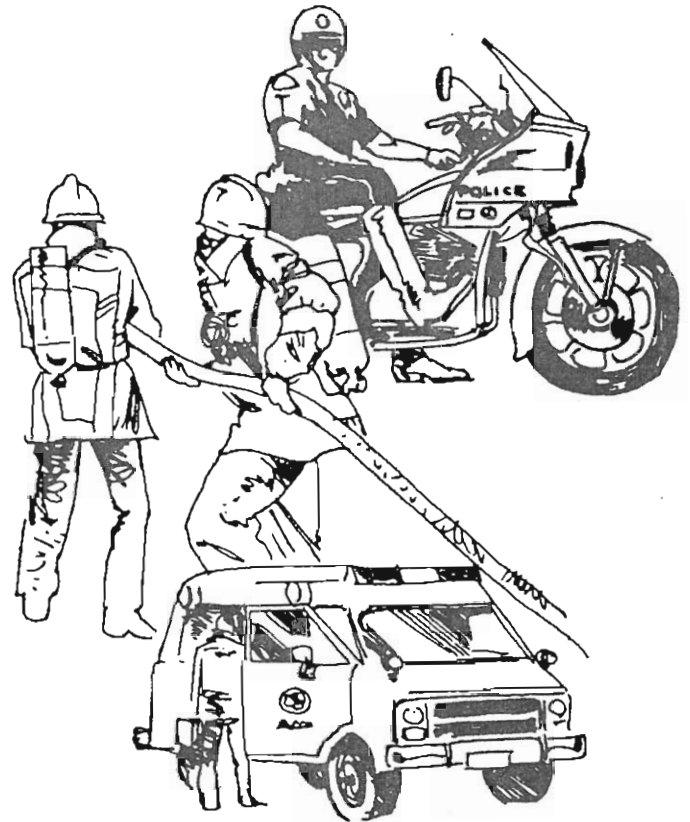


V. J. M.

CITY OF
LOS ANGELES

DEPARTMENT OF PENSIONS

ANNUAL REPORT 1989



FIRE AND POLICE PENSION SYSTEMS

MAYOR
Tom Bradley

CITY ATTORNEY
James Kenneth Hahn

CONTROLLER
Rick Tuttle

CITY COUNCIL

John Ferraro, President
Marvin Braude, President Pro Tempore

Gloria Molina
First District

Robert C. Farrell
Eighth District

Joel Wachs
Second District

Gilbert W. Lindsay
Ninth District

Joy Picus
Third District

Nate Holden
Tenth District

John Ferraro
Fourth District

Marvin Braude
Eleventh District

Zev Yaroslavsky
Fifth District

Hal Bernson
Twelfth District

Ruth Galanter
Sixth District

Michael Woo
Thirteenth District

Ermani Bernardi
Seventh district

Richard Alatorre
Fourteenth District

Joan Milke Flores
Fifteenth District

THE BOARD OF PENSION COMMISSIONERS

KENNETH E. STAGGS
President

Sherman L. Andelson
Vice President

Dellene Arthur
Commissioner

Kenyon S. Chan
Commissioner

Sam Diannitto
Commissioner

Paul C. Hudson
Commissioner

Dave Velasquez
Commissioner

DEPARTMENT OF PENSIONS
 360 E. Second Street, Suite 600
 Los Angeles, California 90012

ANNUAL REPORT 1989

General Manager
 Gary Mattingly

Assistant Managers
 James J. McGuigan
 Allan Moore

Chief Investment Officer
 Dennis R. Sugino

Legal
 Siegfried O. Hillmer
 Assistant City Attorney

Actuary
 The Wyatt Company

Auditor
 Deloitte & Touche

Custodian Bank
 Bankers Trust Company

Investment Advisors
 Alliance Capital Management Corporation
 Amerindo U.S. Advisors
 Balch, Hardy & Scheinman, Inc.
 BMI Capital
 The Boston Company Institutional Investors, Inc.
 The Boston Company Real Estate Counsel, Inc.
 Cypress Capital Management, Inc.
 Equitable Real Estate
 Frontier Capital Management Company
 Husic Capital Management Company
 JMB Institutional Realty Corporation
 Loomis, Sayles & Company
 Magten Asset Management Corporation
 MCQ, Inc.
 Oppenheimer Capital Corporation
 Prudential Asset Management Company
 Security Pacific Investment Managers, Inc.
 Sentinel Real Estate Corporation
 Target Investors, Inc.
 Wright Investors' Service

Performance Measurement
 S.E.I. Funds Evaluation Service

Pre-Retirement Seminars
 Buck Consultants, Inc.

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CITY OF LOS ANGELES
CALIFORNIA



TOM BRADLEY
MAYOR

BOARD OF PENSION
COMMISSIONERS

KENNETH E. STAGGS
PRESIDENT
SHERMAN L. ANDELSON
VICE-PRESIDENT
DELLENE ARTHUR
KENYON S. CHAN
SAM DIANNITTO
PAUL C. HUDSON
DAVE VELASQUEZ

DEPARTMENT OF
PENSIONS
360 EAST SECOND STREET
SUITE 600
LOS ANGELES, CA 90012-4203
485-2833

GARY MATTINGLY
GENERAL MANAGER

Board of Pension Commissioners
1988-89 Annual Report

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

In accordance with Section 64 of the City Charter, I am submitting the annual report on the affairs and operations of the Department of Pensions for the fiscal year ended June 30, 1989.

This was an outstanding year for the System's investment program. Investment assets grew from \$2.8 billion to \$3.3 billion. The System's investment performance was ranked in the top 16 percent of local government pension plans.

Growth in plan membership continues. As of June 30, 1989, there were 9,873 retired and 10,979 active members of the pension system.

As in past annual reports, we are including financial statements prepared by our auditors, Deloitte & Touche, as well as a summary report of our actuary, The Wyatt Company.

Respectfully submitted,

Kenneth E. Staggs, President
Board of Pension Commissioners

CITY OF LOS ANGELES

CALIFORNIA



TOM BRADLEY
MAYOR

BOARD OF PENSION COMMISSIONERS

KENNETH E. STAGGS
PRESIDENT

SHERMAN L. ANDELSON
VICE-PRESIDENT

DELLENE ARTHUR

KENYON S. CHAN

SAM DIANNITTO

PAUL C. HUDSON

DAVE VELASQUEZ

DEPARTMENT OF PENSIONS

360 EAST SECOND STREET
SUITE 600
LOS ANGELES, CA 90012-4203
485-2633

GARY MATTINGLY
GENERAL MANAGER

The Honorable Board of Pension Commissioners
City of Los Angeles

Honorable Members:

It has been another good year!

We earned \$510,000,000 in investments, increasing our assets to \$3.3 billion. Our rate of return was higher than over 80 percent of other local government pension plans.

We have continued to move forward in the implementation of our asset allocation plan. Next year we hope to complete implementation of the plan. Small capitalization equity advisers were funded. Real estate advisers were hired to find property for us. We also began our due diligence review of international equity advisers.

The pre-retirement counseling program was begun after many of our members indicated a desire for one. This program has been highly successful with hundreds of members signing up to participate. We will continue to monitor this program closely to ensure that it offers what our members want and need.

Very truly yours,

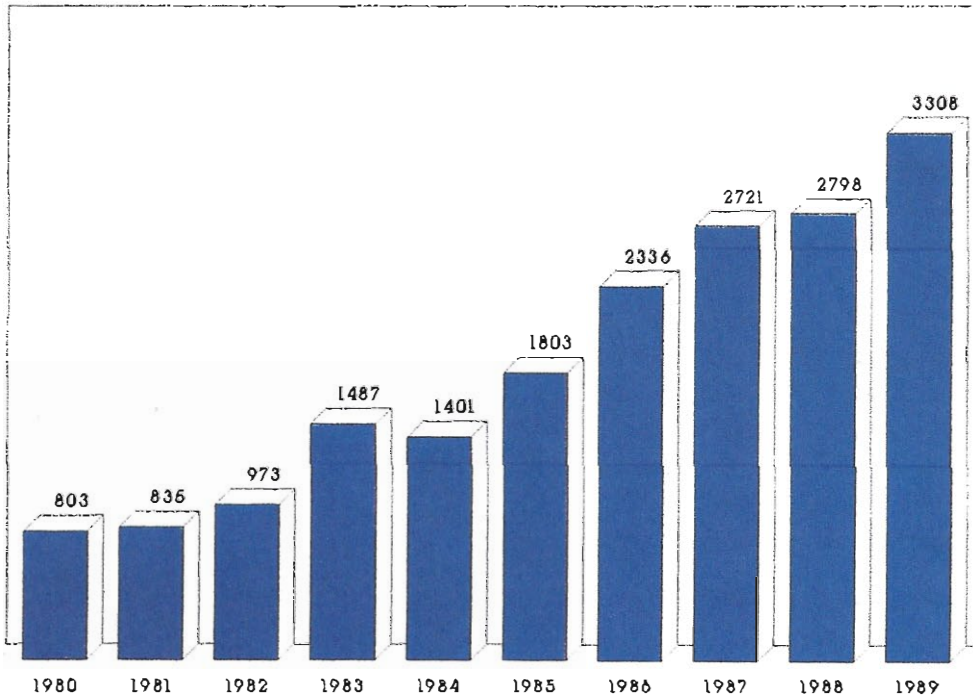
A handwritten signature in black ink that reads "Gary Mattingly".

Gary Mattingly

INVESTMENTS

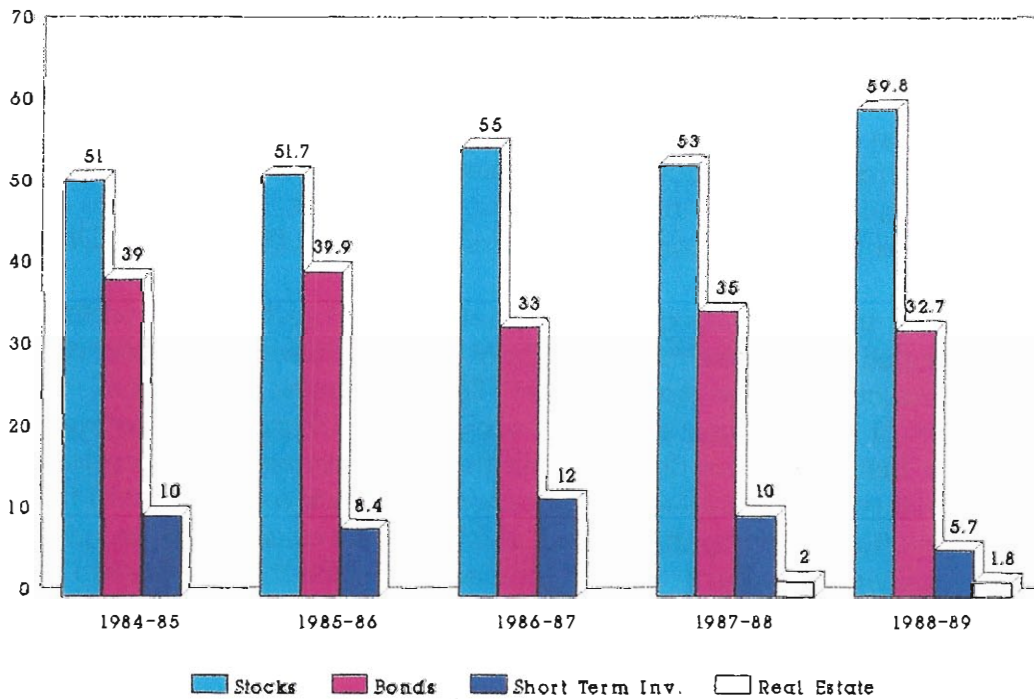
GROWTH OF FIRE AND POLICE PENSION SYSTEM ASSETS BY FISCAL YEARS (ENDING JUNE 30th)

Market Value of Total Assets (Millions of dollars)



FIRE AND POLICE SYSTEM ASSET MIX 1984-85 through 1988-89

Percentages



INVESTMENTS

Introduction

The 1988-89 investment performance of the Fire and Police Pension System continued to benefit from the System's 1986 asset allocation plan restructuring and the extraordinary gains in the investment markets.

Investment Performance

The Fire and Police Pension System investments increased in value from \$1.4 billion to \$3.3 billion for the five year period ending June 30, 1989. The System's return on investment contributed \$1.6 billion towards the increase in value for a 15.6 percent annualized return during this five year period. The Consumer Price Index increased by 3.7 percent on an annualized basis during this same period.

The five year total fund return of 15.6 percent ranked in the 36th percentile (1st being highest) of the SEI Funds Evaluation Services Local Government Universe. The one-year total fund performance of 16.0 percent ranked in the 16th percentile of the SEI Local Government Universe.

Asset Allocation Plan

The asset allocation decision, or how much of the investment portfolio should be invested in asset classes such as stocks, bonds or real estate, generally accounts for 80 percent or more of investment returns. The System adopted its long-term Asset Allocation Plan in 1986. The Plan targets continue to be as follows: U.S. large capitalization stocks (48%), U.S. small capitalization stocks (7%), non-U.S. stocks (5%), domestic core bonds (14%), high yield bonds (5%), convertible bonds (5%), real estate (10%), and cash equivalents (6%).

Other Investment Programs

The System in conjunction with its custodian bank participates in Securities Lending and Dividend Plus programs. These programs are designed to safely enhance investment returns to the System. In 1988-89, the System earned \$780,000 from the Securities Lending Program and \$24,000 from the Dividend Plus Program.

The System's three options overwriters sell covered call options on the existing stock portfolios. The investment results of these advisors will often move in the opposite direction of the stock market. This "negative correlation" has the desirable effect of dampening extreme swings in the System's investment performance. The last two years demonstrate the effectiveness of the options program. In 1987-88 (which included the October 1987 stock market crash) the System's stock portfolio had a negative return of 5.3 percent and the options program added an incremental return of 0.86 percent. In 1988-89 the System's stock portfolio had an extraordinary return of 20.5 percent and the options program reduced the overall stock return by 0.86 percent.

INVESTMENTS

Investment Highlights

The System funded five small capitalization stock advisors on July 1, 1988. These advisors invest in small emerging companies with the purpose of enhancing overall return and providing further diversification to the fund. The System's asset allocation plan has dedicated seven percent of the total fund for this asset class. For the first full year, these new advisors had a combined return of 21.7 percent. This return exceeded their NASDAQ Index target return of 10.3 percent by over 11 percent.

The System contracted with two advisors to recommend direct real estate investments. The advisors are responsible for locating and recommending institutional size quality real estate investments. Adverse real estate market conditions did not allow the Board to make any purchases in 1988-89.

SEI Funds Evaluation Services was renewed as the System's independent performance evaluation consultant.

The System's high yield bond advisors continued to meet investment expectations and were renewed.

The System retained a consultant to assist the System in the review of international stock investments.

Other Programs

The System adopted a six-phase South Africa Divestiture Plan in 1985. Phases one through four have been implemented and the current phase five requires that the System divest itself of all companies doing business in South Africa except those which are rated in the highest category of compliance with the Sullivan Principles. The System may also exempt companies which might otherwise result in economic harm to the investment practices of the investment advisor.

The System as a matter of fiduciary responsibility votes all of its proxy solicitations. In 1988-89 the System voted a total of 551 proxies. The System votes affirmatively on: preemptive rights, cumulative voting, adoption of the Sullivan Principles and confidential voting. The System opposes anti-takeover measures and abstains on proxy issues of a purely social, political, or environmental nature and having no anticipated economic impact on the System.

INVESTMENTS

ANNUAL RATES OF RETURN BASED ON MARKET VALUE

Fiscal Year Ending June 30	Equities	Bonds	Total Fund*	CPI**
1979-80	15.20%	- 2.00%	5.80%	14.30%
1980-81	20.50%	- 8.90%	- 1.30%	9.60%
1981-82	-13.90%	12.70%	6.20%	7.10%
1982-83	68.80%	35.40%	46.90%	2.60%
1983-84	-16.40%	2.10%	- 5.90%	4.20%
1984-85	29.60%	28.90%	25.30%	3.70%
1985-86	35.30%	19.10%	26.60%	1.70%
1986-87	23.70%	5.70%	14.20%	3.72%
1987-88	- 5.30%	6.90%	0.30%	3.94%
1988-89	20.50%	12.50%	16.00%	3.70%

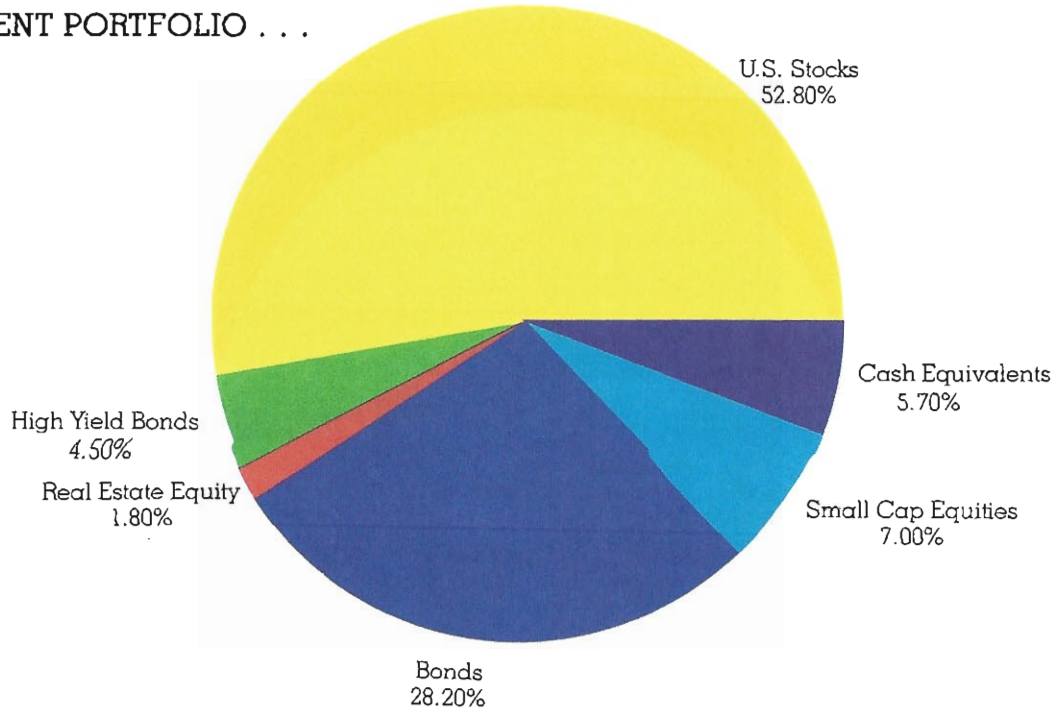
*Total fund includes short-term investments and real estate for 1988-89.

**C.P.I. is for the U.S. ending June 30th

INVESTMENTS

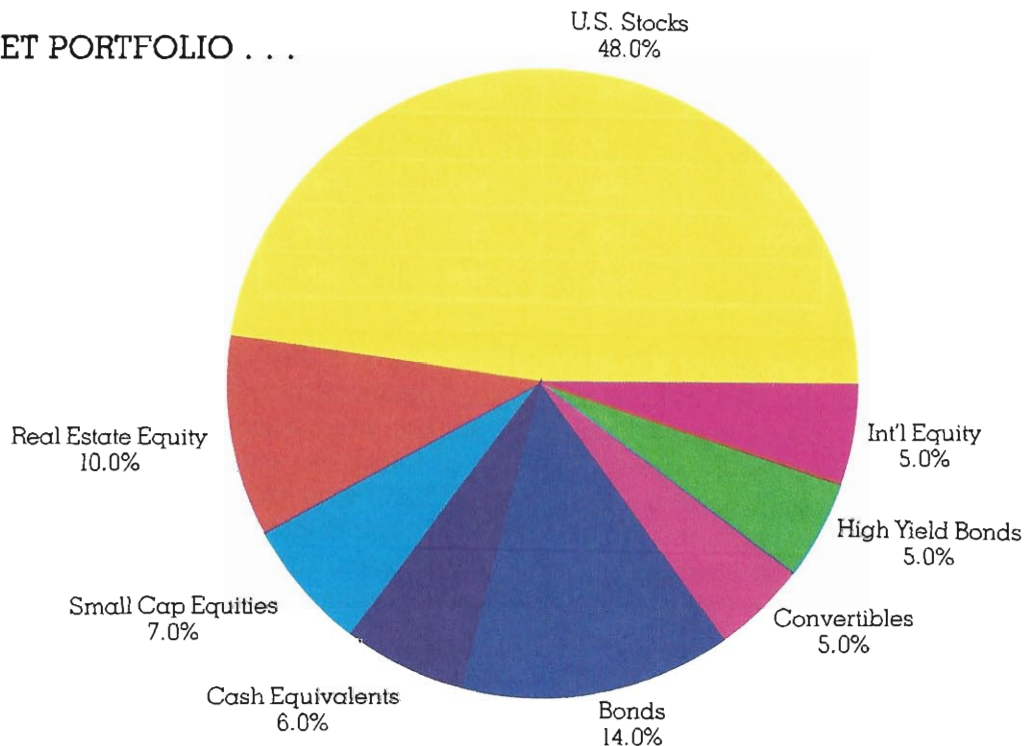
COMPARISON OF PORTFOLIO ASSET MIX

CURRENT PORTFOLIO . . .



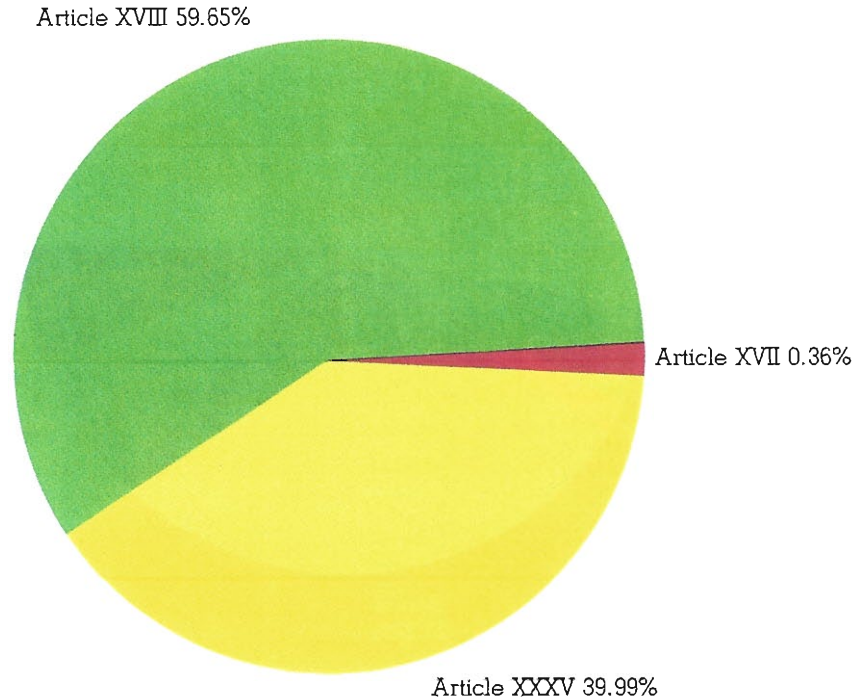
In 1986 the Board adopted an asset reallocation plan that is intended to reduce volatility or riskiness of the Plan through diversification and to enhance the potential for increased investment return. The phased implementation of the asset reallocation plan is targeted for completion in FY 1989-90.

TARGET PORTFOLIO . . .



MEMBERSHIP

ACTIVE MEMBERS



Membership by City Charter Article:

	Fire	Police	Total
XVII	5	35	40
XVIII	1904	4645	6549
XXXV	1283	3107	4390
	3192	7787	10979

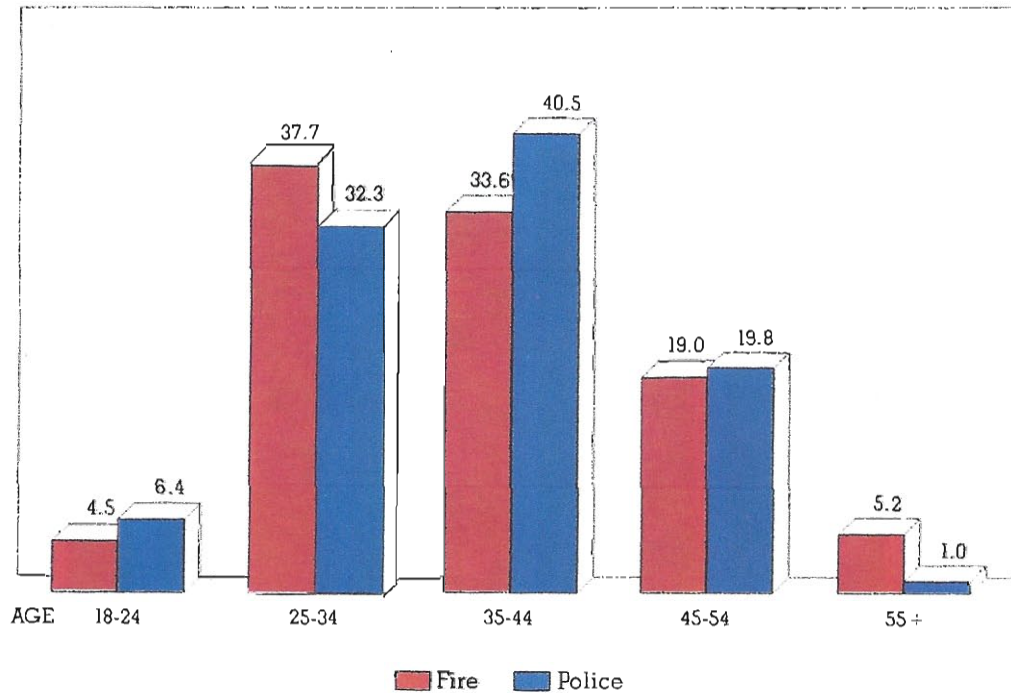
Three separate pension plans cover the active membership of the Los Angeles Fire and Police Pension Systems. Of these, the Fire and Police Pension System (Article XVII) and the New Pension System (Article XVIII) are closed to new members. As expected, membership in these pension plans has declined steadily as members either retire or terminate employment.

In 1980, the Safety Members' Pension Plan (Article XXXV) was approved by the voters of the City of Los Angeles to cover new hires to the Fire and Police Departments. As Fire Department employees, Paramedics and Civilian Ambulance Drivers were allowed to transfer to the Safety Members' Pension Plan from the City Employees' Retirement System in November of 1982.

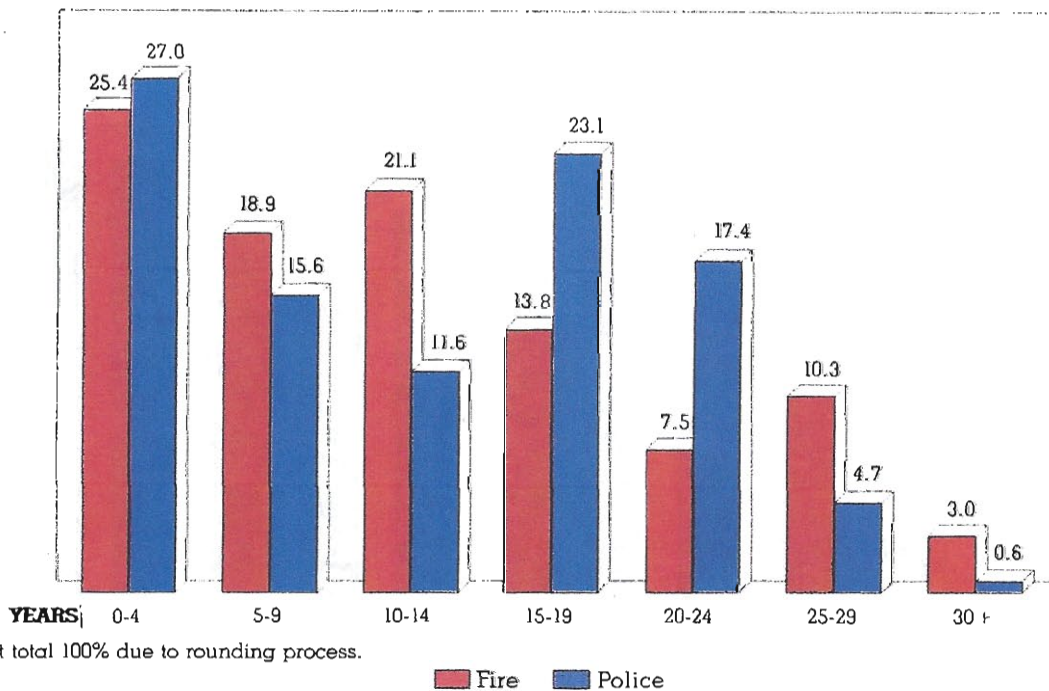
Total active membership in the three pension plans which comprise the Los Angeles Fire and Police Pension Systems, as of June 30, 1989, equalled 10,979, a net increase of 438 members since June 30, 1988.

MEMBERSHIP

**PERCENTAGE OF ACTIVE MEMBERS
BY AGE GROUP***



**PERCENTAGE OF ACTIVE MEMBERS
BY YEARS OF SERVICE***

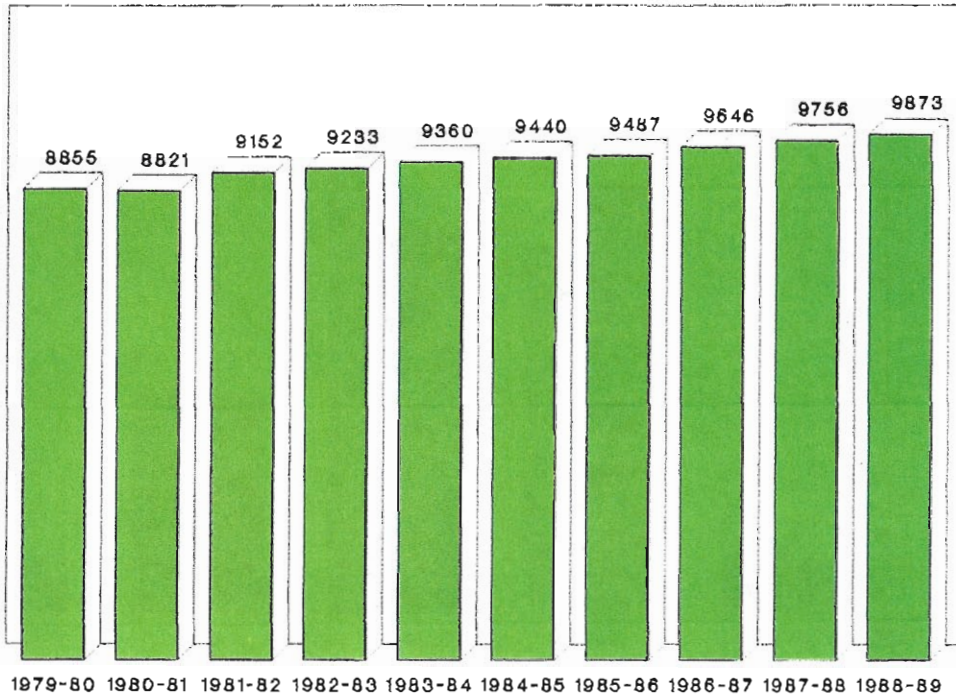


*Figures may not total 100% due to rounding process.

MEMBERSHIP

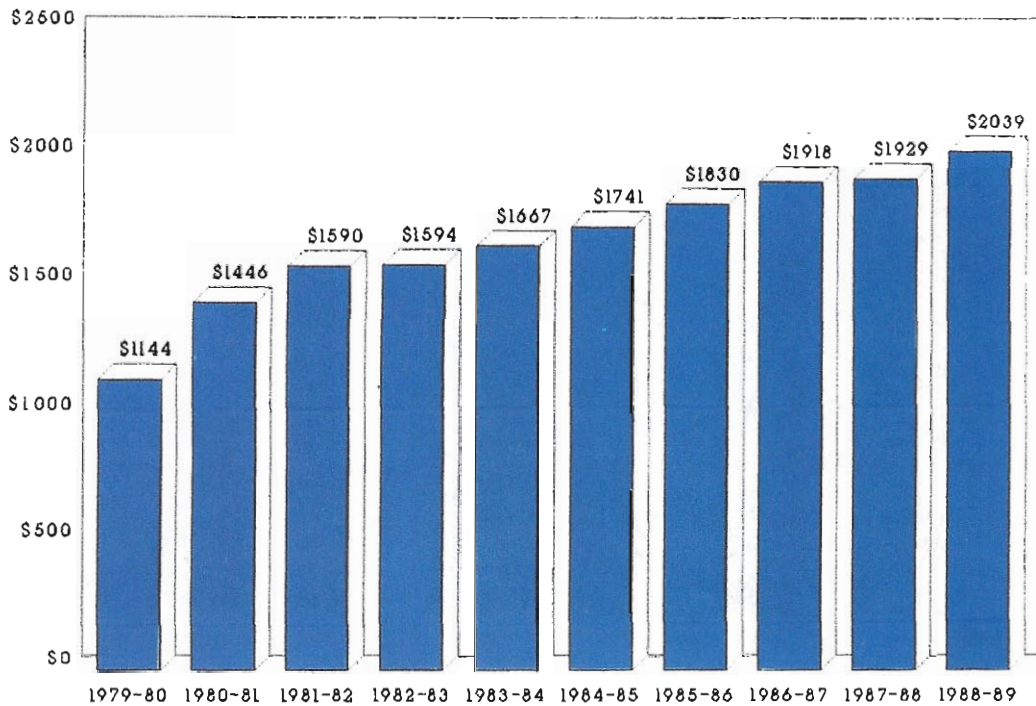
RETIRED MEMBERSHIP FOR FISCAL YEARS ENDING JUNE 30TH

The number of individuals on the pension roll showed a net increase of 117 persons over the previous year.



COMPARISON OF AVERAGE MONTHLY PENSIONS BY FISCAL YEAR ENDING JUNE 30TH*

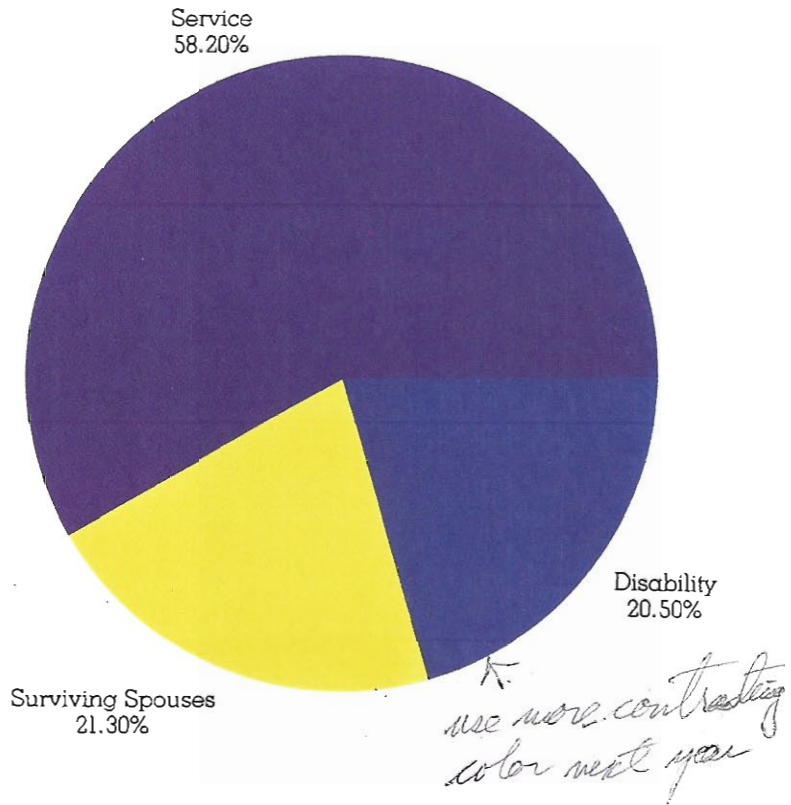
The value of the average monthly pension check increased by \$110 over the previous year.



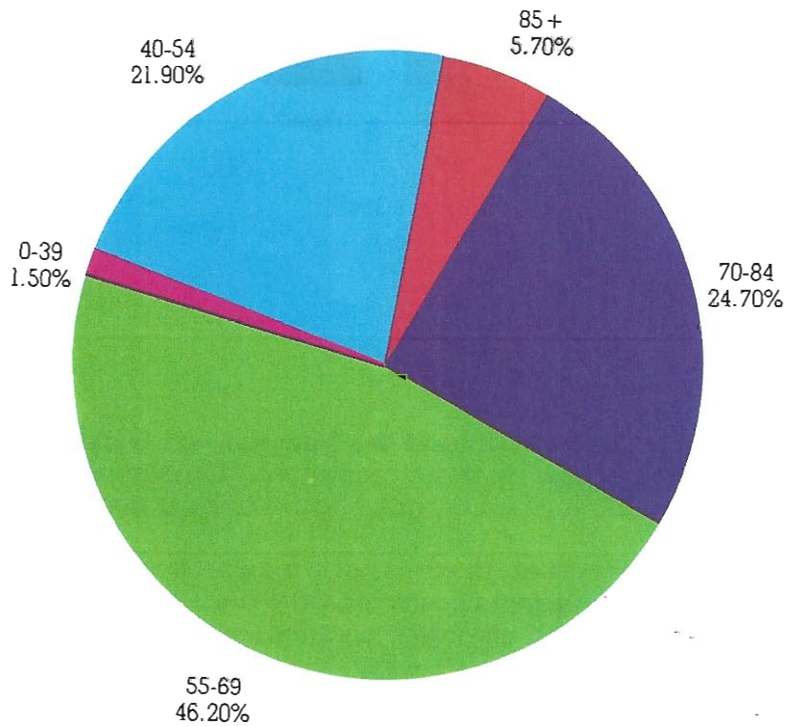
*To the nearest dollar

TYPES OF PENSIONS

Pension benefits are payable to system members and their survivors. As of June 30, 1989, 5747 service pensions, 2022 disability pensions, and 2104 pensions to surviving spouses and minors were being paid by the Los Angeles Fire and Police Pension System.



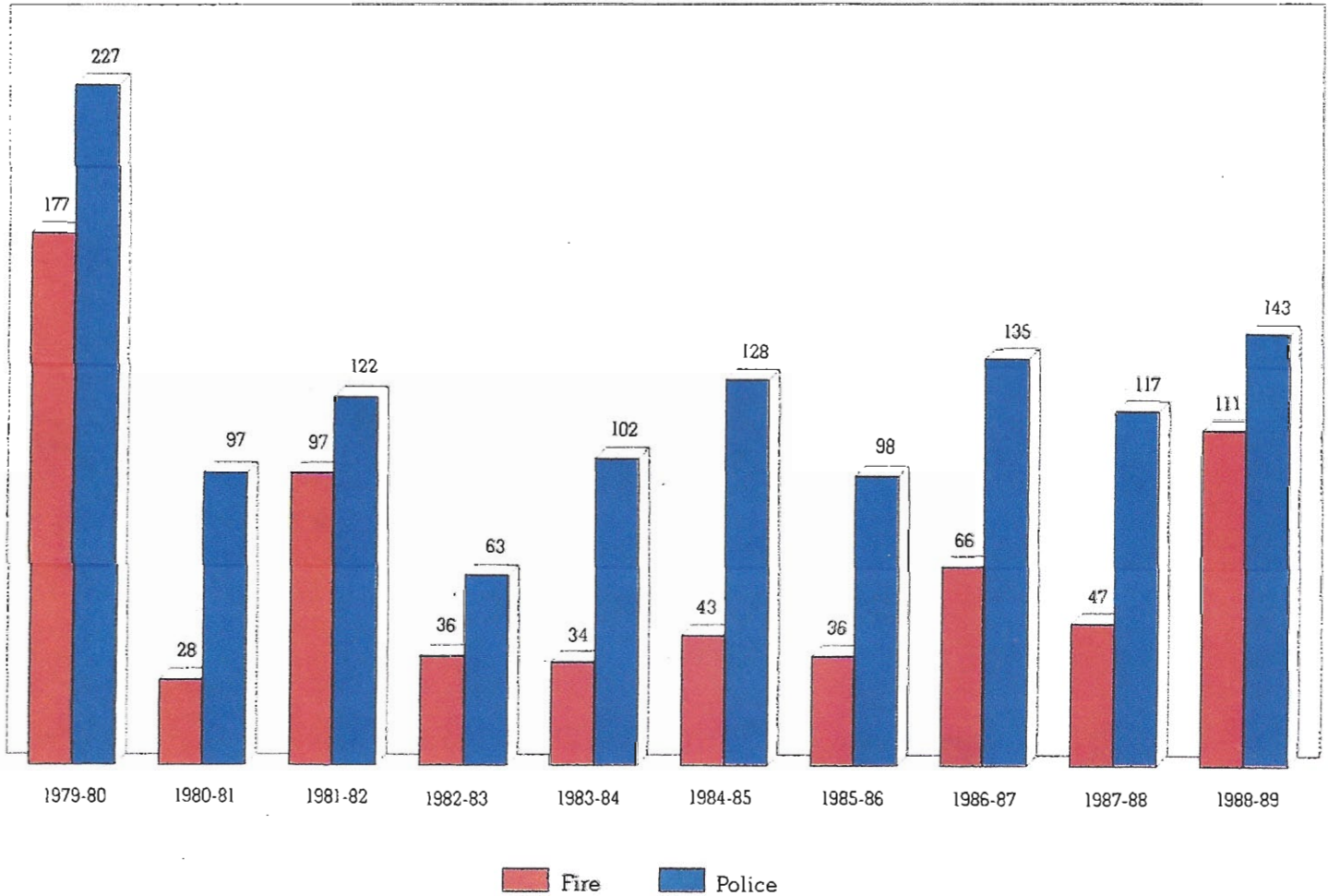
AGE MIX OF PENSIONERS



Age	Number
0-39	= 148
40-54	= 2159
55-69	= 4565
70-84	= 2434
85+	= 567
Total	= 9873

TYPES OF PENSIONS

SERVICE PENSIONS*



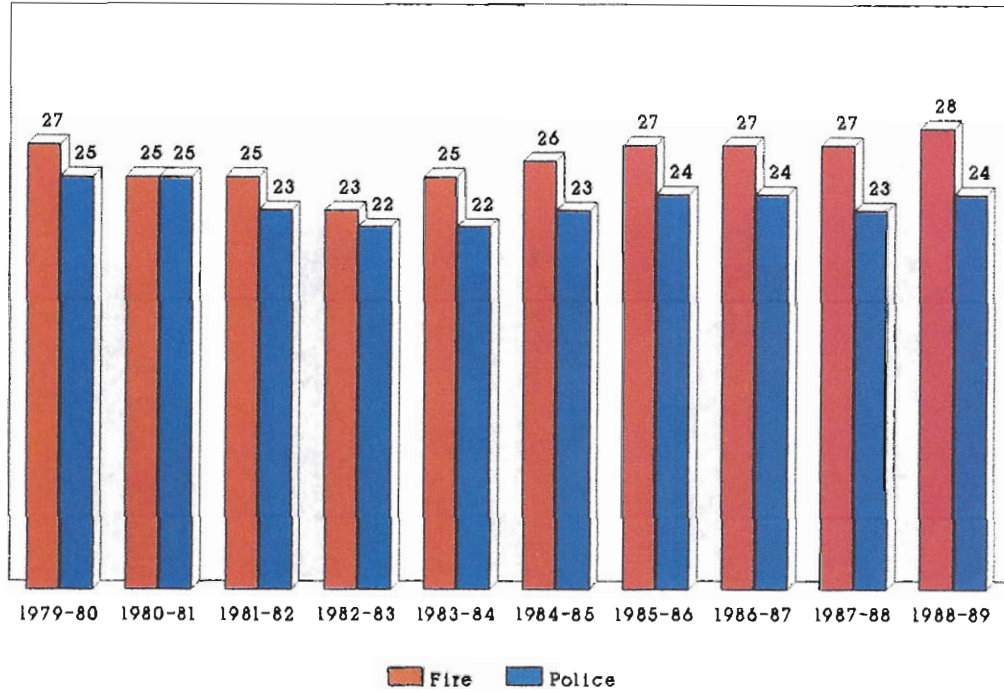
Members of the Fire and Police Pension System (Article XVII) and the New Pension System (Article XVIII) must complete 20 years of service in order to be eligible for service retirement. Members of the Safety Members' Pension Plan (Article XXXV) must complete 10 years of service and be at least age 50 prior to receiving a service pension.

Members generally become eligible for pension benefits at an earlier age than their civilian counterparts. Providing pension benefits for a greater number of years imposes a higher liability on the pension fund. This liability is being met by a combination of City and employee contributions as well as greater investment earnings.

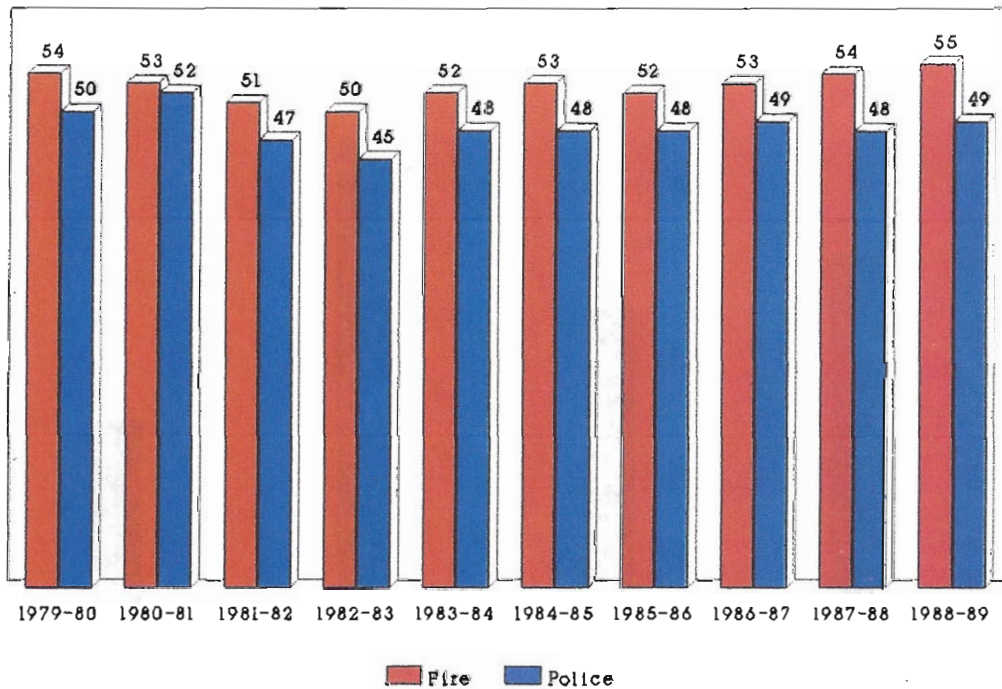
*1984-85 through 1988-89 by Board granted date, other years by effective date.

TYPES OF PENSIONS

AVERAGE YEARS OF SERVICE AT RETIREMENT
(BY DEPARTMENT)

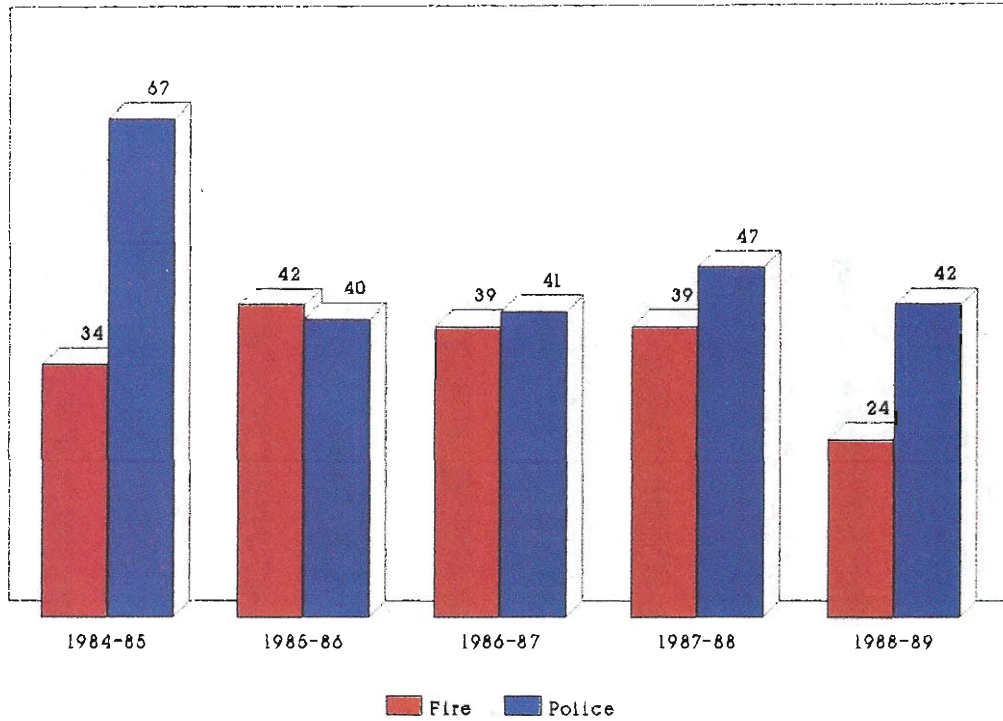


AVERAGE AGE AT RETIREMENT
(BY DEPARTMENT)



TYPES OF PENSIONS

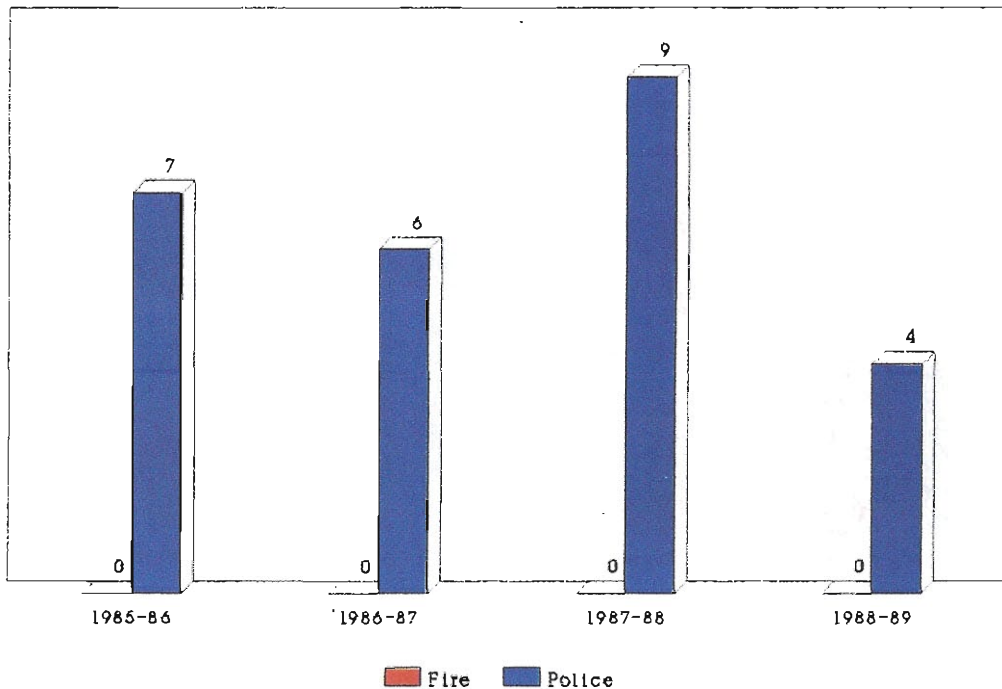
DISABILITY PENSIONS



The above graph indicates the number of disability pensions granted (service and non-service connected), by department, over the past five fiscal years.

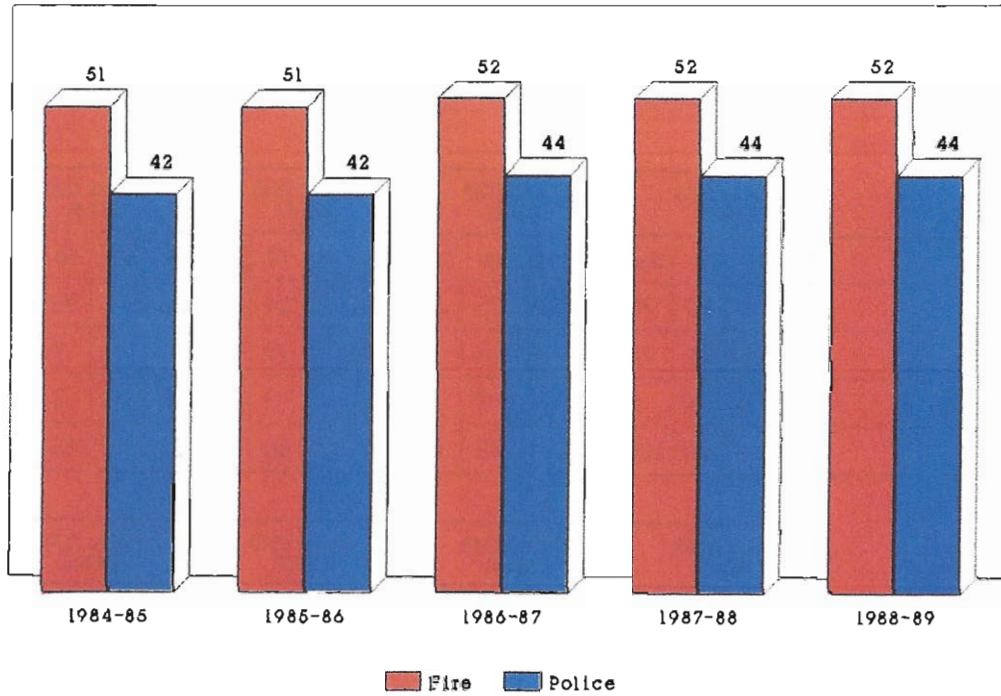
The following graph shows the number of individuals, by department, returned to active duty from disability pensions during the past ~~three~~ ^{four} fiscal years.

RETURNED TO ACTIVE DUTY FROM DISABILITY



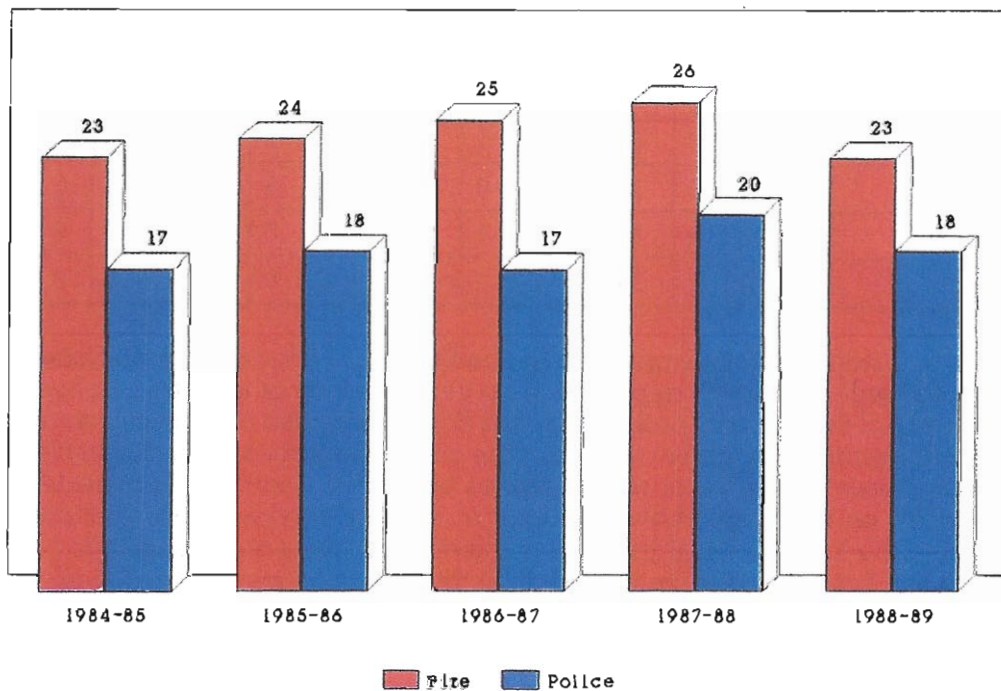
TYPES OF PENSIONS

AVERAGE AGE AT DISABILITY RETIREMENT



The average age and average years of service of sworn Fire and Police Department personnel who retired with disability pensions during the last five fiscal years are reflected on this page.

AVERAGE YEARS OF SERVICE AT DISABILITY RETIREMENT



TYPES OF PENSIONS

SERVICE CONNECTED DISABILITY PENSIONS (BY TYPE AND DEPARTMENT FOR THE LAST FIVE FISCAL YEARS*)

	FISCAL YEAR 1984-85				FISCAL YEAR 1985-86				FISCAL YEAR 1986-87				FISCAL YEAR 1987-88				FISCAL YEAR 1988-89			
	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total
GRANTED																				
Physical Only	33	1	39	73	37	3	25	65	36	3	24	63	36	1	36	73	19	0	31	50
Physical/Psychological	0	0	24	24	0	0	13	13	0	0	13	13	1	0	7	8	0	4	8	12
Psychological Only	0	0	3	3	0	1	2	3	0	0	3	3	0	0	2	2	0	0	2	2
TOTALS	33	1	66	100	37	4	40	81	36	3	40	79	37	1	45	83	19	4	41	64

	FISCAL YEAR 1984-85				FISCAL YEAR 1985-86				FISCAL YEAR 1986-87				FISCAL YEAR 1987-88				FISCAL YEAR 1988-89			
	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total
Back	23	1	21	45	24	1	17	42	23	1	12	36	22	1	14	37	14	1	15	30
Neck	4	0	9	13	5	0	6	11	5	0	5	10	10	0	7	17	4	1	7	12
Knees	9	0	8	17	7	0	3	10	7	0	3	10	4	0	2	6	3	0	4	7
Other Orthopedic	5	0	19	24	13	3	7	23	13	2	5	20	15	0	12	27	2	2	9	13
Heart Attack	2	0	0	2	1	0	2	3	0	0	2	2	2	0	5	7	1	0	2	3
Ulcer	0	0	1	1	0	0	1	1	0	0	3	3	1	0	3	4	0	1	4	5
Hypertension	1	0	15	16	1	0	4	5	4	0	8	12	2	0	11	13	2	1	6	9
Hearing Loss	4	0	3	7	3	0	3	6	5	1	1	7	6	0	4	10	3	0	4	7
Pulmonary	3	0	3	6	3	0	1	4	6	0	2	8	5	0	2	7	2	1	1	4
Cancer	2	0	0	2	0	0	0	0	0	0	0	0	5	0	2	7	1	0	0	1
PCP Exposure	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Gun Shot Wound	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1

Disability pensions must be approved by the Board of Pension Commissioners before taking effect. The Board will require an applicant to be examined by at least three physicians who specialize in the area of the medical problem(s). The Board may also request a recommendation from an independent hearing examiner regarding the case. The applicant or the applicant's representative can also present evidence or call witnesses before the Board for its consideration.

The top chart on this page shows the total number of service connected disability pensions awarded during the last five fiscal years. The lower chart gives a more specific breakdown of the areas of disability. Some service connected disability pensions were awarded on the basis of multiple disability claims, resulting in a numerical difference between the two charts.

*By granted date.

TYPES OF PENSIONS

SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENTS (BY RANK)

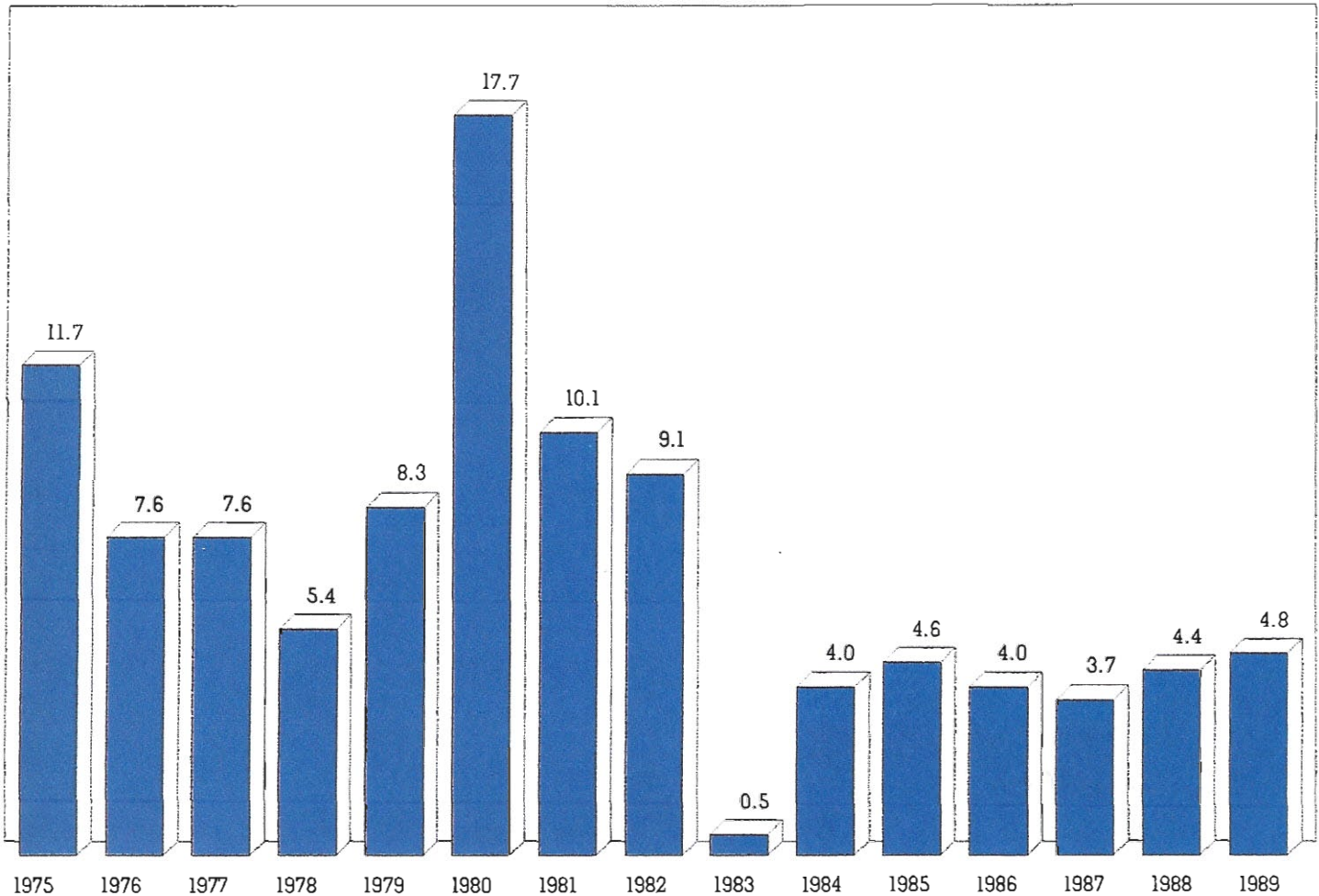
	1984-85	1985-86	1986-87	1987-88	1988-89
POLICE					
Police Officer	41	19	22	21	25
Sergeant	9	9	4	11	6
Detective	15	8	11	11	12
Lieutenant	2	4	2	4	0
Captain	0	0	2	0	0
Commander	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Asst. Chief	0	0	0	0	0
TOTALS*	67	40	41	47	43
FIRE					
Ambulance Driver/ Paramedic	1	4	3	2	4
Firefighter	13	12	15	9	6
Apparatus Operator	4	1	0	0	0
Fireboat Mate	0	0	0	1	0
Engineer	7	8	6	7	7
Inspector	1	2	0	1	2
Captain	7	12	14	16	3
Battalion Chief	1	2	1	2	2
Asst. Chief	0	1	0	1	0
Deputy Chief	0	0	0	0	0
TOTALS*	34	42	39	39	24

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

TYPES OF PENSIONS

PENSION COST OF LIVING ADJUSTMENTS

EFFECTIVE JULY 1ST



Although cost of living adjustments are made to eligible pensions each July 1st, the percentage of increase is based on the consumer price index for the greater Los Angeles area ending in February.

Members of the Safety Members' Pension Plan have cost of living increases capped at three percent. Members of the other pension plans have a three percent cap of their cost of living adjustments for years of service after June 30, 1982.

ACTUARIAL REPORT

ACTUARIAL BALANCE SHEET AS OF JUNE 30, 1989

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	\$ 22,967,220	\$2,685,578,908	\$220,621,161	\$2,929,167,289
2. Present value of Future Member Contributions	455,319	170,699,425	199,424,501	370,579,245
3. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	2,510,044	717,259,063	430,596,083	1,150,365,190
b. Unfunded Actuarial Accrued Liability	543,990,571	3,117,650,061	(47,113,016)	3,614,527,616
4. TOTAL ASSETS	\$569,923,154	\$6,691,187,457	\$803,528,729	\$8,064,639,340

LIABILITIES

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
5. Present Value of Benefits Already Granted				
a. Service Retirements	\$175,740,309	\$2,387,025,273	\$ 2,251,685	\$2,565,017,267
b. Disability Retirements	129,416,159	800,002,791	8,282,180	937,701,130
c. Survivors and Dependents	244,946,933	260,432,312	3,009,727	508,388,972
d. Total	550,103,401	3,447,460,376	13,543,592	4,011,107,369
6. Present Value of Benefits to be granted				
a. Service Retirements	16,800,780	2,522,072,203	525,957,405	3,064,830,388
b. Disability Retirements	2,906,387	683,279,688	221,192,419	907,378,494
c. Survivors and Dependents	97,038	24,084,335	19,937,317	44,118,690
d. Total	19,804,205	3,229,436,226	767,087,141	4,016,327,572
7. Refund of Employee Contributions	15,548	14,290,855	22,897,996	37,204,399
8. TOTAL LIABILITIES	\$569,923,154	\$6,691,187,457	\$803,528,729	\$8,064,639,340

ACTUARIAL REPORT

RESULTS OF VALUATIONS

As of June 30, 1989, there were 10,979 active and 9873 retired members of the Los Angeles Fire and Police Pension Systems. 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, 1989 are shown on the Actuarial Balance Sheet (see previous page). These valuations were based on the demographic assumptions adopted June 30, 1985 and economic assumptions of 8.5% annual interest, 6.5% annual salary, 5.5% annual consumer price index and 5.5% aggregate payroll growth increase.

The Assets and Accounts Payable items of the Actuarial Balance sheet were provided by the Department of Pensions 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 \$8.1 billion and is the "liability" of the system.

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 (\$2.9 billion) already accumulated in the Systems. Item 2 is the present value of member contributions (\$371 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	21.824%
XVIII	24.223%
XXXV	16.096%

These contribution percentages are known as normal cost percentages. The Entry Normal Age Normal Cost percentages is simply stated, the City's level percentage of payroll needed to fund benefits for new entrants (hypothetical new entrants for Articles XVII and XVIII) to the Systems. The current present value of these contributions is 1.15 billion.

For the third step, the existing assets (2.9 billion), plus the present value of future normal costs (.37 billion), plus the present value of future member contributions (1.15 billion) were compared to the present value of the benefits to be paid out (8.1 billion). The Systems were short by 3.6 billion.*

*Apparent discrepancy in result is due to the rounding process.

The shortfall (or balancing item) of 3.6 billion is the Unfunded Actuarial Accrued Liability (UAAL) of the Systems. To fund the Systems into actuarial balance, a pattern of contributions which has a present value of 3.6 billion is needed.

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

Article	Amount	Pattern
XVII	\$47,179,188	As a level dollar amount through the fiscal year 2037.
XVIII	23.004%	As a level of total payroll, i.e., Articles XVII, XVIII, and XXXV through the fiscal year 2037.
XXXV	(1.806%)	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 Cost with respect to current members. The excess actuarial liability over the assets, as noted before, is called the Unfunded Actuarial Accrued Liability (UAAL) 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 UAAL over the period ending with the fiscal year 2036-2037. Traditionally, the amortization of the Unfunded Actuarial Accrued Liability

ACTUARIAL REPORT

has been a level dollar amount including principal and interest. The following summarizes the Actuary's results:

	June 30, 1989	June 30, 1988
1. City's Entry Age Normal Cost*	21.824%	24.092%
2. Amortization of the UAAL	\$47,179,188	\$48,892,806

*Percentage is applied to Article XVII payroll only.

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 UAAL of the New Pension System over the period ending with the fiscal year 2036-2037.

The amortization of the New Pension System's UAAL is designed to produce an increasing payment pattern so that each year's payment would be the same percentage of the System's total payroll for that year. The amortization payments have been calculated to increase at the same rate as the System's cost-of-living increase assumption (currently at 5.5% 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 UAAL; therefore, the UAAL can be expected to increase for many future years. Under the current assumption, by the year 2022 the amortization payment will have grown sufficiently to start meeting the interest on the then current unfunded liability.

	June 30, 1989	June 30, 1988
1. City's Entry Age Normal Cost	24.223%*	22.891%*
2. Amortization of the UAAL	23.004%**	22.545%**

* Percentage is applied to Article XVIII payroll only.

** This percentage is applied to the total payroll of active employees covered by articles XVII, XVIII, and XXXV per 1984 Charter amendment.

Note that for a long-term budget purposes the dollar amounts implied by the amortization percentage can be expected to grow by 5.5% per year if all assumptions are met.

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 1/2 of the cost of the cost of living benefits provided in this Article 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 13%. The Actuary believes that if the System were to maintain separate accounts for basic and cost-of-living assets, there would also be a UAAL with respect to cost-of-living benefits so the total cost (Normal cost plus amortization) would be in excess of 13% of payroll. Accordingly, it is recommended that New System members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% 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 UAAL. Presumably, the UAAL 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 1989	June 30 1988
1. City's Entry Age Normal Cost*	16.096%	17.884%
2. Amortization of the UAAL*	(1.806%)	(1.156%)
3. Total Contributions*	14.290%	16.728%

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

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'S REPORT

January 22, 1990

Board of Pension Commissioners
of the City of Los Angeles
Los Angeles, California

We have audited the accompanying balance sheets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 1989 and 1988, and the related statements of revenues, expenditures and changes in fund balance for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 8 to the financial statements, the System was appealing a judgment in a lawsuit seeking removal of the 3% cap on cost-of-living adjustments for years of service subsequent to July 1, 1982. All avenues for appeal have been exhausted. As discussed in Note 4, the effects of this judgment were not provided in the 1988 financial statements; however, the 1989 financial statements have recognized the unfunded amounts. Accordingly, the actuarial liabilities and the calculations of contribution are not consistent between years.

In our opinion, except for the omission of recording the judgments discussed in the preceding paragraph, the 1988 financial statements referred to above present fairly, in all material respects, the financial position of the City of Los Angeles Fire and Police Pension System as of June 30, 1988, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In our opinion, the 1989 financial statements referred to above present fairly, in all material respects, the financial position of the City of Los Angeles Fire and Police Pension System as of June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

We have also previously audited, in accordance with generally accepted auditing standards, the balance sheets as of June 30, 1982, 1983, 1984, 1985, 1986, and 1987, and the related statements of revenues, expenditures and changes in fund balance and financial position for the years then ended (none of which are presented herein); and we expressed qualified opinions, based on the litigation discussed above, on those financial statements. The financial statements as of June 30, 1980 and 1981 were audited by other auditors whose reports dated February 23, 1981 and February 16, 1982, respectively, expressed unqualified opinions on those statements. In our opinion, except for the omission in years 1982 through 1988 of recording the judgment discussed above, the information set forth in the selected financial data for each of the eight years in the period ended June 30, 1989, appearing on pages 13-16, is fairly stated, in all material respects, in relation to the financial statements from which it was derived.

Deloitte & Touche,
Certified Public Accountants

AUDITOR'S REPORT

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM
BALANCE SHEETS

	June 30	
	1989	1988
ASSETS:		
Cash	\$ 617,063	\$ 600,416
Receivables:		
Accrued interest and dividend income	\$ 26,757,765	\$ 26,336,739
Contributions	2,264,967	1,301,851
Due from brokers and others	30,879,365	25,913,333
	<u>59,902,097</u>	<u>53,551,923</u>
Investments:		
Temporary, at cost, which approximates market	441,776,473	467,879,897
Bonds, at amortized cost (market value \$996,270,233 in 1989 and \$866,746,700 in 1988)	989,362,719	879,029,316
Common stock, at cost (market value \$1,796,268,631 in 1989 and \$1,376,198,228 in 1988)	1,433,036,244	1,207,380,539
Preferred stock, at cost (market value \$24,025,583 in 1989 and \$12,968,265 in 1988)	22,053,550	12,040,059
Real estate pools, at cost (market value \$61,023,939 in 1989 and \$47,695,578 in 1988)	58,373,740	46,545,809
	<u>2,944,602,726</u>	<u>2,612,875,620</u>
Total assets	<u>3,005,121,886</u>	<u>2,667,027,959</u>
LIABILITIES		
Benefits in process of payment	1,348,301	338,159
Accounts payable	2,455,847	1,896,988
Deferred option premiums (market value \$25,616,521 in 1989 and \$5,322,126 in 1988)	27,920,977	4,604,714
Due to brokers	42,211,440	19,919,813
	<u>73,936,565</u>	<u>26,759,674</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$2,931,185,321</u>	<u>\$2,640,268,285</u>
FUND BALANCE:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	\$4,011,107,369	\$3,732,366,082
Actuarial present value of credited projected benefits for active employees:		
Member contributions	764,503,327	685,442,008
Employer financed portion	1,770,102,241	1,623,296,221
	<u>\$6,545,712,937</u>	<u>\$6,041,104,311</u>
Unfunded actuarial present value of credited projected benefits	(3,614,527,616)	(3,400,836,026)
Total fund balance	<u>\$2,931,185,321</u>	<u>\$2,640,268,285</u>

See independent auditor's report and accompanying notes to financial statements.

AUDITOR'S REPORT

**CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

	Year ended June 30			
	1989		1988	
REVENUES:				
City contributions	\$288,289,760		\$279,786,608	
Member contributions	31,815,226		30,103,457	
Miscellaneous	415,304	\$320,520,290	372,810	\$310,262,875
Investment income:				
Interest	125,393,849		114,501,926	
Dividends	52,973,593		45,302,225	
Gain on sale of Investments	66,798,337		32,310,766	
Gains (losses) on option premiums	(17,777,285)		10,528,068	
Real estate gain	2,494,748			
Securities lending income (Note 6)	832,954		1,000,506	
Other	36,330	230,752,526	40,805	203,684,296
		551,272,816		513,947,171
EXPENDITURES – Benefits paid to participants:				
Service	149,546,444		139,767,264	
Disability	47,432,891		44,640,929	
Surviving spouses	42,732,876		41,683,301	
Minors and dependents	738,285		637,264	
Health Plan subsidy (Note 5)	8,904,250		7,730,806	
	249,354,746		234,459,564	
Administrative expense	11,001,034	260,355,780	7,741,177	242,200,741
NET OPERATING INCOME		290,917,036		271,746,430
FUND BALANCE, beginning		2,640,268,285		2,368,521,855
FUND BALANCE, ending		\$2,931,185,321		\$2,640,268,285

See independent auditor's report and accompanying notes to financial statements.

AUDITOR'S REPORT**CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1989 & 1988****Note 1 — Description of Plan**

The City of Los Angeles Department of Pensions operates under provisions of the City Charter of the City of Los Angeles, which provides that the funding requirements of the City of Los Angeles Fire and Police Pension System (the System or the Plan), based on the results of actuarial valuation, will be satisfied by the City of Los Angeles. In addition, the City of Los Angeles is required to fund the administrative expenses of the System.

In general, the System is a defined benefit pension plan covering all fire fighters, police officers, paramedics and civilian ambulance employees 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 Department of Pensions (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 Safety Members Pension Plan that was established at that time.

Members with 20 or more years of service in the Old System and New 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 66 $\frac{2}{3}$ % in the Old System and 70% in the New System. There is no minimum age requirement. The Plans provide for unlimited cost-of-living adjustments in benefits for service. Members who terminate their employment after July 1, 1982 are entitled to a refund of contributions if they do not qualify for a pension. Members of the Safety Members Pension Plan must be age 50, with ten 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 ten years, to a maximum of 70% for 30 years. Benefits are adjusted by the cost-of-living rate, at a maximum of 3% per year. These benefits can be adjusted by the City Council once every three years. *See Plan documents for a more detailed description of the Plan.*

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 undivided interest in the cash held by the Treasurer of the City of Los Angeles.

Investments

Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit and treasury bills, are carried at cost, which approximates market at June 30, 1989 and 1988.

AUDITOR'S REPORT

NOTES TO FINANCIAL STATEMENTS (Continued)

Bonds are recorded at face value less unaccreted discount or plus unamortized premium. Bond premium and discounts are amortized or accreted to maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired. Bonds are written off when management deems there is a permanent impairment of value.

Common and preferred stocks are carried at their cost basis.

Real estate investments are accounted for on the equity method of accounting when there is an interest of 20% or greater. The cost method has been used for investments of less than 20%.

The stated market value of investments is generally based on published market prices and quotations from major investment dealers. Real estate market values are taken from the reports of the investment advisors.

Income from Investments

The Charter of the City of Los Angeles provides that the rate of return 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.

Reclassifications

Certain reclassifications have been made in the 1988 financial statements to conform with 1989 classifications.

Deferred Option Premiums

As allowed by the Charter of the City of Los Angeles, the System writes covered call options through securities. The deferred revenue is stated at the current market value, with the resulting charge or credit reflected in current-year operations.

Note 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, 1989 and 1988. Such liabilities represent computed amounts that, 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 projected pension obligations, excluding the cost-of-living adjustment in the 1988 amounts as described in Note 8. The valuations for 1988 were determined on the basis of (1) actuarial assumptions adopted as a result of a five-year (July 1, 1979 – June 30, 1984) experience investigation made by an actuarial consulting firm and (2) economic assumptions adopted by the Board of Pension Commissioners. For the year ended June 30, 1989, the valuation results were based on the demographic assumptions adopted as a result of the study of system experience made as of June 30, 1988.

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

	1989	1988
● Investment return	8.5%	8.5%
● Annual salary scale increase:		
Individually	6.5%	6.5%
Aggregate	5.5%	5.5%
● Annual cost-of-living increase:		
Old System and New System members:		
Accrued for service prior to June 30, 1982	5.5%	5.5%
Accrued for all subsequent service (subject to any applicable caps)	5.5%	3.0%
Safety Members Pension Plan members	3.0%	3.0%

AUDITOR'S REPORT

NOTES TO FINANCIAL STATEMENTS (Continued)

- **Mortality among retirees** — The valuation for those on service retirement is based upon the 1983 Group Annuity Mortality Table. 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 1983 Group Annuity Mortality Table.
- **Remarriage among spouses** — Expected rates of remarriage were developed during the last actuarial investigation based upon actual experience of the System.

Effective for the 1989 financial statements, the Board adopted new rates for ordinary withdrawal, service-related death, ordinary disability, service-related disability, and service retirement. The changes in assumptions and the removal of the cap on cost of living had the following effects (\$'s in millions) on the unfunded accrued actuarial liability:

Removal of cap on cost-of-living adjustment	\$390.7
Assumption changes	(224.0)
	<u>\$166.7</u>

Note 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, 1989 and 1988, recommended that New System members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. 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 normal costs.
- b. For New System members and Old System members, a dollar amount or percentage 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 Members 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 years ended June 30, 1989 and 1988, to be as follows:

PERCENTAGE OF MEMBERS' SALARIES

	Old System		New System		Safety Members Pension Plan	
	1989	1988	1989	1988	1989	1988
Entry-age normal cost contribution	22.87%	22.02%	22.24%	21.27%	21.43%	21.30%
Amortization of unfunded liability	\$46,222,604*	\$46,860,370*	\$ 99,697,587	\$104,125,455*	(1.42%)	(.77%)
Health plan subsidy	\$ 1,750,000*	\$ 1,750,000*	\$ 6,250,000*	\$ 5,550,000*		

*Stated as required dollar amount.

AUDITOR'S REPORT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the fiscal year ended 1983 through 1988, the costs contributed were calculated assuming that certain cost-of-living adjustments, as described in Note 8, would not be accruable.

The actuarially determined unfunded liability of the System is \$3,614,527,616 at June 30, 1989 and \$3,400,836,026 at June 30, 1988 (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, 1989 is to be amortized over the next 48 years through contributions to be made by the City.

Note 5 — Post-Retirement Benefits:

Retired members currently receive a health plan subsidy. The amounts paid into this subsidy are charged to current-year operations. The unfunded actuarial liability for the health plan subsidy has not been recorded. The amounts paid for the health insurance subsidy is \$8,904,250 for the year ended June 30, 1989 and \$7,730,806 for the year ended June 30, 1988.

Note 6 — Securities Lending:

The System has entered into various short-term arrangements whereby investments are loaned to various brokers. The lending arrangements are collateralized by cash, letters of credit and marketable securities. These agreements provide for the return of the investments and for a payment of: a) a fee when the collateral is marketable securities or letter of credit or b) interest earned when the collateral is cash on deposit. Securities on loan to brokers continue to be shown at their cost basis in the balance sheet. Amounts relating to fiscal years ended June 30, 1989 and 1988 are as follows:

	1989	1988
Securities on loan:		
Cost	\$274,731,377	\$348,212,049
Market	\$290,554,445	\$347,116,442
Collateral	\$300,449,408	\$358,581,839

Note 7 — Contingencies:

Termination Rights

All members who are active on July 1, 1982 have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement. The dollar amounts of the contributions and interest subject to this right at June 30, 1989 and 1988 are \$764,503,327 and \$685,442,008, respectively.

Legal Action

Several legal actions against the Board of Pension Commissioners were pending at June 30, 1989. Except for the following matters, the combined potential liability is not deemed to be material to the net assets of the System.

There are currently pending several domestic relations matters wherein the System has been or will be ordered to (1) make survivorship payments to ineligible former spouses; (2) make payments of community interest while the member is still working but eligible to retire; and (3) make payments to the estates of deceased former spouses. The System is contesting these orders. If unsuccessful, the ultimate liability could be substantial. No opinion can be given by management as to the ultimate outcome nor can an estimate of the potential liability be made at this time. Accordingly, no liability has been recorded in the financial statements.

AUDITOR'S REPORT**NOTES TO FINANCIAL STATEMENTS (Continued)****Note 8 — 3% Cap on Cost-of-Living Adjustments:**

The case filed by the Los Angeles Police Protective League challenged the legality of a proposition that was approved by the electorate of the City of Los Angeles in regard to a 3% cap on cost-of-living adjustments for years of service subsequent to July 1, 1982. At the trial of this action, the lower court ruled on April 2, 1987 that the 3% cap is invalid and unenforceable. In addition, provisions in the Charter providing for a proration method of calculating the cost-of-living adjustment for the first year of retirement were ruled invalid and unenforceable. On April 26, 1989, the Court of Appeals affirmed the trial court's judgment, and the Supreme Court of California denied the City's petition for review of the decision.

Since management was uncertain as to the conclusion of the litigation, they did not record the liability for these unfunded amounts in the 1988 financial statements, as would be required under generally accepted accounting principles. In addition, the actuarial computation of the City's contribution was affected by this assumption. Based on the subsequent events, management directed the actuaries to calculate the unfunded liability and normal cost using the cost-of-living adjustments for 1989. No calculations have been made of the effects on previous years' contributions or of the effect on the June 30, 1988 balance sheet had these adjustments been considered previously.

BUDGET

DEPARTMENT OF PENSIONS

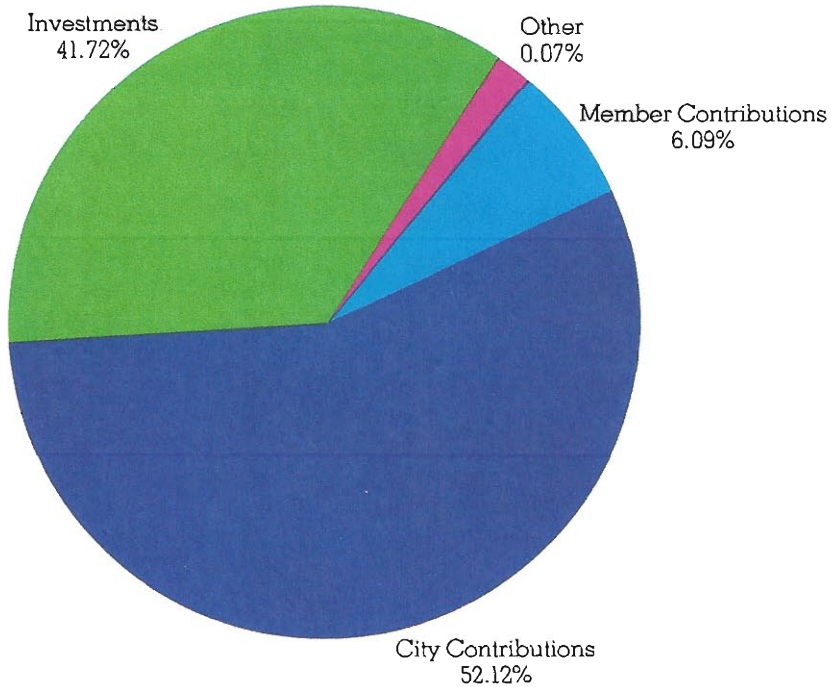
The Board of Pension Commissioners has the responsibility for and the exclusive control of the administration and investment of monies in the several funds of the Fire and Police Pension System, New Pension System and the Safety Members Pension Plan. The Board administers the provisions of the Charter relative to service, disability, and dependents' pensions for members of the Fire and Police Departments.

	Estimated 1988-89	Actual 1988-89
RECEIPTS		
Balance Available	\$ 350,000	—
Taxes and General Fund	\$288,040,569	\$288,289,760
Member Contributions	35,986,245	33,698,141
Earnings on investments	177,000,000	179,236,726
Gain on Sale of Investments	—	51,515,800
Miscellaneous	330,000	415,304
TOTAL RECEIPTS	<u>\$501,706,814</u>	<u>\$553,155,731</u>
	Estimated 1988-89	Actual 1988-89
EXPENDITURES		
Service Pensions	\$149,954,515	\$149,546,444
Disability Pensions	46,831,006	47,432,891
Surviving Spouses' Pensions	42,460,573	42,732,876
Minor's / Dependents' Pensions	756,672	738,285
Refund of Member Contributions	2,000,000	1,882,915
Health Insurance Subsidy	7,780,000	8,083,836
Medicare	819,700	820,414
Administrative Expense	11,439,647	11,001,034
TOTAL EXPENDITURES	<u>\$262,042,113</u>	<u>\$262,238,695</u>
Return to Reserve	239,664,701	290,917,036
TOTAL EXPENDITURES AND RETURN TO RESERVE	<u>\$501,706,814</u>	<u>\$553,155,731</u>

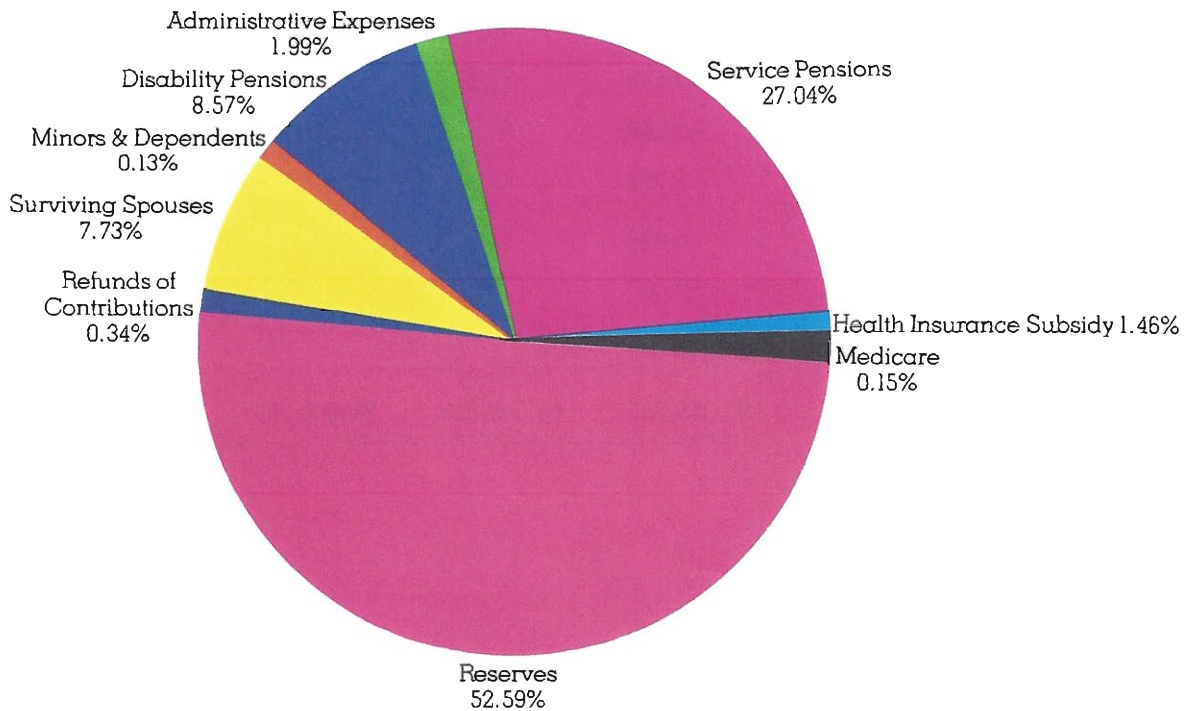
BUDGET

LOS ANGELES FIRE & POLICE PENSION SYSTEM
 1988-89 INCOME: \$553,155,731

REVENUE



EXPENDITURES



BUDGET

ADMINISTRATIVE EXPENSE COMPARISON 1984-85 to 1988-89

OPERATING EXPENSE

	1984-85	1985-86	1986-87	1987-88	1988-89
Salaries	1,194,980	\$1,360,937	\$1,561,161	\$1,728,435	\$ 1,795,559
Overtime	15,961	18,235	17,393	10,811	14,034
Office and Administrative Expense	80,925	57,530	79,009	71,903	79,024
Operating Supplies and Expense	15,000	(6,314)	2,646	—	567
Printing and Binding	10,000	4,296	16,653	11,282	15,800
Travel	38,446	44,965	44,155	51,702	110,352
Contractual Services	3,214,447	3,082,329	3,925,523	5,207,828	8,179,698
Field Equipment	300	(294)	—	—	—
Petroleum Products	1,000	553	349	344	299
Transportation	—	—	200	(200)	15,460
Annual Audit	9,700	14,544	14,867	15,933	17,089
Government Meetings	—	—	1,042	—	—
Litigation	83,925	20,027	28,235	20,650	—
Medical Services	497,827	157,238	302,486	437,227	525,346
Actuarial Expense	30,000	47,400	37,400	31,050	59,500
Health Insurance	69,683	79,812	76,092	88,380	86,484
Retirement Contributions	47,900	51,600	55,440	63,000	60,615
Tuition Reimbursement	1,724	1,606	892	558	1,418
Dental Insurance	6,447	7,772	8,365	8,399	8,066
Equipment, Furniture & Fixtures	37,490	7,290	87,936	(8,675)	28,193
Medicare Contribution	—	—	241	2,550	3,530
	\$5,355,755	\$4,949,526	\$6,260,085	\$7,741,177	\$11,001,034

LEGAL

SUMMARIZATION OF LITIGATION ACTIVITIES OF THE LEGAL SECTION

There are several court decisions rendered in the pension field which are of importance to the City and the Board. Some of these matters 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:

James Johnson v. Board of Pension Commissioners
Pearson v. City of Los Angeles and Board of Pension Commissioners
Randenberg v. Board of Pension Commissioners
Van Why v. Board of Pension Commissioners

II. Decisions reversing the Board:

Algee v. City of Los Angeles and Board of Pension Commissioners
Molinar v. City of Los Angeles and Board of Pension Commissioners

B. Cases presenting interesting facts or legal issues.

Batac v. City of Los Angeles (Valdez v. City of Los Angeles)

This case, originally a class action, was initiated by members of the Safety Members Pension Plan. Plaintiffs commenced employment with the City subsequent to December 8, 1980, the effective date of said plan. They claim that employees of the City, at the time of plaintiffs' recruitment, had made representations that they would become members of the New Pension System, established under Article XVIII and they claimed that the City was estopped to deny them such membership.

The City opposed class certification and the Superior Court decertified the case. Twenty-eight individual law suits were subsequently filed out of the group of approximately 300 firefighters and police officers who were hired at the same time as the plaintiffs.

In June of 1987, the cases were consolidated for trial which resulted, inter alia, in the redesignation of the case as *Batac v. City of Los Angeles*. A trial date was set for January 21, 1988.

However, before the case went to trial, the City filed a motion for summary judgment as to twenty-six of the named plaintiffs. The motion was heard on January 15, 1988 and summary judgment was granted. Plaintiffs appealed from the decision. By the end of the fiscal year, both sides in this litigation had filed their opening briefs.

As to two of the plaintiffs, a complete settlement was accomplished and subsequently approved by both the court and the Board.

Bontempo v. Board of Pension Commissioners

Donald G. Bontempo, a former police officer, applied for a disability pension on March 24, 1981 claiming psychiatric injury. He was terminated for disciplinary reasons effective February 23, 1981. On March 10, 1983, the Board denied Bontempo's application upon a finding that he was capable of performing the duties to which he could have been assigned but for his termination.

Bontempo thereafter filed a petition for writ of mandate in Superior Court alleging that the Board's denial was not based on substantial evidence. The court denied the writ upon a finding that the weight of the evidence in the administrative record supported the decision of the Board.

LEGAL**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)**

The court specifically noted that Bontempo did not voluntarily terminate his employment because of a disability but, rather, he was terminated involuntarily because of misconduct. In the court's opinion the evidence indicated that had Bontempo not been terminated, he would have remained on duty without psychiatric complaint.

Bontempo thereafter filed an appeal from the court's decision. On or about May 8, 1989, the Court of Appeal rendered its decision affirming the judgment of the Superior Court and thereby upholding the decision of the Board.

Bontempo has now exhausted the available remedies in this case and the matter is therefore final and concluded.

Brockman v. Board of Pension Commissioners

Jerry Brockman was initially appointed to the LAPD on October 13, 1969. In March of 1971, he resigned for personal reasons and remained away from the LAPD until a subsequent reappointment on March 14, 1977.

On November 30, 1980, Brockman allegedly was pistol whipped while off duty in a bar robbery. As a result of actions taken months later by Brockman, he became the object of an internal LAPD disciplinary investigation. Brockman voluntarily resigned in July 1982 rather than face LAPD Board of Rights charges arising out of his conduct.

Brockman filed an application for a disability pension on July 14, 1981 claiming job-related stress and strain resulting from the bar robbery. At its hearing of January 5, 1984, the Board denied Brockman's application based on its finding that he was capable of performing the duties to which he could have been assigned but for his resignation.

Brockman challenged the Board's decision by filing a petition for peremptory writ of mandate in Superior Court alleging that denial of his application for disability pension benefits constituted an abuse of discretion and was contrary to law. Hearing thereon was held on November 12, 1985.

Although the court was of the opinion that Brockman was not disabled within the meaning of Charter Section 190.12, it nonetheless remanded the matter to the Board for further findings as to the availability of a light duty assignment.

Further hearing on the question of light duty job availability was held before the Board on May 22, 1986. The Board determined that Brockman was capable of light duty performance and, further, that a light duty position was available in the LAPD.

The matter came before the Superior Court a second time on January 8, 1987, Judge Jerome K. Fields presiding. Notwithstanding the prior opinion of Judge Shimer as to non-disability and LAPD testimony that a light duty position was available for Brockman, Judge Fields granted Brockman's petition for writ of mandate on the basis that Brockman was disabled from the performance of his duty and that no light duty assignment was available.

The City appealed from the judgment of the Superior Court and on December 5, 1988, the Court of Appeal rendered its decision reversing the Superior Court; thereby upholding the Board's decision.

Brockman has now exhausted the available remedies in this case and the matter is therefore final and concluded.

Boyd Johnson v. City of Los Angeles

Boyd Johnson is a former police officer. On March 23, 1982, he applied for a disability pension alleging stress-related psychological trauma. On December 18, 1986, the Board granted Johnson a service-connected disability pension retroactive to his last day on the payroll of the LAPD.

LEGAL**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)**

In granting Johnson's application, the Board followed the procedure prescribed in the City Charter which mandates, *inter alia*, that an applicant shall be "examined by and a written report thereon rendered by at least three regularly licensed and practicing physicians selected by it." In fact, Johnson was examined by nine physicians; however, the reports of three of the nine physicians were taken out of the administrative record upon objection by Johnson's attorney.

After further proceedings, the Board decided to send Johnson to a new panel of psychiatrists and Johnson, dissatisfied with the Board's decision, filed a lawsuit against the City, the Board, and the individual Commissioners, seeking punitive damages. Subsequently, the Board met and pursuant to Johnson's attorney's request, decided to send the administrative record to four psychiatrists who had previously examined him to receive their evaluation. Thereafter, Johnson received his pension.

Johnson's lawsuit alleged causes of action for breach of trust (Civil Code Section 2228), intentional infliction of emotional distress and injunctive relief. The City demurred to the complaint on the grounds that the court lacked jurisdiction on Johnson's claims of negligent and intentional infliction of emotional distress and injunctive relief since his sole remedy for the allegations in these causes of action lay in a writ of administrative mandamus. On August 27, 1986, the court granted the demurrer and dismissed Johnson's second, third, and fourth causes of action for intentional infliction of emotional distress, negligent infliction of emotional distress, and injunctive relief, leaving him with only his purported cause of action for violation of Civil Code Section 2228.

The City filed a motion for summary judgment which was granted. However, Johnson has filed a notice of appeal. As of the end of the fiscal year the appeal is still pending.

Mary Marquardson v. Gaylen R. Marquardson, et al.

and

Betty Jayne Birnie v. Robert Warren Birnie, et al.

The Marquardson and Birnie matters involved efforts by long-divorced spouses of former members, thirteen and sixteen years, respectively, to claim community property interests in their spouses' disability pensions.

Mary Marquardson sued on a complaint for damages while Betty Jayne Birnie filed a complaint for Declaratory Relief and for Division of Property.

Both spouses argued that since neither of their dissolution decrees expressly disposed of the member's pension benefit the pension was a "forgotten asset" in which each now possessed an undivided joint tenancy interest.

The Superior Court in each case found for the member and the City on the basis that at the time of the parties' respective divorces the state of the law was such that the members' pension benefit either was their separate property (a disability pension) or was an inchoate right as yet unmaturing (a non-vested right to longevity pension benefits.)

McCormick v. Board of Pension Commissioners

The Board granted Michael C. McCormick a service-connected disability pension of 55% of regular salary on November 3, 1983. The Board, at that time, stated on the record that McCormick's case was to be medically reviewed in two years. However, Mr. McCormick later was forwarded findings of fact which erroneously stated that his case would not be subjected to further medical review.

LEGAL

**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)**

On January 4, 1984, approximately three weeks after the erroneous findings were mailed, McCormick and his legal counsel were informed of the error and mailed corrected Board findings specifying that his case would be reviewed in two years.

In June, 1985, Pension Department staff began preparation for a review of McCormick's disability status. At that time, McCormick, based upon the initially erroneous findings, took the position that the Board was forever barred to review his case.

On May 7, 1986, McCormick filed a writ of prohibition in Superior Court to prevent the Board from taking further action in his case until after a court hearing on the issue of a further review. The writ was granted by Judge John L. Cole on May 9, 1986. Pursuant to motion of the City (the Board), the writ of prohibition was dissolved by Judge Jerome K. Fields on July 20, 1987.

Following the court's action of July 20, 1987, Pension Department staff resumed efforts to cause a review of McCormick's medical condition. McCormick still refused all cooperation and, on January 19, 1988, noticed a motion to petition for a second writ of prohibition scheduled for hearing on February 4, 1988 in Superior Court. On said date Judge Miriam Vogel denied the petition upon a finding that McCormick had offered no authority supporting the position that the Board had lost its Charter authority to conduct a review of a pensioner's medical status.

McCormick thereafter filed a petition for writ of prohibition with the Court of Appeal in a further effort to prevent a review of his medical status. The petition was denied in Division 7 of the Second Appellate District on March 14, 1988 upon the basis that McCormick's remedy lay in an appeal of Judge Vogel's February 4, 1988 denial of his Superior Court petition for writ of prohibition.

McCormick subsequently filed a notice of appeal on March 18, 1988. Said appeal presently is awaiting scheduling by the Court of Appeal.

Merchant v. Board of Pension Commissioners

Thomas L. Merchant initially filed application for a disability pension on January 11, 1985 claiming injury to his back. On May 10, 1985, Merchant was arrested by the California Highway Patrol on charges of driving under the influence. Shortly thereafter, on July 30, 1985, he amended his application to include injuries to his psyche. An LAPD Board of Rights terminated Merchant effective August 10, 1985, having found him guilty of driving under the influence and of unnecessarily slapping a private citizen in the same incident.

The Board denied Merchant's application for a disability pension at its hearing of July 31, 1986 upon a finding that but for his disciplinary termination, he was capable of performing the duties to which he could be assigned, to wit, light police duties.

Merchant then challenged the Board's decision by petition for writ of mandate in Superior Court alleging that the Board's findings were not supported by the evidence and that the Board committed a prejudicial abuse of discretion in denying him a disability pension.

Hearing on Merchant's petition took place in Superior Court on January 30, 1987. The court applied the independent judgment test to the evidence contained in the administrative record and, after oral presentations, denied the petition on the basis that the evidence supported the findings of the Board.

Merchant thereafter filed a notice of appeal from the Superior Court decision on April 15, 1987.

On or about October 27, 1988, the Court of Appeal rendered its decision affirming the judgment of the Superior Court and thereby upholding the decision of the Board.

Merchant has now exhausted the available remedies in this case and the matter is therefore final and concluded.

LEGAL**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)***Reiner v. City of Los Angeles, et al*

This is a class action brought by a former police officer now retired on a disability pension for himself and as a class representative for all former firefighters and police officers similarly situated. The class has not been certified as of the time of this report.

Reiner contends that he is entitled to a refund of amounts of workers' compensation received by him and then offset against his disability pension pursuant to the requirements of Section 190.15 of the City Charter. Reiner's theory of the case is that his disability pension is payable out of the New System General Pension Fund and that his contributions made toward the payment of a pension on account of years of service were deposited in the New System Service Pension Fund and since those monies are non-refundable, the City is "double-dipping" in that it recoups its workers' compensation obligation and at the same time keeps his contributions without having to pay a service pension.

A number of pre-trial proceedings have been had in the case as of the time of this report, including the City's demurrer which was sustained in part and overruled in part.

Ryan v. Board of Pension Commissioners

William F. Ryan was appointed to the LAPD on April 26, 1965. On April 27, 1984, Ryan became involved in an on-duty traffic accident which investigation thereof by the LAPD resulted in his being charged with several disciplinary infractions.

Prior to his disciplinary hearing on said charges, Ryan, on May 9, 1984, filed application for a disability pension claiming incapacitating injuries to his back, neck and upper and lower extremities. Following his LAPD Board of Rights hearing on October 18, 1984, Ryan was found guilty of all charges alleged and was permanently removed from the LAPD effective August 1, 1984.

Petitioner's disability pension application was assigned to a hearing examiner pursuant to Board policy. After hearing on June 4, 1985, the Hearing Examiner, Attorney Beauford H. Phelps, concluded that based on the evidence contained in the administrative record, Ryan should be awarded a service-connected disability pension.

After reviewing the hearing examiner's recommendation, the Board, on September 5, 1985, determined that the hearing examiner's findings did not provide sufficient information for the Board to decide the merit of Ryan's application. The Board thereafter moved to hold a full hearing before the Board to determine the matter of Ryan's pension application.

On November 14, 1985, the Board held its hearing on the question of Ryan's disability and then determined that but for his disciplinary termination Ryan was capable of performing the duties to which he could be assigned, to wit, light police duties. The application was denied on that basis.

Ryan then petitioned the Superior Court for a peremptory writ of mandate arguing that the Board's decision was not supported by the evidence and was thus an abuse of discretion. The Superior Court agreed with Ryan's contention and, on October 26, 1987, granted the peremptory writ.

The City filed a notice of appeal from the Superior Court decision on the basis that, one, substantially all of the expert medical opinion indicated that Ryan was capable of limited duty performance (not as a homicide detective) and, two, competent LAPD testimony indicated that such a light duty position was available to Ryan.

As of the end of the fiscal year the matter has not been decided by the Court of Appeal.

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.

LEGAL

**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)**

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.

After the Court of Appeal handed down its decision in *Pasadena Police Officers' Association v. City of Pasadena* (147 Cal. App. 3d 695), a case somewhat similar to the Proposition "H" litigation, the plaintiffs in this case petitioned the Superior Court for reconsideration of its prior decision.

Early in 1985, the plaintiffs moved for reconsideration of the Superior Court's action granting a summary judgment. Plaintiffs prevailed. The case went to trial in February of 1987, at the conclusion of which judgment was rendered in favor of plaintiffs. The court ruled that Los Angeles City Charter Section 184.96 and 190.143, subsections (A) (1), (A) (2), and (A) (4) imposing a 3% limitation on cost of living adjustments to a portion of the pension benefits under Articles XVII and XVIII are invalid and unenforceable because each of them is a law impairing the obligation of contract within the meaning of Article I, Section 9 of the Constitution of the State of California and Article I, Section 10, Clause 1 of the Constitution of the United States.

The City appealed from the decision of the Superior Court. However, on April 26, 1989, the Court of Appeal rendered its decision affirming the judgment of the court below. The City petitioned the State Supreme Court for review of the Court of Appeal decision. As of the end of the fiscal year the Supreme Court had not taken action with respect to that petition.

IN RE MARRIAGE OF WILMINGTON AND RELATED CASES

California Civil Code section 4800.8 was enacted in the 1986 legislative session to be effective on January 1, 1987. The stated intent of C.C. 4800.8 was to enable trial judges in marriage dissolution matters to evenly divide community interests in retirement plans, including death and survivor benefits.

Walter Thomas Wilmington is an active member of the New Pension System presently eligible to retire on account of years of service. Following hearing on the matter of the dissolution of his marriage to Carol Ann Wilmington, the Superior Court in an order filed March 31, 1989, issued orders to the following effect:

1. The Board is required to pay to Carol Ann Wilmington her community property share of Walter Thomas Wilmington's pension benefit for her life irrespective of the possible prior death of Walter Thomas Wilmington.

2. The Board is to pay to Carol Ann Wilmington an annuity-based pension based upon her community share irrespective of Walter Thomas Wilmington's continuing active duty status.

On behalf of the Board, the City Attorney, on May 31, 1989, filed a Notice of Appeal from the Wilmington judgment contending, among other reasons, that the Superior Court order violated the home rule provisions of the California Constitution and the due process clauses of the United States and California Constitutions. Further, the order unlawfully interfered with the contractual relations of the parties, i.e., those of the City of Los Angeles and Walter Charles Wilmington.

LEGAL**SUMMARIZATION OF LITIGATION ACTIVITIES
OF THE LEGAL SECTION (Continued)**

Two additional Superior Court decisions dealing with these type orders are on appeal by the City Attorney in Los Angeles and Orange counties. A third such decision was successfully defended in a Superior Court trial in the Sonoma County Superior Court (*Johnson v. Johnson*), judgment filed April 12, 1989. Yet another such case, *Holmes v. Holmes*, was taken off-calendar by stipulation of the parties, pending a Court of Appeal decision in these regards.

None of the aforesaid decisions have been briefed before the Court of Appeal at this time.

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 an ever-increasing number of dissolution proceedings and "Notices of Appearances" were filed by the City in response to those joiners. Many of the dissolution cases required the active in-court involvement of the City Attorney.

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 1½% for each additional year between 25 and 35 years of service. Maximum of 66⅔% for 35 or more 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. Maximum of 70% for 30 or more 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 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 members.
(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 payable 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. Option at member's retirement for higher continuance to spouse with actuarial reduction.
(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.

PENSION BENEFITS

Features	Article XVII	Article XVIII	Article XXXV
(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 if eligible for service retirement 80% of accrued service retirement not to exceed 40% of final one-year average salary. 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.	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. Pension payable for child in school up to age 21.
(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 based on the C.P.I.	Annual cost-of-living increase based on the C.P.I.	Annual cost-of-living increase not to exceed 3%.

PENSION BENEFITS

Features	Article XVII	Article XVIII	Article XXXV
			<p>Cost-of-living increases compound. Pro rata adjustment in the first year of retirement</p> <p>City Council may grant discretionary cost-of-living increases once every three years.</p>
	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pensions prior to death.	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.
(b) Effective date cost-of-living increases	Annual increases commence on the July 1st following the effective date or the July 1st following the date the member would have been age 55 if later.	Annual increases commence on the July 1st following the effective date or the July 1st following the date the member would have completed 25 years service if later	Same provisions for all types of pensions. Annual increases commence on July 1st following the effective date.
(1) Service retirement death while eligible for service retirement, death after service retirement			
(2) Service-connected disability, death after service-connected disability.	Annual increases commence on the July 1st following effective date.	Annual increases commence on the July 1st following the effective date.	
(3) Service-connected death, nonservice-connected disability, non-service-connected death, death after non-service-connected disability.	Annual increases commence on the July 1st following 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 July 1st following the date the member would have had 25 years of service or on the July 1st following 5 years after the effective date of the pension if earlier.	
Member's contributions as an annual percentage of pay.	6%	6% plus 1/2 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
(c) Basic death benefit.	None	None	Beneficiary receives one-year average salary times years of completed service (not to exceed 6) in addition to return of contributions.

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 disability 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 state statute, but reduced the minimum retirement age to 55 and eliminated contributions. In 1919 such ordinances were amended to provide for a pension of one-half of the salary attached to the rank after 20 years of service, without limitation as to age.

1923-1925. Effective January 29, 1923, the substance of these two ordinances was adopted into the Charter. The system was placed upon an actuarial basis. Also 1 $\frac{2}{3}$ % for each year of service, in addition to the minimum of 20 required, was authorized up to a maximum pension of two-thirds 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 $\frac{2}{3}$ % for each of the next 10 years of service. This amendment imposed a limit upon service pensions at a pension of \$1800 per year. Members' contributions to the cost of the system were set at 4% of salary. 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 for 40% of the highest salary attached to the rank of fireman or policeman at the date of death. Additional percentages were allowed the surviving spouses 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 $\frac{2}{3}$ % for each of the next ten years of service. The maximum pension of two-thirds 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 salary.

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 surviving spouses of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the Charter was amended to reestablish 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 surviving spouses 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.

MILESTONES

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 Plan 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 provided 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 Plan (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.

1985. Charter amendment 2 allows for investments in real estate by all City of Los Angeles Pension Systems.

DEPARTMENT OF PENSIONS

