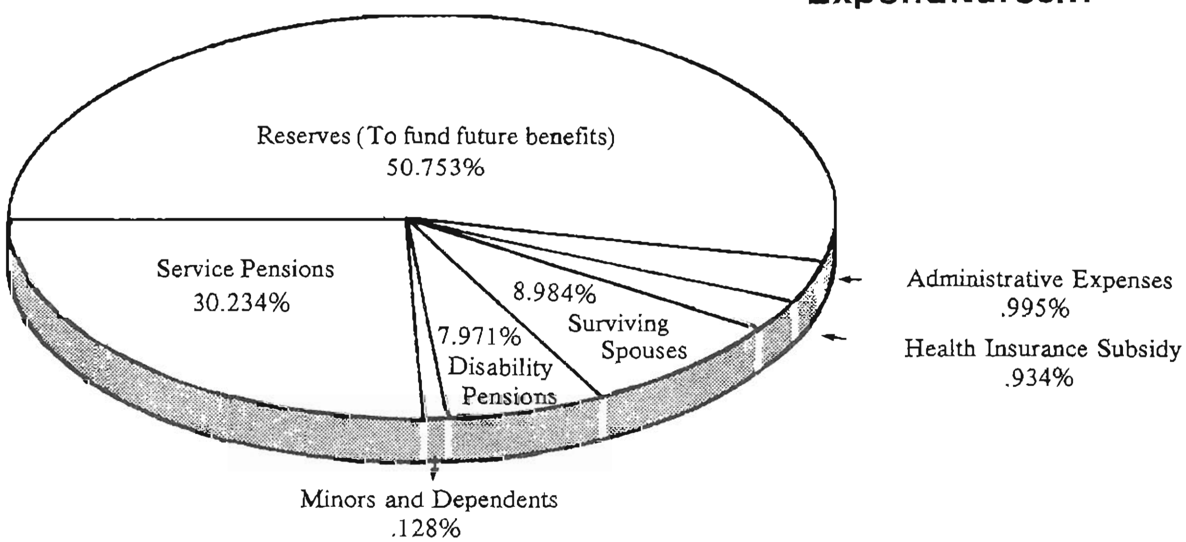
LOS ANGELES FIRE & POLICE
PENSION SYSTEMS 1982-83
INCOME: $371,859,424

Revenue...



Revenue from taxes, the City General Fund and Member contributions all decreased during fiscal year 1983. Yet total revenues increased by nearly 28% due primarily to capital gains on investments.

Expenditures...



Benefits paid to participants reflect an increase of nearly 12% during 1983.

ADMINISTRATIVE EXPENSE COMPARISON

1979-80 to 1982-83

Operating Expense

	1982-83	1981-82	1980-81	1979-80
Salaries	991,625	804,023	752,729	636,935
Overtime	7,102	952	889	—
Office and Administrative Expense	49,560	49,152	38,307	43,441
Operating Supplies and Expense	—	100	13,797	7,800
Printing and Binding	10,957	8,806	4,385	11,721
Travel	22,027	16,854	19,316	13,894
Contractual Services	1,584,156	1,185,570	984,907	423,610
Field Equipment	1,280	—	—	800
Petroleum Products	2,700	1,795	—	1,566
Transportation	1,300	—	—	2,259
Annual Audit	10,029	14,576	—	8,000
Governmental Meetings	—	300	—	35
Litigation	317,387	36,744	31,174	35,680
Medical Services	469,817	382,450	288,086	153,374
Actuarial Expense	29,000	19,000	19,000	19,000
Health Insurance	72,800	40,914	24,259	25,800
Retirement Contributions	36,000	24,000	19,450	13,129
Tuition Reimbursement	995	—	—	—
Dental Insurance	7,004	4,046	2,696	3,877
Equipment, Furniture & Fixtures	87,491	4,302	334	33,641
	$3,701,230	$2,593,584	$2,199,329	$1,434,562

LEGAL

DEPARTMENT OF PENSIONS
SUMMARIZATION OF MAJOR ACTIVITIES
OF THE LEGAL SECTION

CONTRACTS

The City Attorney prepared approved as to form contracts between the Board of Pension Commissioners and Bankers Trust, Boston Company and SEI Funds Evaluation Service.

PROBATE MATTERS

This office examined 50 probate accountings, as well as petitions and other documents which were received by the Department of Pensions. Twenty-six requests for special notice were prepared, filed and served. Sixteen guardianships and conservatorships were discontinued and twenty-one were commenced. There are 89 guardianships pending, 33 covering minors and 56 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 stage.

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:
Bishop v. Board of Pension Commissioners
Bowman v. Board of Pension Commissioners
Stevenson v. Board of Pension Commissioners

II. Decisions reversing the Board:
Allen v. Board of Pension Commissioners
White v. Board of Pension Commissioners
Tingirades v. Board of Pension Commissioners
(By stipulation; see: Dakins v. Board of Pension Commissioners)

(B) Cases presenting unique facts or legal issues

BARTH v. BOARD OF PENSION COMMISSIONERS

Sidney S. Barth is a former member of the Police Department, now retired on a service pension. He attempted to have his service pension changed to a service-connected disability pension, which claim the Board denied based upon (a) the prohibition in Section 190.11 of the Charter against such change; and (b) the claims provisions of the Charter.

Mr. Barth Petitioned the Superior Court for a writ of mandate to reverse the Board's action. The petition was denied.

Mr. Barth appealed. At the end of the fiscal year, both parties had completed their briefing in the matter, however, no date for the hearing in the Court of Appeal had been set.

DAKINS v. BOARD OF PENSION COMMISSIONERS

Dennis C. Dakins received a nonservice-connected disability pension. Previously, he had received a workers' compensation award for industrial injury.

Mr. Dakins petitioned the Superior Court for a writ of mandate contending that the board was collaterally estopped to deny a service-connected disability pension based upon the Workers' Compensation Appeals Board determination finding industrial causation of Mr. Dakins' injury.

The Superior Court denied the petition and Mr. Dakins appealed.

The Court of Appeal in a published decision (Dakins v. Board of Pension Commissioners, 134 Cal. 3d 374) reversed the lower court and held that the determination by the Workers' Compensation Appeals Board that an injury is work-related is binding on the Board of Pension Commissioners and once the Board finds that disability exists it becomes mandatory to make the further decision that it is service-connected.

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 183 ½ 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 183 ½ 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.

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.

After class certification, the case was retried on the issues of the applicability of the Board's statute of limitations defense and that of the claims provisions of the Charter. Judgment was rendered in favor of plaintiffs.

The Board appealed. As of the end of the fiscal year briefing in the matter had not been completed and no date had been set for hearing in the Court of Appeal.

HOLMES v. BOARD OF PENSION COMMISSIONERS

This was an action for declaratory relief. Plaintiff is the widow of a former retired police officer who retired in 1968. Plaintiff was married to the decedent at the time of his death and one year prior thereto. Both the decedent and plaintiff were, at the time of decedent's retirement, married to someone other than decedent or plaintiff, respectively. They were married to each other, however, for several years at some time during decedent's employment as a police officer.

Plaintiff contended that she is eligible to receive widow's benefits and the City's position was that she was not entitled thereto in that she is not a "qualified surviving spouse" pursuant to the definition of said term in paragraph (j) of Section 190.02 of the City Charter which requires at least one year of marriage prior to the effective date of retirement.

Plaintiff filed a motion for summary judgment. A hearing in Superior Court was held on September 8, 1982. The court held that the provision that a widow must have been married to the deceased member "for at least one year prior to the effective date of his or her retirement" could not be read to require that the widow must have been married for at least one year immediately preceding the date of the member's retirement.

Upon careful evaluation of the facts in the case (i.e., more than thirty years of marriage), the provisions of the Charter and applicable case law, no appeal was taken in this matter.

SHANAHAN v. BOARD OF PENSION COMMSSIONERS

Plaintiff is the former spouse of a member who is now retired on a disability pension. Plaintiff has filed a complaint for declaratory relief and claims a community property interest in the member's disability pension. At the time of his retirement, the member was not eligible to retire on account of years of service. The City's position is that under the tenets of the Supreme Court case of In re Marriage of Stenquist (1978) 21 Cal. 3d 779, a disability pension is not a divisible community property asset.

As of the time of this report, the case has not been set for trial.

UNITED FIREFIGHTERS OF LOS ANGELES ET AL v. CITY OF LOS ANGELES ET AL

(Proposition H. Litigation)

On June 8, 1982, the qualified electors of the City adopted Proposition "H", amending certain Charter provisions to effectuate a limit on cost of living entitlements of fire and police pensioners, effective July 1, 1982. The limitation was to affect only those rights to cost of living adjustments that would accrue on account of services rendered after July 1, 1982. All rights based upon service prior to said date (i.e., consumer price index oriented cost of living adjustments), were not affected by Proposition "H".

The employee organizations representing the members of the fire and police pension systems filed a complaint, challenging the amendments, principally on the grounds that they unconstitutionally deprived the members of vested pension and contract rights.

The City's defense was that there is a distinction to be drawn between earned and unearned benefits to determine the validity of the amendment.

Upon a motion for summary judgment, the Superior Court agreed with the City's position by granting partial summary judgment. The court did not rule on the issue of the validity of apportionment of cost of living adjustments, which was also implemented by the Proposition "H" amendments.

It is anticipated that the case will go to trial sometime early in 1985.

VALDEZ v. CITY OF LOS ANGELES

This was a class action by a group of plaintiffs who are members of the Safety Members Pension Plan (Article XXXV of the City Charter), which was adopted effective December 8, 1980. Plaintiffs contend that they are entitled to membership under the provisions of Article XVIII of the Charter because of alleged representations made to them by employees of the City at the time of their recruitment.

The City opposed class certification and the Superior Court decertified the case.

It is anticipated that a number of individual law suits will be filed as a result of the decertification.

DOMESTIC RELATIONS MATTERS

The City Attorney's Office provided information to members, their spouses and attorneys in connection with dissolution of marriage proceedings in which the pension was a community property asset.

In addition, the Board of Pension Commissioners was joined as a party in 46 dissolution proceedings and "Notices of Appearance" were filed by the City Attorney in these proceedings. When orders or judgments were received in matters which affected the payment of pensions, such were forwarded to staff with appropriate instructions.

PENSION BENEFITS

Features	Article XVII	Article XVIII	Article XXXV
Service Retirement			
(a) Eligibility	20 years of service.	20 years of service.	Age 50 with 10 years of service.
(b) Salary base	Final salary rate.	Final salary rate.	One-year average salary.
(c) Pension as a percentage of base	40% with 20 years of service plus 2% for each additional year less than 25 years of service plus 1⅔% for each additional year between 25 and 35 years of service.	40% with 20 years of service plus 2% for each additional year less than 25 years of service. 55% with 25 years of service plus 3% for each additional year between 25 and 30 years of service.	2% per year of service up to 20 years of service, plus 3% for each additional year of service up to 30 years of service.
	Maximum of 66⅔% for 35 or more years of service.	Maximum of 70% for 30 or more years of service.	Maximum of 70% for 30 or more years of service.
Service Connected Disability			
(a) Eligibility	No age or service conditions.	No age or service conditions.	No age or service conditions.
(b) Salary base	Final salary rate.	Final salary rate.	One-year average salary.
(c) Pension as a percentage of base	50% to 90% depending on severity of disability.	50% to 90% depending on severity of disability.	30% to 90% depending on severity of disability.
Nonservice-Connected Disability			
(a) Eligibility	Five years of service.	Five years of service.	Five years of service.
(b) Salary base	Final salary rate for highest-paid police officer's or firefighter's rank.	Final salary rate for highest-paid police officer's or firefighter's rank.	One-year average salary.
(c) Pension as a percentage of base	40%.	40%.	30% to 50% depending on severity of disability.
Service-Connected Death or Death after Service-Connected Disability			
(a) Eligibility	No age or service conditions for member.	No age or service conditions for member.	No age or service conditions for member.
(b) Salary base	Final salary rate.	Final salary rate.	One-year average salary.

(c) Eligible spouse's benefit as a percentage of base	50%. Pension not payble on remarriage.	50% with less than 25 years of service. 55% with 25 or more years of service.. Pension not payable on remarriage.	75% of salary base else 60% of pension. Pension not payable on remarriage.
(d) Children's benefit as a percentage of spouse's benefit	100% if spouse not receiving, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless disabled prior to age 21.	Same as Article XVII.	Same percentages as Article XVII. Pension not payable after child reaches age 18 (age 22 if in school) unless disabled before age 21.
(e) Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	Same as Article XVII.	Same as Article XVII.
Death While Eligible for Service Retirement or Death After Service Retirement			
(a) Eligibility	20 years of service.	20 years of service.	Age 50 with 10 years of service.
(b) Eligible spouse's benefit	50% of final salary rate. Pension not payable on remarriage.	Member's accrued service retirement not to exceed 55% of final salary rate. Pension not payable on remarriage.	60% of member's accrued service retirement. Option at member's retirement for higher continuance to spouse with actuarial reduction. Pension not payable on remarriage.
(c) Children's benefit as a percentage of spouse's benefit	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
(d) Dependent parent's benefit as a percentage of spouse's benefit	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
Nonservice-Connected Death or Death After Nonservice-Connected Disability			
(a) Eligibility	Five years of service.	Five years of service.	Five years of service.
(b) Eligible spouse's benefit	40% of final salary rate for highest-paid police officer's or firefighter's rank or if eligible for service retirement 50% of final salary rate. Pension not payable on remarriage.	40% of final salary rate for highest-paid police officer's or firefighter's rank or if eligible for service retirement the accrued service retirement not to exceed 55% of final salary rate. Pension not payable on remarriage.	30% of final one-year average salary or if eligible for service retirement 80% of accrued service retirement not to exceed 40% of final one-year average salary. Pension not payable on remarriage.

(c) Children's benefit as a percentage of spouses's benefit	100% if spouse not receiving, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless disabled prior to age 21.	Same as Article XVII.	Same as Article XVII.
(d) Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	Same as Article XVII.	Same as Article XVII.
COST OF LIVING			
(a) Generally applicable provisions	Annual cost-of-living increase on the pension accrued prior to July 1, 1982 and annual cost-of-living increase not to exceed 3% on the pension accrued after July 1, 1982. Cost-of-living increases compounded. Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	Annual cost-of-living increase on the pension accrued prior to July 1, 1982 and annual cost-of-living increase not to exceed 3% on the pension accrued after July 1, 1982. Cost-of-living increases compounded. Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	Annual cost of living increase not to exceed 3%. Cost-of-living increases compound. Pro rata adjustment in the first year of retirement. City Council may grant discretionary cost-of-living increases once every three years. Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.
(b) Effective date of cost-of-living increases			
(1) Service retirement, death while eligible for service retirement, death after service retirement	Annual increases commence on the effective date or the date the member would have been age 55 if later.	Annual increases commence on the effective date or the date the member would have completed 25 years service if later.	Same provisions for all types of pension. Annual increases commence on the effective date.
(2) Service-connected disability, death after service-connected disability	Annual increases commence on the effective date.	Annual increases commence on the effective date.	
(3) Service-connected death, nonservice-connected disability, non-service-connected death, death after nonservice-connected disability.	Annual increases commence on the date the member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the date the member would have had 25 years of service or 5 years after the effective date of the pension if earlier.	
Members' contributions as an annual percentage of pay.	6%.	6% plus ½ cost of cost-of-living benefit up to 1%	8%
MISCELLANEOUS			
(a) Vesting of service retirement	On retirement.	On retirement.	After 10 years of service.
(b) Return of contributions with interest.	On termination or death with no other benefits.	On termination or death with no other benefits.	On termination or death with no other benefits except on basic death benefit.
(c) Basic death benefit	None.	None.	Beneficiary receives one-year average salary times years of completed service not to exceed 6 in addition ot return of contribution.

MILESTONES

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 1⅔% for each year of service, in addition to the minimum of 20 required, was authorized up to a maximum pension of ⅔% 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 1⅔% 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 1⅔% for each of the next ten years of service. The maximum pension of ⅔% 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 Artcle 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 or 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.

1980. Article XXXV, The Safety Members Pension System was adopted for new hires effective December 8, 1980 to provide: a 3% cap on the cost-of-living adjustment; refundability of pension contributions with interest upon termination; 2% per year of service up to 20 years, then 3% per year to a maximum of 70%; 60% of member's pension for surviving spouse; and other provisions.

1981. The investment provisions of all Articles were extensively revised and provide among other changes: the investment of up to 70% in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange; the investment of 35% in short term securities; the appointment of a securities custodian bank; a requirement to retain investment advisors registered under the Investment Advisors Act; the selling and repurchasing of covered call options; and permission to conduct transactions and exchanges of securities without specific prior Board approval within established guidelines.

1982. Articles XVII and XVIII were significantly revised with the passage of a charter amendment in June. A 3% cap on the cost-of-living adjustment was added for all future service earned by active members. Also, all active members became entitled to refunds of contributions if they should terminate prior to retirement. Cost-of-living adjustments were pro-rated for the first year of retirement.

1982. Proposition V passed by voters in November provided for the transfer of paramedics and civilian ambulance drivers from the City Employees' Retirement System to the Safety Members Pension System. (Article XXXV).

1983. Charter amendment 5 allows for Article XVII and XVIII active members to discontinue contributions to the pension system upon completion of 30 years of service.

DEPARTMENT OF PENSIONS