ANNUAL REPORT

1995

July 1, 1994 to June 30, 1995

CITY OF LOS ANGELES
DEPARTMENT OF PENSIONS

FIRE AND POLICE
PENSION SYSTEMS

Department of Pensions

360 East Second Street ■ Suite 600 ■ Los Angeles ■ California ■ 90012

1995 Annual Report

July 1, 1994 to June 30, 1995

Gary Mattingly
General Manager

Allan Moore
Assistant Manager, Fiscal

Royce Menkus
Assistant Manager, Benefits

Eudon Ferrell
Assistant City Attorney

Tom Lopez
Chief Investment Officer

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MAYOR
Richard J. Riordan

City Attorney
James Kenneth Hahn

Controller
Rick Tuttle

CITY COUNCIL

John Ferraro, *President*
Marvin Braude, *President Pro Tempore*

Mike Hernandez First District	**Joel Wachs** Second District	**Laura Chick** Third District
John Ferraro Fourth District	**Zev Yaroslavsky** Fifth District	**Ruth Galanter** Sixth District
Richard Alarcon Seventh District	**Mark Ridley-Thomas** Eighth District	**Rita Walters** Ninth District
Nate Holden Tenth District	**Marvin Braude** Eleventh District	**Hal Bernson** Twelfth District
Jackie Goldberg Thirteenth District	**Richard Alatorre** Fourteenth District	**Rudy Svorinich, Jr.** Fifteenth District

BOARD OF PENSION COMMISSIONERS
Rockwell A. Schnabel, President

Gay L. Harwin Vice President	**David H. Kim** Commissioner
Thomas A. Dawson Commissioner	**Steven J. Silberman** Commissioner
Sam Diannitto Commissioner	**Nicholas H. Stonnington** Commissioner

CITY OF LOS ANGELES

CALIFORNIA

DEPARTMENT OF PENSIONS

360 EAST SECOND STREET
SUITE 600
LOS ANGELES, CA 90012-4203
(213) 485-2833

GARY MATTINGLY
GENERAL MANAGER

RICHARD J. RIORDAN
MAYOR

ALLAN E. MOORE
ASSISTANT GENERAL MANAGER—FISCAL

ROYCE A. MENKUS
ASSISTANT GENERAL MANAGER—BENEFITS

TOM LOPEZ
CHIEF INVESTMENT OFFICER

June 30, 1995

The Honorable Richard J. Riordan, Mayor
Honorable Members of the City Council

In accordance with Section 64 of the Los Angeles City Charter, I am submitting the Annual Report of the Department of Pensions for the fiscal year ended June 30, 1995.

The Investment Program earned $806.9 million during the fiscal year. The Fund's total assets increased to $6.345 billion. A new asset allocation plan, adopted by the Board in June, 1995, added two asset classes: alternative investments and emerging international markets. The Fund is now in the process of implementing this new plan. In addition, revisions to the Real Estate Investment Objectives and Policies were adopted by the Board to ensure the diversification of the overall real estate portfolio.

A 4.4% growth brought active membership to the current level of 11,310 and a 1.3% growth in retired members and their beneficiaries brought their total to 10,987. The average monthly benefit given to pensioners rose to $2,680, a 1.9% increase over the past fiscal year. To enhance services offered to members, improve operational efficiency and realize cost savings, the Department has purchased a replacement active member information system. The information system is expected to be operational by next fiscal year.

Favorable experience in both assets and liabilities resulted again in the reduction of the unfunded liability. As of the end of this fiscal year, pension benefits are 67.7% funded and health subsidy benefits are 27.5% funded.

This annual report includes the Fund's financial statements audited by independent Auditors and the actuarial valuation summary prepared by the Fund's Actuary.

Respectfully submitted,

GARY MATTINGLY
General Manager

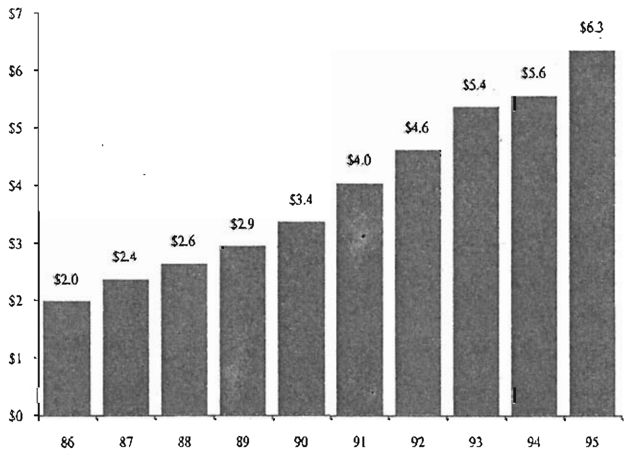
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from $3.785 billion to $6.345 billion. The investment program produced a gain of $807 million for the year ending June 30, 1995.

MARKET VALUE GROWTH OF SYSTEM ASSETS (In Billions)



Investment Environment

The bond market (*Salomon Bros. Broad Investment Grade Index*) produced a positive return of 12.57 percent for the year ending June 30, 1995. Large capitalization stocks (*S&P 500*) achieved an outstanding 26.06 percent return. Small stocks (*NASDAQ Composite*) returned an even larger 33.19 percent. International stocks (*Morgan Stanley EAFE*) returned a meager 1.69 percent. Real Estate, as measured by the Russell-National Council of Real Estate Investment Fiduciaries Index (*NCREIF*) continued to recover from the real estate recession with a 7.9 percent return.

Investment Performance

The investment objectives of the System, over a full market cycle (usually 3 to 5 years), are a return of at least two percent above the consumer price index per year and above median investment performance for public funds.

For the past five years, the System's annualized return of 10.34 percent was more than triple the inflation measure increase of 3.26 percent. For the one year period, the System's overall investment performance was up 14.59 percent and outpaced the Consumer Price Index increase of 3.04 percent.

The System's performance was near median compared with other public funds (Trust Universe Comparison Service [TUCS]) over the past three to five years, ranging between the 34th and 56th percentile. For this past year, the System returned 14.59 percent (79th percentile) versus the public fund median of 16.40 percent. Most public funds have a higher commitment to bonds and a lower commitment to stocks. Our relative below median performance this year is mainly attributable to the under-performance of the System's covered call option program.

Asset Allocation Decisions

Our asset allocation plan establishes the blueprint for investing the System's assets in stocks, bonds, real estate and cash equivalents over a three to five year period. This plan is the single most important factor in managing risk and achieving superior investment performance in the long term.

The Board adopted new asset class targets in June 1995, which are as follows:

Domestic Equity	47%
(U.S. Small Caps = 20% of Domestic Equity)	
International Equity	9%
Domestic Bonds	27%
High Yield Bonds	5%
Real Estate	8%
Alternative Investments	3%
Emerging Markets	1%
Cash Equivalents	0%

Changes from the prior asset allocation were an increase in small cap and international equities, a decrease in large cap equities and real estate, and the addition of two asset classes: alternative investments and emerging international markets.

As of June 30, 1995, the asset values were as follows:

ASSET CLASS	MARKET VALUE (In millions)
Domestic Equity	$3,018.9
U.S. Small Capitalization Stocks	390.2
International Equity	360.5
Domestic Bonds	1,503.1
High Yield Bonds	239.9
Real Estate	403.4
Cash Equivalents	429.5
Total	$6,345.5

Domestic and foreign securities lending contributed $643,192 towards investment performance for the year. The option overwriting program is intended to add incremental return and reduce portfolio volatility. For the year, the program reduced investment return by $160.3 million.

Investment Activities

For the past seven years, the Board has implemented an Asset Allocation Plan. Under the current plan, the Board has continued to make portfolio advisory changes and other actions which are intended to increase the performance of the Fund. The major portfolio advisory activities for the year included the termination of one emerging equity (growth) manager, the termination of one large capitalization (value style) manager, and the termination of one options overwriting manager. Administrative actions included the rehiring of one options overwriting manager, and the assignment of the large capitalization (value style) contract to an existing manager for temporary care until the completion of a formal search and selection process.

The real estate acquisition program proceeded with the purchase of an apartment complex in the St. Louis area. An industrial warehouse building in Houston was also purchased, adding to the existing industrial portfolio of eleven buildings. The Board also approved a $30 million commitment to purchase an interest in the TCW Special Credits Trust VI. This is a distressed mortgages and real estate fund with a three year investment period before liquidation.

Other Activities

The System votes all domestic and available international proxy solicitations. We voted 621 corporations' proxies and corporate consents in Fiscal Year 1994-95. The System votes affirmatively on preemptive rights, cumulative voting, and confidential voting. The System opposes anti-takeover measures and generally abstains on issues of a social, political, or environmental nature that have no expected economic impact on the System's assets. The Board amended the Proxy guidelines in April to vote affirmatively on executive compensation bonus plans if the corporation's stock performance in the past year has exceeded the returns of both the Standard & Poors 500 Index and an appropriate peer group index. Another corporate governance amendment supports the nomination of and affirmative vote for the appointment of independent directors to the Board of Directors, and directs the affirmative vote on measures proposed to place independent directors on compensation committees.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Short Term Investments	Real Estate
85-86	51.7%	39.9%	8.4%	-
86-87	55.0%	33.0%	12.0%	-
87-88	53.0%	35.0%	10.0%	2.0%
88-89	59.8%	32.7%	5.7%	1.8%
89-90	52.4%	31.8%	9.9%	5.9%
90-91	52.0%	32.7%	9.2%	6.1%
91-92	51.7%	32.2%	10.4%	5.6%
92-93	59.0%	26.4%	11.4%	3.2%
93-94	58.6%	24.6%	11.0%	5.8%
94-95	59.5%	27.9%	6.3%	6.3%

Annual Rates of Return

Fiscal Year	Equities	Fixed Income	Real Estate	Total Fund*	CPI**
1985-86	35.3%	19.1%		26.6%	1.7%
1986-87	23.7%	5.7%		14.2%	3.7%
1987-88	-5.3%	6.9%		0.3%	3.9%
1988-89	20.5%	12.5%	8.7%	16.0%	3.7%
1989-90	14.9%	5.5%	7.4%	10.5%	4.7%
1990-91	5.2%	10.5%	-3.0%	4.8%	4.3%
1991-92	15.2%	17.6%	-3.1%	14.0%	3.1%
1992-93	18.7%	17.7%	-15.3%	16.0%	2.8%
1993-94	2.7%	0.7%	9.4%	3.5%	2.5%
1994-95	25.6%	14.3%	14.5%	14.5%	3.0%

*Total fund includes short-term investments
**CPI is for the U.S. ending June 30th

Investment Advisors

STOCK MANAGERS

Alliance Capital Management
Amerindo Investment Advisors
Brown Capital Management
Cardinal Advisors
CIC Asset Management
Delta Asset Management
Frontier Capital Management
Loomis Sayles & Company, L.P.
Target Investors, Inc.

BOND MANAGERS

The Boston Company Institutional Advisors
GEM Capital Management
HCM Capital Management
Lincoln Capital Management
Loomis Sayles & Company, L.P.
Magten Asset Management Corporation
Smith, Graham & Company

INTERNATIONAL STOCK MANAGERS

Clay Finlay, Inc.
Nomura Capital Management, Inc.
Oechsle International Advisors, Ltd.

REAL ESTATE MANAGERS

MacFarlane Partners, L.P.
Copley Real Estate Advisors
Equitable Real Estate
Heitman/JMB Advisory Corporation
Lowe Enterprises Investment Management
Prudential Asset Management Company
Public Storage Institutional
RREEF
Sentinel Real Estate Corporation
Trust Company of the West

OPTION MANAGERS

Oppenheimer Capital Corporation

Actuarial Valuation

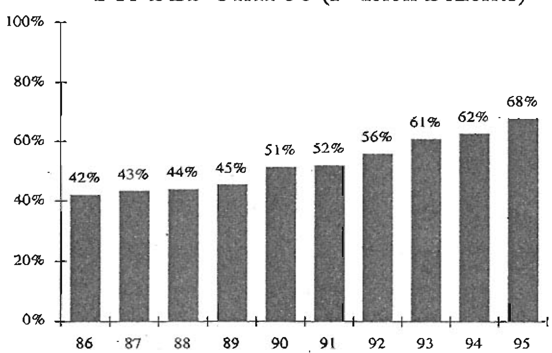
Actuarial Valuation Summary

Actuarial Valuations

Two actuarial valuations of the assets and liabilities of pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries, the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress of the system and determine the annual contribution requirements.

The funded status of the pension system is examined over a span of several years to determine if funding progress is made. Satisfactory funding progress has occurred over the past ten years.

FUNDED STATUS (Pension Benefits)



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Articles XVII (Sec. 186.2), XVIII (Sec. 190.09), and XXXV (Sec. 528). An actuarial valuation examines the membership of the pension system as currently constituted, then projects future liabilities using various assumptions.

Non-economic actuarial assumptions on mortality of members and spouses, probability of service retirement and disability, probability of termination prior to retirement, and probability of having a surviving beneficiary are created from studies made of the actual experience of the membership of the System. A new study is conducted not less than once every five years.

These assumptions are recommended by an actuary and adopted by the Board of Pension Commissioners. The last study was adopted by the Board in November 1992. The next experience study will be conducted in late 1995. An example of projected mortality is as follows:

Average Life Expectancy for Pensioners

Service Pensioner (Average Age = 65) .... 17.3 years
Disabled Pensioner (Average Age = 58) .... 19.7 years
Survivor (Average Age = 72) .... 15.9 years

Economic assumptions are also studied, recommended by the actuary, and adopted by the Board. Economic assumptions in effect for this valuation period are:

Economic Assumptions

Annual Increase in Cost of Living 5.5%**
Annual Individual Salary Increase .... varies by age

Age	Annual Salary Increase
Under 25	10.00%
25-29	9.00%
30-34	8.00%
35-39	7.00%
40-44	6.00%
45-49	5.75%
50 and over	5.50%

Annual Increases in Total System Payroll 5.5%
Annual Interest 8.5%
*(**Article XXXV is capped at 3%)*

Pension Benefit Balance Sheet

Cost of living and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the interest assumption.

Once the liabilities of the system are computed, the valuation study projects the member contributions expected to be received, which are reduced to today's dollar terms using the interest assumption. The individual salary assumption is used to project the total member contributions. The Entry Age Normal Cost contribution, the amount the City would contribute for a hypothetical new entrant into the system, is calculated. This amount would theoretically be sufficient to fully fund a member's retirement on the date of retirement if all assumptions were realized and no benefit changes were made.

These potential future contributions are considered assets of the system, along with assets currently being invested by the Department of Pensions. For purposes of determining the contributions to the System, the current assets are valued using a blend of market and book value.

As can be seen on the Actuarial Pension Benefit Balance Sheet (see p. 11), the balance of \$2.810 billion is considered the unfunded actuarial liability.

Unfunded Actuarial Liability

An unfunded actuarial liability can result from many variables. Often, benefit increases are credited to members while in the middle of their career, or even after they have retired. Since these benefit enhancements did not exist when the funding of the members' benefit began, contributions to fund these increased benefits were not made during all or part of the members' working career. An example of a benefit enhancement that occurred was the lifting of a 2% cap on cost-of-living increases. This applied to all members, active and retired, and created an immediate unfunded liability. The Milestones section of this report contains more examples of benefit changes.

The Entry Age Normal Cost actuarial method normally results in actuarial gains or losses, unless all actuarial assumptions are met each year. These actuarial gains or losses also result in decreases or increases in the unfunded actuarial liability.

Occasionally, the actuarial methodology itself is refined according to accepted actuarial practice. For example, salary increases were not utilized in the computations until the late 1970s. When this practice was included, it created an additional unfunded liability.

Finally, during a period in the history of the Pension System, the funding was on a pay-as-you-go basis, instead of an actuarial basis. When the system shifted to an actuarial basis, an immediate unfunded liability resulted.

Contribution Requirements Calculation

The contribution is comprised of two parts: (1) the Entry Age Normal Cost contribution and (2) the contribution to amortize the unfunded liability. The unfunded liability is amortized over a time period using a methodology prescribed in the Charter for each plan. The amortization period for Articles XVII and XVIII is scheduled to end June 30, 2037.

Article XVII is amortized as a level dollar amount. Article XVIII is amortized as a level percent of all system members' (Articles XVII, XVIII, and XXXV combined) salaries. Article XXXV's amortization basis is a level percentage of plan members' salaries over a continuous fifteen year cycle. Each year's actuarial gain or loss is amortized for fifteen years. Any gains or losses resulting from benefit changes are amortized over a thirty year period. Changes in the unfunded actuarial liability resulting from benefit changes are amortized over a thirty-year period. With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements Recommended 1996-1997

(As a percentage of plan members' salaries).

Article XVII	16.412%
Article XVIII	26.276%
Article XXXV	14.109%

Unfunded Liability Contribution Requirements Recommended 1996-1997

Article XVII	\$36,335,523
Article XVIII	16.781% of all system members' salaries
Article XXXV	(1.707%) of all Art XXXV members' salaries

Health Subsidy Valuation

The health valuation study utilizes the same actuarial assumptions as the study on pension benefits, with the addition of a medical inflation assumption. Currently, medical costs are increasing at a faster pace than inflation. In the June 1995 actuarial valuation, increases of 10.5% for pre-65 premiums and 9.5% for post-65 premiums were assumed. These rates will decrease until the rate of 6.5% is reached in 2007 and beyond. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 11.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements Recommended 1996-1997

(As a percentage of plan members' salaries)

Article XVII	0.552%
Article XVIII	1.783%
Article XXXV	3.620%

Unfunded Liability Contribution Requirements Recommended 1996-1997

Article XVII	\$1,233,026
Article XVIII	3.037% of all system members' salaries
Article XXXV	0.161% of Art XXXV members' salaries

Valuation of Pension Benefits
Actuarial Balance Sheet As of June 30, 1995

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 12,548,999	$4,900,882,162	$ 688,784,177	$5,602,215,338
2. Present Value of Future Member Contributions	66,698	111,461,376	353,875,530	465,403,604
3. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	298,912	382,943,333	644,136,352	1,027,378,597
b. Unfunded Actuarial Accrued Liability	413,581,587	2,486,967,301	(90,291,168)	2,810,257,720
4. Total Assets	**$426,496,196**	**$7,882,254,172**	**$1,596,504,891**	**$9,905,255,259**

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	$ 118,157,992	$3,481,420,161	$ 4,332,596	$3,603,910,749
b. Disability Retirements	111,311,546	1,140,559,027	27,380,639	1,279,251,212
c. Survivors and Dependents	192,699,364	446,078,009	8,641,425	647,418,798
d. Total	$ 422,168,902	$5,068,057,197	$ 40,354,660	$5,530,580,759
6. Present Value of Benefits to be Granted				
a. Service Retirements	$ 3,760,245	$2,278,869,898	$1,131,096,774	$3,413,726,917
b. Disability Retirements	545,395	513,178,745	354,639,094	868,363,234
c. Survivors and Dependents	21,006	20,063,274	32,498,187	52,582,467
d. Total	$ 4,326,646	$2,812,111,917	$1,518,234,055	$4,334,672,618
7. Refund of Employee Contributions	648	2,085,058	37,916,176	40,001,882
8. Total Liabilities	**$426,496,196**	**$7,882,254,172**	**$1,596,504,891**	**$9,905,255,259**

Valuation of Health Subsidy Benefits
Actuarial Balance Sheet As of June 30, 1995

ASSETS

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets	$ 5,081,765	$97,284,542	$ 73,426,380	$175,792,687
2. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	6,111	24,042,734	133,829,663	157,878,508
b. Unfunded Actuarial Accrued Liability	14,034,663	450,042,185	19,936,384	484,013,232
3. Total Assets	**$ 19,122,539**	**$571,369,461**	**$227,192,427**	**$817,684,427**

LIABILITIES

	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
4. Present Value of Benefits Already Granted	$18,704,385	$329,375,656	$ 1,741,252	$349,821,293
5. Present Value of Benefits to be Granted				
a. Actives Eligible to Retire	418,154	174,778,627	282,750	175,479,531
b. Other Activities	0	67,215,178	225,168,425	292,383,603
c. Total	418,154	241,993,805	225,451,175	467,863,134
6. Total Liabilities	**$19,122,539**	**$571,369,461**	**$227,192,427**	**$817,684,427**

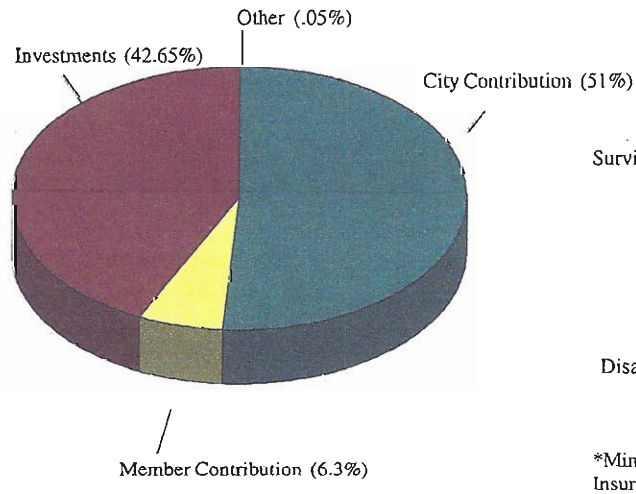
Department Budget

Department Budget

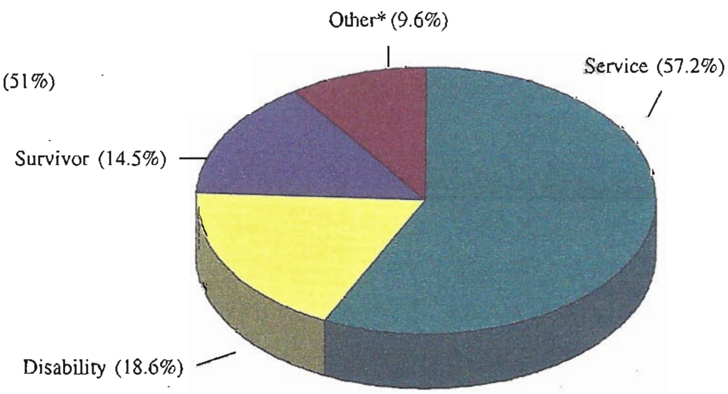
Receipts	Budgeted 1994-95	Actual 1994-95
Balance Available	$ 873,650	$ 0
City Contribution	333,480,185	333,480,185
Member Contributions	44,587,472	41,096,530
Earnings on Investments	220,900,000	246,486,075
Gain on Sale of Investments	-	32,505,633
Miscellaneous	400,000	334,706
Total Receipts	**$600,241,307**	**$653,903,129**

Expenditures	Budgeted 1994-95	Actual 1994-95
Service Pensions	$220,745,000	$221,886,632
Disability Pensions	70,718,000	72,217,694
Surviving Spouse Pensions	56,218,000	56,296,404
Minors'/Dependents' Pensions	975,000	894,856
Refund of Member Contributions	3,000,000	3,334,551
Medicare	1,662,000	1,736,217
Health Insurance Subsidy	14,842,000	14,897,301
Investment Management Expense	15,171,300	11,810,130
Administrative Expense	5,846,563	4,572,960
Total Expenditures	**$389,177,863**	**$387,646,745**
Increase in Fund Balance	**$211,063,444**	**$266,256,384**

RECEIPTS



EXPENDITURES



*Minors'/Dependents' Pensions, Refund of Member Contributions, Medicare, Health Insurance Subsidy, Investment Management Expense and Administrative Expense

Auditor's Report

MANNON KAPLAN, C.P.A.
GEORGE NADEL RIVIN, C.P.A.
EDWIN KANEMARU, C.P.A.
KENNETH R. HOLMER, C.P.A.
DOUGLAS S. WAITE, C.P.A.
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CHARLES SCHNAID, C.P.A.
DONALD G. GARRETT, C.P.A.
CATHERINE C. GARDNER, C.P.A.
RICHARD DeFRONZO, C.P.A.
JEFFREY S. SLOMIAK, C.P.A.

STANLEY L. MILLER, C.P.A. (1921-1995)
PAUL ARASE, C.P.A.*
JOSEPH C. CAHN, C.P.A.*
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Independent Auditors' Report

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

Members of the Board:

We have audited the accompanying balance sheets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 1995 and 1994, 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the City of Los Angeles Fire and Police Pension System as of June 30, 1995 and 1994, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles.

The financial statements as of June 30, for each of the years from 1986 through 1990 (none of which are presented here) were audited by other auditors whose report dated November 15, 1990 expressed a qualified opinion, based on the litigation discussed in Note 10 to those financial statements for each of the years from 1986 through 1988. This litigation was resolved and the resulting unfunded liability recorded in the financial statements beginning for the year ended June 30, 1989. In our opinion, except for the omission in years 1986 through 1988 of recording the unfunded liability discussed above and the inconsistency resulting from the effect of recording the unfunded actuarial liability of the health plan subsidy beginning in the year ended June 30, 1990, discussed in Note 2-G, the information set forth in the supplemental schedules for each of the ten years in the period ended June 30, 1995, appearing on pages 13 through 16, is fairly stated, in all material respects, in relation to the financial statements from which it was derived.

Miller, Kaplan, Arase & Co.

MILLER, KAPLAN, ARASE & CO.

December 11, 1995

City of Los Angeles Fire and Police Pension System

Balance Sheets

	JUNE 30, 1995		JUNE 30, 1994	
ASSETS				
CASH		$ 699,970		$ 859,379
RECEIVABLES				
Accrued Interest and Dividend Income	$ 35,702,280		$ 32,511,159	
Contributions	2,823,727		2,424,629	
Due from Brokers and Others	140,932,383		67,918,865	
Accrued Real Estate Income	578,226	180,036,616	746,131	103,600,784
INVESTMENTS				
Temporary, at Cost, Which Approximates Market	$ 674,700,721		$ 602,003,290	
Bonds, at Amortized Cost (Market Value of $1,743,045,872 in 1995 and $1,393,332,162 in 1994)	1,711,728,766		1,463,369,161	
Common Stock, at Cost (Market Value of $3,799,808,638 in 1995 and $3,254,258,526 in 1994)	2,674,449,309		2,598,893,728	
Preferred Stock, at Cost (Market Value of $64,569,431 in 1995 and $70,395,545 in 1994	54,615,553		60,552,143	
Real Estate, Including Real Estate Pools and Real Estate Corporations, at Cost (Market Value of $417,903,858 in 1995 and $326,927,744 in 1994)	396,738,657	5,512,233,006	335,801,017	5,060,619,339
TOTAL ASSETS		**$5,692,969,592**		**$5,165,079,502**
LIABILITIES				
Benefits in Process of Payment	$ 635,659		$ 584,045	
Accounts Payable	4,843,173		6,699,074	
Deferred Option Premiums (Market Value of $94,769,735 in 1995 & $94,335,901 in 1994)	51,514,980		121,631,355	
Due to Brokers	420,470,658		86,524,045	
Mortgage Loans Payable--Note 8	14,555,762	492,020,232	14,694,455	230,132,974
NET ASSETS AVAILABLE FOR BENEFITS		**$5,200,949,360**		**$4,934,946,528**
FUND BALANCE				
Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$5,880,402,052		$5,803,960,484	
Actuarial Present Value of Credited Projected Benefits for Active Employees:				
Member Contributions	412,140,786		404,512,295	
Employer Financed Portion and Non-Refundable Member Contributions	2,309,050,464	$8,601,593,302	2,491,917,913	$8,700,390,692
Unfunded Actuarial Present Value of Credited Projected Benefits		(3,400,643,942)		(3,765,444,164)
TOTAL FUND BALANCE		**$5,200,949,360**		**$4,934,946,528**

City of Los Angeles Fire and Police Pension System

Statements of Revenues, Expenditures and Changes in Fund Balance

	JUL 1, 1994 to JUN 30, 1995		JUL 1, 1993 to JUN 30, 1994	
REVENUES				
City Contributions	$ 333,480,185		$ 331,770,487	
Member Contributions	37,761,979		36,483,381	
Miscellaneous	81,154	$ 371,323,318	442,277	$ 368,696,145
Investment Income:				
Interest	$ 142,846,401		$ 124,098,492	
Dividends	78,718,044		70,558,846	
Real Estate Income	24,011,333		14,704,263	
Securities Lending Income - (See Note 5)	643,192		1,241,593	
Other	267,105	246,486,075	92,802	210,695,996
Investment Gains and Losses:				
Provision for Permanent Impairment of Bonds	($ 12,873,110)		($ 6,673,194)	
Provision for Permanent Impairment of Real Estate	(945,027)		(2,938,978)	
Net Gain on Sale of Investments	206,604,859		301,449,891	
Net (Loss) on Option Premiums	(160,281,089)	32,505,633	(16,866,590)	274,971,129
TOTAL REVENUES		**$ 650,315,026**		**$ 854,363,270**
EXPENDITURES				
Benefits Paid to Participants:				
Service	$ 221,886,632		$ 215,711,105	
Disability	72,217,694		69,350,644	
Surviving Spouses	56,296,404		54,615,615	
Minors and Dependents	894,856		904,747	
Health Plan Subsidy - (See Notes 2-G and 4)	16,633,518	$ 367,929,104	16,160,483	$ 356,742,594
Investment Manager Fees	$ 11,810,130		$ 12,794,076	
Administrative Expense	4,572,960	16,383,090	4,735,496	17,529,572
TOTAL EXPENDITURES		**$ 384,312,194**		**$ 374,272,166**
NET REVENUES		**$ 266,002,832**		**$ 480,091,104**
FUND BALANCE, BEGINNING		**4,934,946,528**		**4,454,855,424**
FUND BALANCE, ENDING		**$5,200,949,360**		**$4,934,946,528**

City of Los Angeles Fire and Police Pension System
Notes to Financial Statements
June 30, 1995 and 1994

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 firefighters, police officers, paramedics and civilian ambulance employees of the City of Los Angeles. Benefits are based on members' final compensation and terms 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 under Article XVII) unless they requested transfer to the New Pension System (New System under Article XVIII) established for members hired on or after January 26, 1967. Members hired after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV) which 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 66-2/3 % 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. Members who terminate their employment after July 1, 1982 are entitled to a refund of contributions if they do not qualify for a pension or if they waive their pension entitlements. Members of the Safety Members Pension Plan must be age 50, with ten years of service, to be entitled to a 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.

Since the Plan includes detailed provisions for each situation, members should refer to the Plan documents for more complete information.

Note 2 -- Summary of Significant Accounting Policies

A. Basis of Presentation. The System's financial statements are prepared on the accrual basis of accounting and presented in accordance with Statement No. 6, "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," of The National Council on Governmental Accounting. Contributions and other income are recorded when earned, expenses when incurred, and gain or loss on sales of investments in the year of disposition.

B. Cash. Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles and cash held by brokers in temporary bank accounts pending funding of real estate investments.

C. Investments. The System is authorized to make temporary investments in instruments rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Commercial Paper Record or the equivalent as determined by the Custodian, Bankers Trust Company. Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements are carried at cost, which approximates market at June 30, 1995 and 1994.

Pooled temporary investments represent funds invested in a Custodian-managed discretionary short term investment fund. This fund invests in a variety of U.S. and foreign securities rated A-1 or P-1, or equivalent quality as determined by the Custodian.

Note 2 -- Summary of Significant Accounting Policies (Continued)

Bonds are recorded at face value less unaccreted discount or plus unamortized premium. Bond premiums and discounts are amortized or accreted to the maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired.

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%. Direct real estate investments are depreciated on a straight-line basis over the estimated useful lives of the properties.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the balance sheet date. Resulting gains or losses are included in the statement of revenues, expenditures and changes in fund balance, if material.

The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Real estate market values are taken from recent appraisals, when available, and from the reports of investment advisors. Market values reflected by reports of advisors are based on recent purchase prices, appraisals and on advisor estimates.

Investments are written down when management deems there is a permanent impairment of value, with resulting charges recognized in the statement of revenues, expenditures and changes in fund balance.

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

E. Deferred Option Premiums. As allowed by the Charter of the City of Los Angeles, the System writes covered call options. The deferred option premiums are stated in the accompanying balance sheets at cost. Income or loss on option transactions is reflected in current-year operations upon exercise, expiration, or other disposition of the options. As of November 30, 1995, the System will discontinue the Deferred Option Premiums Program.

F. Repurchase Agreements. The System may enter into repurchase agreements with authorized banks and with broker-dealers registered under the Securities and Exchange Act of 1934, subject to the requirement that as collateral, the System receives securities that are direct obligations of or that are fully guaranteed as to principal and interest by the United States Government or any agency thereof; certificates of deposit, or eligible bankers' acceptances and other money market instruments rated A-1 and P-1, having a market value equal to not less than 100 percent of the amount of the repurchase agreement. Such collateral shall have been approved for direct purchase by the System.

At June 30, 1995 and 1994, the System had no investments in repurchase agreements.

G. Post-Retirement Benefits. Retired members currently receive a health plan subsidy. The amounts paid into this subsidy are charged to current year operations. Effective in the fiscal year ended June 30, 1990, the System recognized the unfunded actuarial liability of the health plan subsidy. The System's actuarial present value of projected benefits and unfunded actuarial liability includes the following amounts as of June 30, 1995 as a result of this change:

Actuarial Present Value of Projected Benefits Payable to Current Retirants and Beneficiaries	$349,821,293
Actuarial Present Value of Credited Projected Benefits for Active Employees	$467,863,134
Actuarial Present Value of Unfunded Actuarial Accrued Liability	$484,013,232

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, 1995 and 1994. 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. The valuation results for fiscal years ending June 30, 1995 and 1994 were based on demographic assumptions adopted as a result of studies of System experience made as of June 30, 1993. The most significant economic and actuarial assumptions for fiscal years 1995 and 1994 consist of the following:

Note 3 -- Estimated Liability for Pensions (Continued)

	June 30, 1995		June 30, 1994	
	Pension System	Health Subsidy	Pension System	Health Subsidy
Investment Return	8.5%	8.5%	8.5%	8.5%
Annual Salary Scale Increase:				
Individually	6.5%	6.5%	6.5%	6.5%
Aggregate	5.5%	5.5%	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%	--	5.5%	--
Safety Members Pension Plan Members	3.0%	--	3.0%	--
Graded Medical Cost Rate Increases:				
Pre-65 Premiums	--	10.5%*	--	12.0%*
Post-65 Premiums	--	9.5%*	--	11.0%*

**Decreasing gradually to 6.5% in 2007 and beyond.*

Mortality Among Retirees --The valuation for those on service retirement is based upon the 1994 Group Annuity Mortality Table. The valuation for those on disability retirement is based upon the 1984 Pension Benefits Guarantee Corporation's Disabled Life Mortality Table for males not receiving Social Security.

Mortality Among Spouses --The valuation is based upon the 1994 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.

Note 4 -- Funding Policy

As a condition of participation, members are required to contribute a percentage of their salaries to the System. The System's actuaries, in their reports as of June 30, 1995 and 1994, 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.

Note 4 -- Funding Policy (Continued)

Accordingly, the actuaries for the System have determined the contributions for items A., B. and C. above, for the years ended June 30, 1995 and 1994, to be as follows:

	Percentage of Members' Salaries					
	Old System (Article XVII)		New System (Article XVIII)		Safety Members Pension Plan (Article XXXV)	
	1995	**1994**	**1995**	**1994**	**1995**	**1994**
Entry-Age Normal Cost Contribution	**18.94%**	**19.14%**	**26.5%**	**25.9%**	**14.6%**	**14.60%**
Amortization of Unfunded Liability	**$40.9M**	**$42.7M**	**20.6%**	**21.4%**	**(1.6%)**	**(.77%)**
Health Plan Subsidy	**$1.8M***	**$1.9M***	**$29.3M***	**$31.3M***	**$13.9M***	**$17.4M***

**Stated as required dollar amount.*

The actuarially determined unfunded liability of the System is $3,400,643,942 at June 30, 1995 and $3,765,444,164 at June 30, 1994 (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, 1995 is to be amortized over the next 42 years** through contributions to be made by the City.

***Amortization to be completed by year 2037.*

Contributions totaling $371,242,164 ($333,480,185 City and $37,761,979 member) were made during the period ending June 30, 1995 with respect to the pension plan and health plan subsidy, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 1993. These contributions consisted, for the aggregate pension plans, of approximately $161,000,000 normal cost and $164,400,000 amortization of the unfunded actuarial accrued liability. For the health plan subsidy, they consisted of approximately $18,300,000 normal cost and $27,500,000 amortization of the unfunded actuarial accrued liability.

Note 5 -- Securities Lending

The System has entered into various short-term arrangements whereby investments are loaned to certain brokers, as selected by the Custodian. The lending arrangements are collateralized by cash, letters of credits and marketable securities, held on the System's behalf by the Custodian. These agreements provide for the return of the investments and for a payment of: a) a fee when the collateral is marketable securities or letters 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 outstanding at June 30, 1995 and 1994 are as follows:

	1995	**1994**
Securities on Loan:		
Cost	$264,651,334	$346,264,936
Market	$290,179,453	$337,985,120
Collateral (Market)	$298,701,119	$354,377,734

Note 6 -- Contingencies

A. Termination Rights. All members who were active on or after 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, 1995 and 1994 are $412,140,786 and $404,512,295, respectively.

B. Legal Actions. Several legal actions against the Board of Pension Commissioners were pending at June 30, 1995. The combined potential liability of these actions is not deemed to be material to the net assets of the System.

C. Investment Commitment. During the year ending June 30, 1993, the System had entered into a commitment to invest $25,000,000 in the Equitable Real Estate California Community Mortgage Fund (a real estate investment pool). As of June 30, 1995, the System had not funded this commitment.

During the year ending June 30, 1994, the System had entered into a commitment to invest $15,000,000 in the Equitable Value Enhancement Fund (a real estate investment pool). As of June 30, 1995, the System had funded $14,310,855 of this commitment, leaving an unfunded balance of $689,145.

Note 7 -- Sub-Investment Grade Bonds

At June 30, 1995 and 1994, the System had investments (at cost) in bonds rated below investment grade of approximately $231,580,987 and $175,563,737 respectively. The corresponding market values of these investments at these dates were $228,748,118 and $170,635,399, respectively.

Note 8 -- Mortgage Loans Payable

	1995	1994
The mortgage loans payable consist of the following at June 30:		
9.5% mortgage loan, secured by Park Plaza Community Center, San Pedro, California, payable in monthly installments of interest only through October 1, 1991 and monthly installments of $50,450 (including interest) from November 1, 1991 until October 1, 1996 when the remaining balance of approximately $5,825,000 is payable.	$5,845,446	$5,893,044
Mortgage loan payable to Nationwide Life Insurance Company secured by Randall's Center, Houston, Texas. The loan is due January 1, 1997 (maturity date may be extended to January 1, 2002 if maker agrees to modification of loan rate on January 1, 1997) and bears interest at 8.0% per annum. The loan is being amortized over 30 years with monthly payments of principal and interest in the amount of $65,993. The remaining principal balance is due upon maturity.	$8,710,316	$8,801,411
TOTALS	**$14,555,762**	**$14,694,455**

Maturities of the mortgage loans payable are as follows for years ending June 30:

1996	$ 150,980
1997	14,404,782
TOTAL	**$14,555,762**

Note 9 -- Governmental Accounting Standards Board (GASB) Investment Categories

The System's investments in securities are categorized below, in accordance with categories established by the GASB, to give an indication of relative custodial credit risk assumed at year-end. Investments in real estate represent non-categorized investments under GASB guidelines. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, their trust departments or agents, but not in the System's name.

At June 30, 1995 and 1994, the carrying value and market value of categorized investments were as follows (in thousands):

	CATEGORY 1			
	1995		1994	
	Cost	Market Value	Cost	Market Value
Investments (Excluding Real Estate and Short Term Pooled Investment Fund)	$4,508,736	$5,675,367	$4,492,988	$5,088,160

	CATEGORY 3			
	1995		1994	
	Cost	Market Value	Cost	Market Value
Investments in Short Term Pooled Investment Fund	$606,758	$606,758	$231,830	$231,830

Investments presented in Category 3 represent the System's investment in a pooled short term investment fund managed by the Custodian, which also performs safekeeping of the pool's securities (Note 2-C).

Note 10 -- 3% Cap on Cost of Living Adjustments

A lawsuit 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 judgement, and the Supreme Court of California denied the City's petition for review of the decision. The resulting unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989.

Note 11 -- Implementation of New Accounting Standards

In 1995, the Governmental Accounting Standards Board (GASB) issued Statements No. 25 and 26. The required implementation dates for the new standards is for periods beginning after June 15, 1996. GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" requires state and local government pension plans to change from reporting plan investments at cost or amortized cost to reporting at fair value. It will end the plans' current practice of reporting actuarial reserves or an actuarial measure of the pension benefit obligation in the equity section of a balance sheet. Statement No. 25 streamlines the note disclosure previously required under GASB Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers", which the new statements supersede.

GASB Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans," supplements Statement No. 25 by providing interim guidance on how defined benefit pension plans should report postemployment health care assets and benefits pending completion of the GASB's project on other postemployment benefits (OPEB). It requires separate financial statements and disclosures for postemployment health care net assets and changes in net assets, similar to the requirements of Statement No. 25 for pension plan assets.

It is presently expected that the System will implement the two standards effective with the fiscal year ending June 30, 1997.

SUPPLEMENTAL SCHEDULES
Ten Years Ended June 30, 1995

SCHEDULE 1

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Credited Projected Benefits Ten Years Ended June 30, 1995

Fiscal Year	Net Assets Available For Benefits	Actuarial Present Value of Credited Projected Benefits	Percentage
1986	$1,975,162,834	$5,303,655,510	37.2%
1987	2,368,521,855	5,528,317,604	42.8%
1988	2,640,268,285	6,041,104,311	43.7%
1989	2,931,185,321	6,545,712,937	44.8%
1990	3,352,121,428	7,612,299,952	44.0%
1991	3,655,613,306	7,936,245,505	46.1%
1992	4,074,388,555	8,287,995,552	49.2%
1993	4,454,855,424	8,347,331,654	53.4%
1994	4,934,946,528	8,700,390,692	56.7%
1995	5,200,949,360	8,601,593,302	60.5%

SCHEDULE 2

Comparative Summary of Unfunded Actuarial Present Value of Credited Projected Benefits and Annual Active Member Payroll Ten Years Ended June 30, 1995

Fiscal Year	Unfunded Actuarial Present Value of Credited Projected Benefits	Annual Active Member Payroll	Percentage
1986	$3,328,492,676	$412,378,038	807%
1987	$3,159,795,749	$436,695,521	724%
1988	$3,400,836,026	$463,699,299	733%
1989	$3,614,527,616	$500,958,345	722%
1990	$4,260,178,524	$543,798,208	783%
1991	$4,280,632,199	$565,741,407	757%
1992	$4,213,606,997	$573,922,249	734%
1993	$3,892,476,230	$562,672,803	692%
1994	$3,765,444,164	$554,626,744	679%
1995	$3,400,643,942	$599,843,631	567%

NOTE: Each time an employer entity adopts a higher level of benefits, additional actuarial liabilities are created. When the City of Los Angeles Fire and Police Pension System (LAFPPS) receives actuarially determined contributions, these additional actuarial liabilities are financed systematically over a period of future years.

Considering the dollar amount of the actuarial present value of credited projected benefits, or the unfunded portion thereof, can be misleading. Analysis of (i) the ratio of net assets available for benefits to the total actuarial present value

SCHEDULE 2 (Continued)

of credited projected benefits and (ii) the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll provides indexed values that facilitate understanding.

Analysis of these indexed values over a period of years will give an indication of whether LAFPPS is becoming financially stronger or weaker. The greater the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits, the stronger the fund. Similarly, the smaller the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll, the stronger the fund.

An unfunded liability of $390.7 million was recorded in the financial statements for the year ended June 30, 1989 as a result of the judgement discussed in Note 10 of the financial statements.

Effective in the fiscal year ended June 30, 1990, the System has reflected the unfunded actuarial liability of the health plan subsidy. For years prior to 1990, the unfunded liability of the health plan subsidy was not calculated by the System and accordingly is not reflected in 1989 and prior balances. The portion of the unfunded actuarial present value of credited projected benefits relating to the health plan subsidy is $484,013,232 at June 30,1995.

SCHEDULE 3

Comparative Summary of Actuarial Values and Percentage Covered by Net Assets Available for Benefits and Actuarial Present Value of Credited Projected Benefits Ten Years Ended June 30, 1995

Fiscal Year	Refundable Member Contributions	Current Retirements and Benefit - Beneficiaries	Employer Financed Portion and Non-Refundable Member Contributions	Total Credited Projected Benefits	Net Assets Available for Benefits	Percentage of Actuarial Values Covered by Net Assets Available for Benefits		
	(1)	(2)	(3)			(1)	(2)	(3)
						%	%	%
1986	$250,280,714	$3,400,748,169	$1,652,626,627	$5,303,655,510	$1,975,162,834	100	50.7	--
1987	$278,158,306	$3,585,310,055	$1,664,849,243	$5,528,317,604	$2,368,521,855	100	58.3	--
1988	$309,141,052	$3,732,366,082	$1,999,597,177	$6,041,104,311	$2,640,268,285	100.	62.5	--
1989	$343,574,821	$4,011,107,369	$2,191,030,747	$6,545,712,937	$2,931,185,321	100	64.5	--
1990	$381,844,824	$4,696,731,246	$2,533,723,882	$7,612,299,952	$3,352,121,428	100	63.2	--
1991	$395,323,917	$4,949,613,686	$2,591,307,902	$7,936,245,505	$3,655,613,306	100	65.9	--
1992	$392,854,640	$5,374,385,161	$2,520,755,751	$8,287,995,552	$4,074,388,555	100	68.5	--
1993	$398,593,280	$5,693,300,421	$2,255,437,953	$8,347,331,654	$4,454,855,424	100	71.2	--
1994	$404,512,295	$5,803,960,484	$2,491,917,913	$8,700,390,692	$4,934,946,528	100	78.1	--
1995	$412,140,786	$5,880,402,052	$2,309,050,464	$8,601,593,302	$5,200,949,360	100	81.4	--

NOTE: The ultimate test of financial soundness is the LAFPPS' ability to pay all promised benefits when due. The LAFPPS' progress in accumulating assets to pay all promised benefits can be measured by comparing the present net assets of the LAFPPS with (1) refundable member contributions, (2) the actuarial present value of projected benefits payable to current retirants and beneficiaries, and (3) employer financed and non-refundable member contributions. The total refundable member contributions (1) are fully covered by the present net assets and, as LAFPPS is funded on the basis of actuarial valuation, the portion of actuarially computed values should continue to increase over time, first covering (2) and then (3). An increase in benefits can, of course, adversely affect the trends in the years in which such increased benefits are first reflected in the actuarial values.

SCHEDULE 4

Comparative Summary of Revenues by Source,
Expenditures by Type and Investment Unrealized Gain (Loss)
Ten Years Ended June 30, 1995

REVENUES BY SOURCE

Fiscal Year	Member Contributions	City Contributions	Investment Income	Other Income	Net Investment Gains And (Losses)	Total
1986	$26,318,618	$228,529,732	$132,594,914	$131,776	$175,166,660	$562,741,700
1987	28,777,189	272,025,075	137,228,988	253,457	184,943,717	623,228,426
1988	30,103,457	279,786,608	160,804,657	372,810	42,879,639	513,947,171
1989	31,815,226	288,289,760	181,731,474	415,304	49,021,052	551,272,816
1990	34,883,307	316,429,364	196,594,472	325,103	156,285,319	704,517,565
1991	37,820,348	340,843,137	203,075,656	392,329	28,635,421	610,766,891
1992	39,874,823	337,710,888	215,005,118	811,477	154,362,404	747,764,710
1993	38,003,158	322,506,222	213,286,412	424,867	157,379,338	731,599,997
1994	36,483,381	331,770,487	210,695,996	442,277	274,971,129	854,363,270
1995	37,761,979	333,480,185	246,486,075	81,154	32,505,633	650,315,026

EXPENDITURES BY TYPE

Fiscal Year	Benefits	Administrative Expense	Total
1986	$208,881,573	$ 4,949,526	$213,831,099
1987	223,609,320	6,260,085	229,869,405
1988	234,459,564	7,741,177	242,200,741
1989	249,354,746	11,001,034	260,355,780
1990	270,034,003	13,547,455	283,581,458
1991	292,041,725	15,233,288	307,275,013
1992	313,437,294	15,552,137	328,989,431
1993	335,700,849	15,432,279	351,133,128
1994	356,742,594	17,529,572	374,272,166
1995	367,929,104	16,383,090	384,312,194

INVESTMENT UNREALIZED GAIN (LOSS)

Fiscal Year	Bonds	Common Stock And Options	Preferred Stock	Real Estate	Total Net Appreciation in Carry Value Over Market Value	Annual Net Increase (Decrease) in Appreciation in Market Value
1986	53,102,524	$ 303,374,932	$ 703,906	-	$ 357,181,362	$180,429,325
1987	(7,499,497)	359,777,295	(128,673)	-	352,149,125	(5,032,237)
1988	(12,282,616)	168,100,277	928,206	$1,149,769	157,895,636	(194,253,489)
1989	6,907,514	360,927,931	1,972,033	2,650,199	372,457,677	214,562,041
1990	(2,405,304)	430,956,036	319,349	4,256,937	433,127,018	60,669,341
1991	8,005,000	381,934,488	(770,512)	(9,774,567)	379,394,409	(53,732,609)
1992	41,874,403	551,762,374	6,901,166	(40,153,676)	560,384,267	180,989,858
1993	76,127,374	826,513,492	7,811,075	(14,199,756)	896,252,185	335,867,918
1994	(70,036,999)	682,660.252	9,843,402	(8,873,273)	613,593,382	(282,658,803)
1995	31,317,106	1,082,104,574	9,953,878	21,165,201	1,144,540,759	530,947,377

Active and Retired Membership

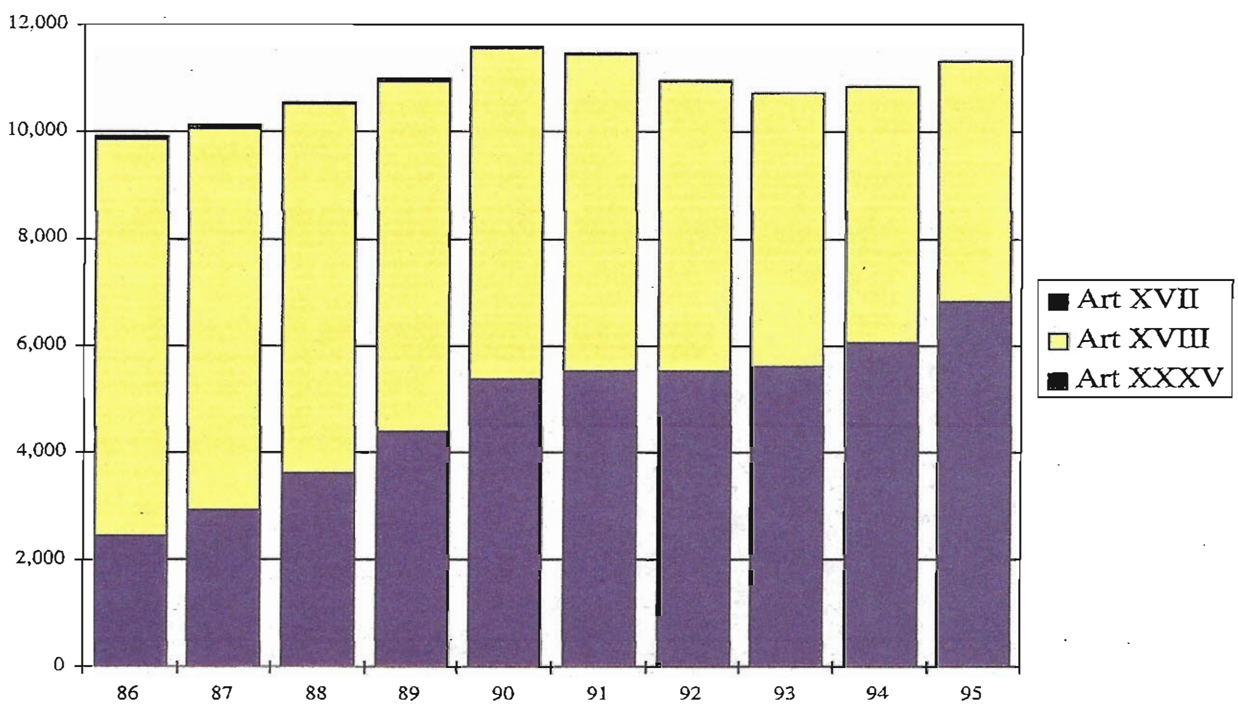
POLICE AND FIRE PENSION SYSTEMS

Three Pension Systems

There are currently three pension systems in operation serving active and retired membership. **The Fire and Police Pension System (Article XVII)** was established under the Charter in 1925. In 1967, this plan was extensively amended, resulting in the creation of **The New Pension System (Article XVIII).** Members of the Article XVII plan were given the option to transfer into this plan.

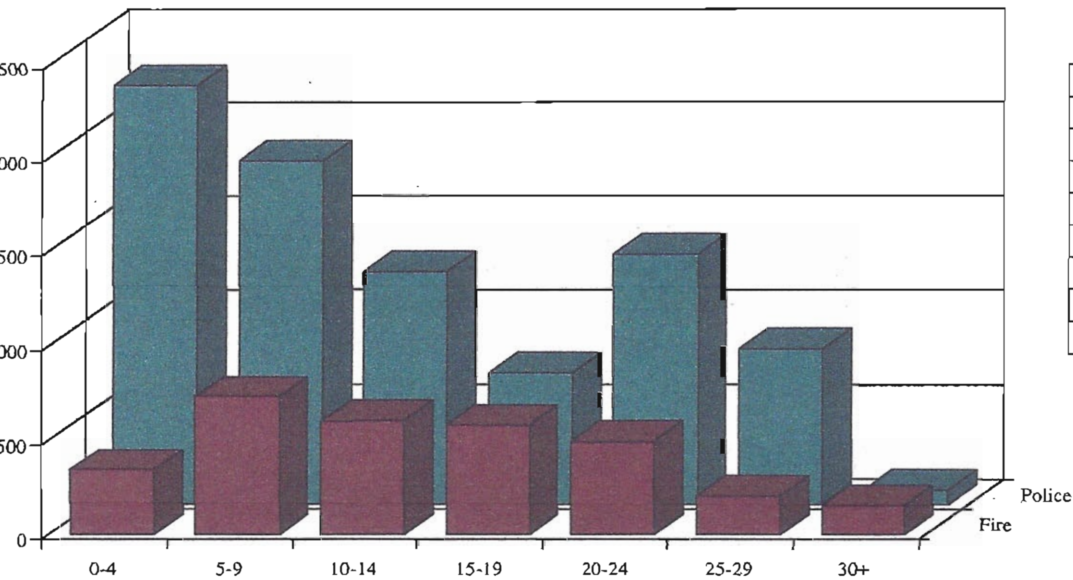
In 1980, the benefits of the system were again extensively revised. This resulted in the creation of **The Safety Members Pension Plan (Article XXXV)**. All members hired on December 8, 1980 and later become members of this plan.

ACTIVE MEMBERSHIP
Last Ten Years



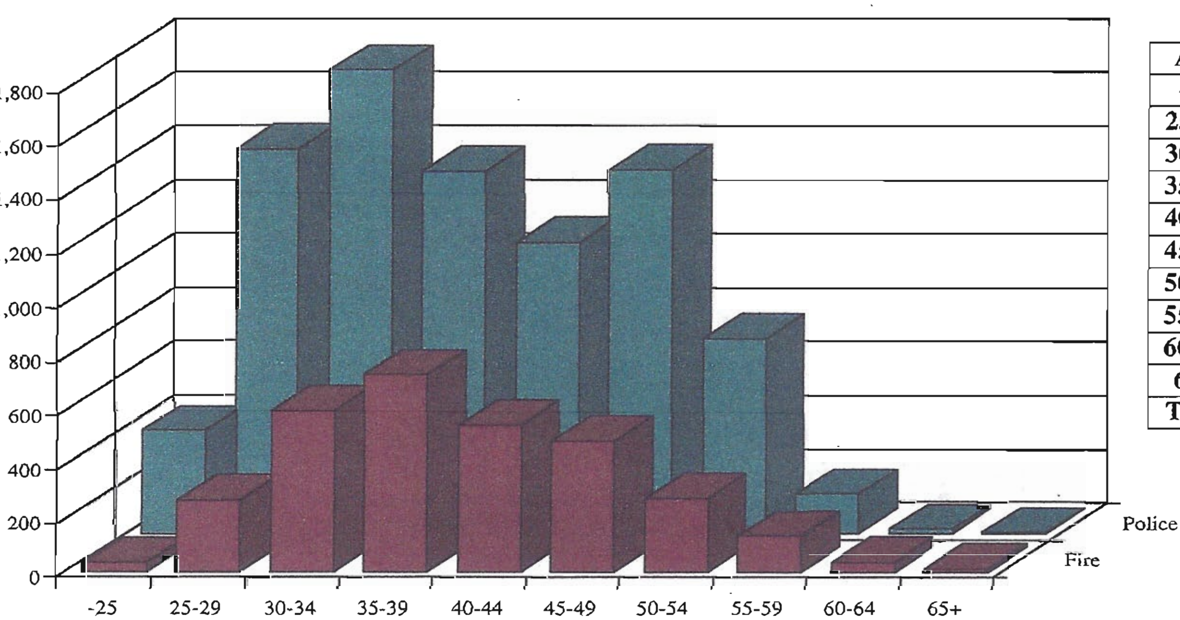
MEMBERSHIP AS OF JUNE 30, 1995			
Article	Fire	Police	Total
XVII	1	6	7
XVIII	1,475	2,998	4,473
XXXV	1,629	5,201	6,830
TOTAL	3,105	8,205	11,310

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	343	2,226
5-9	734	1,825
10-14	600	1,230
15-19	579	698
20-24	493	1,325
25-29	201	823
30+	155	78
Total	3,105	8,205

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	33	384
25-29	265	1,430
30-34	597	1,722
35-39	733	1,344
40-44	546	1,083
45-49	485	1,349
50-54	270	726
55-59	132	147
60-64	34	16
65+	10	4
Total	3,105	8,205

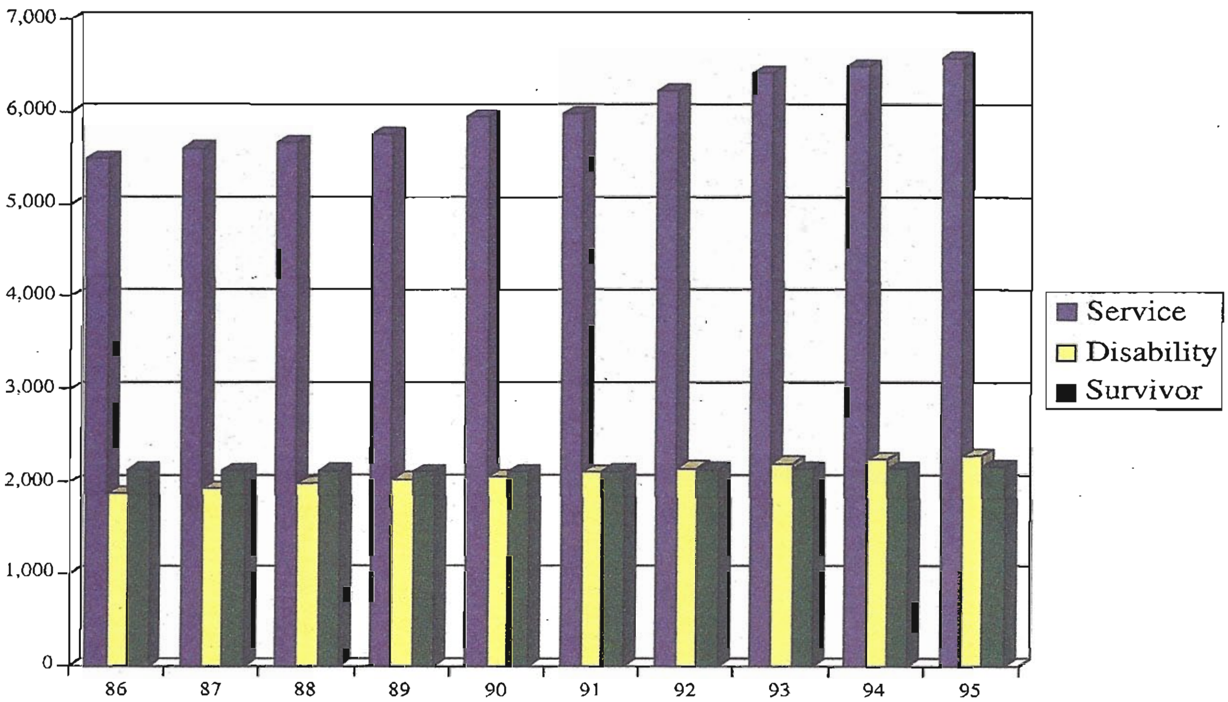
REFUNDS OF MEMBER CONTRIBUTIONS

FY 94-95	Article XVIII	Article XXXV
FIRE	1	16
POLICE	7	154

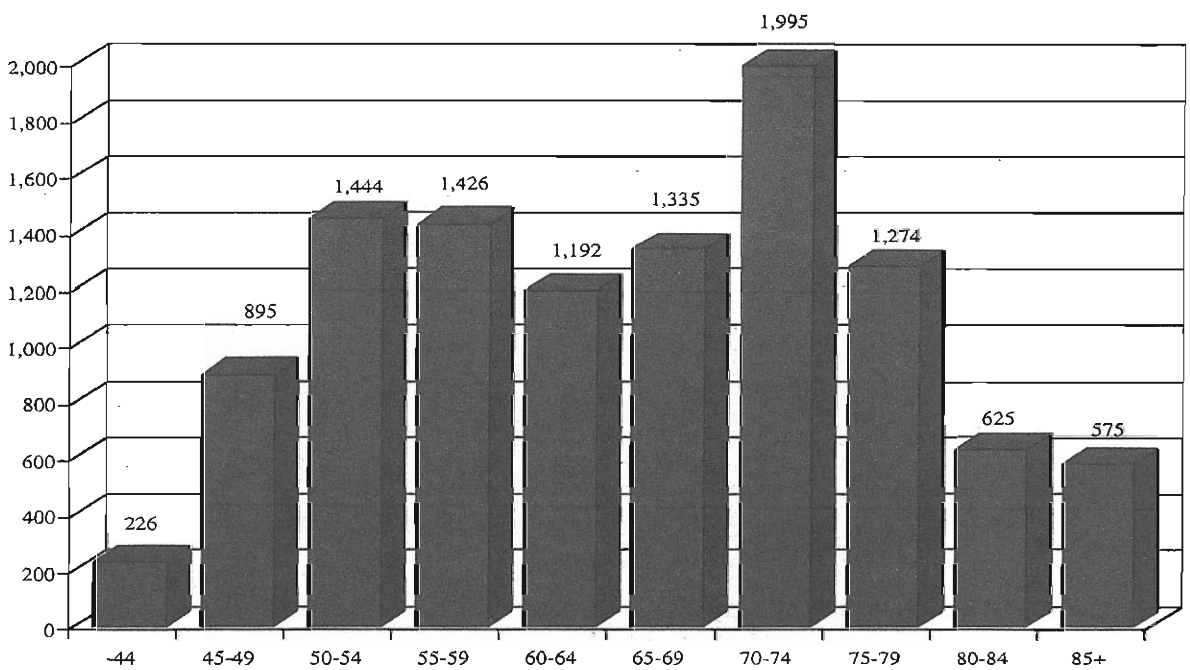
This chart shows the number of members who have applied for a refund of their Pension contributions.

RETIRED MEMBERSHIP
Last Ten Years

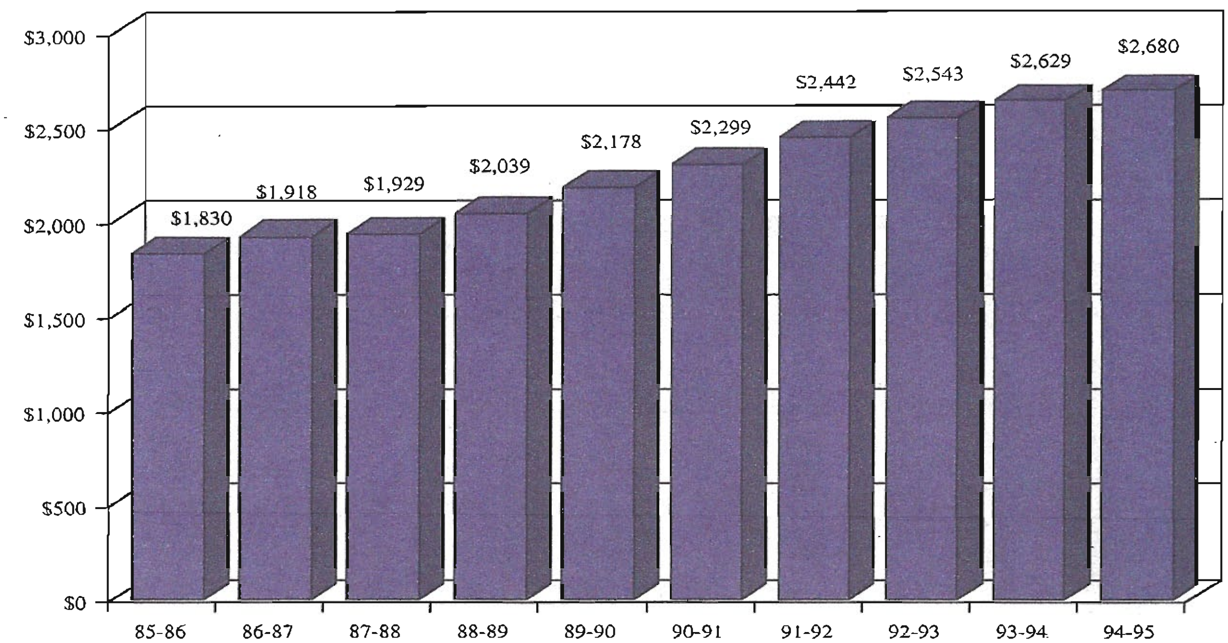
AS OF JUNE 30, 1995	
Service Pensions	6,561
Disability Pensions	2,272
Survivor Pensions	2,154
Total	10,987



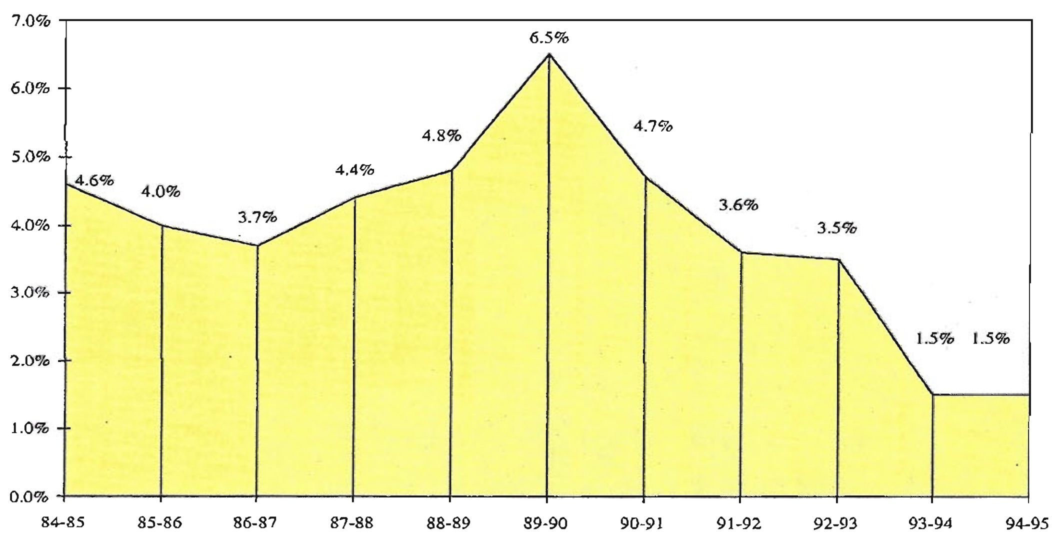
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



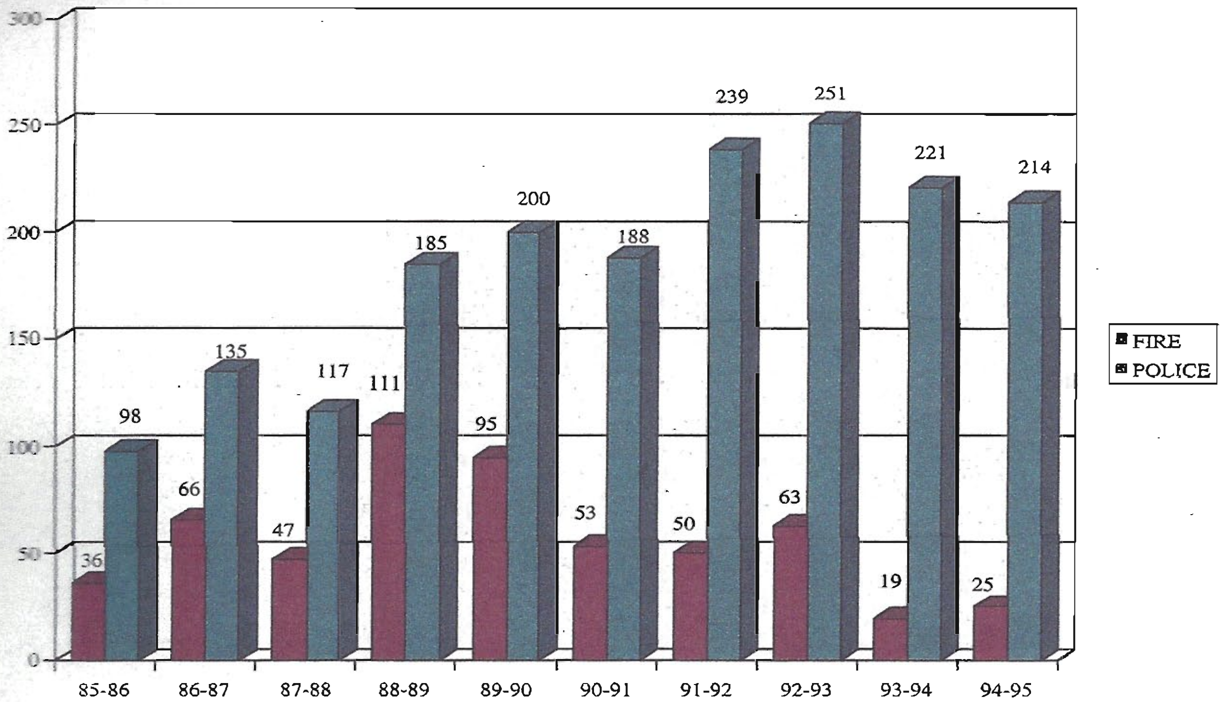
COST OF LIVING ADJUSTMENTS
Effective July 1



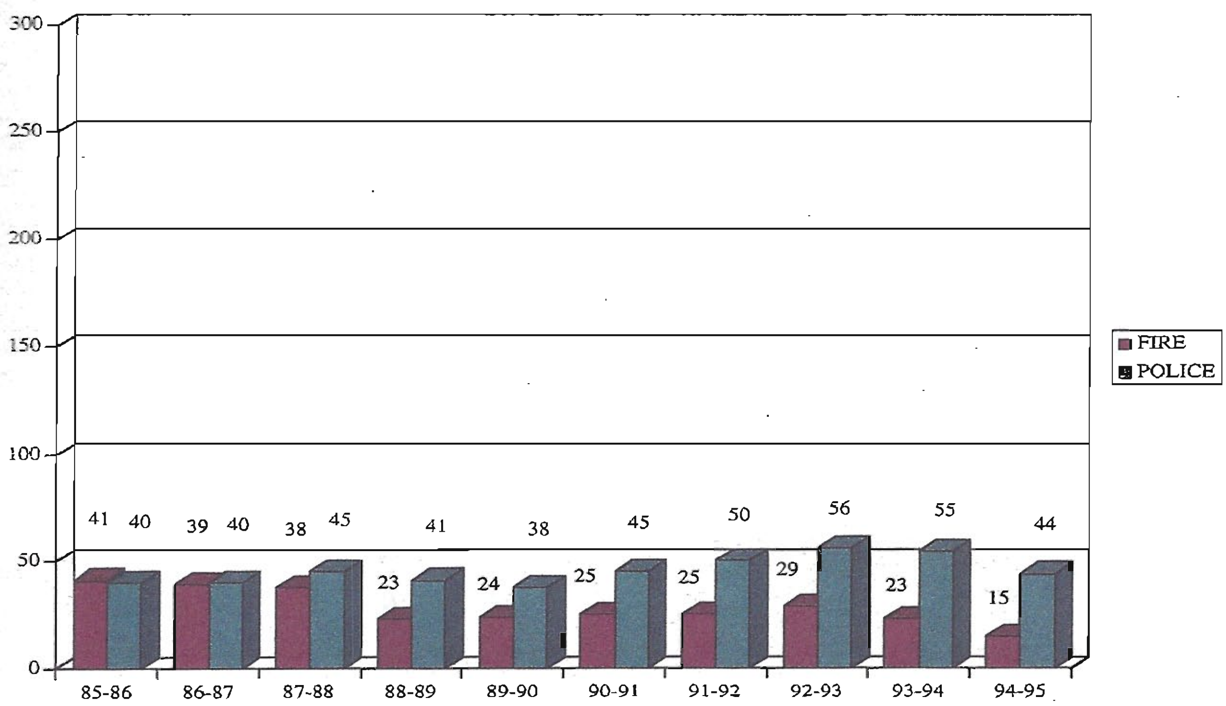
Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of the Safety Members Pension Plan (Article XXXV) have cost of living increases capped at 3%. The City Council can provide for a discretionary cost of living increase above the 3% cap once every 3 years. Members of the other pension plans (Articles XVII & XVIII) have no cap on their cost of living adjustments.

PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

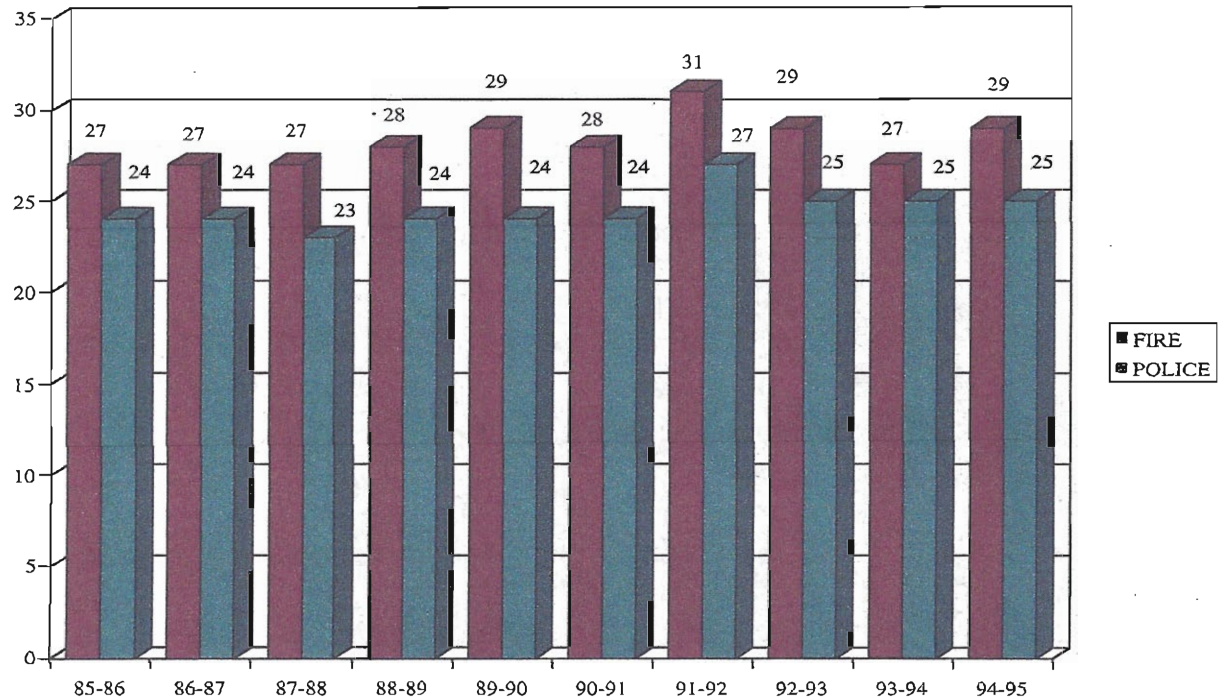


DISABILITY PENSIONS GRANTED

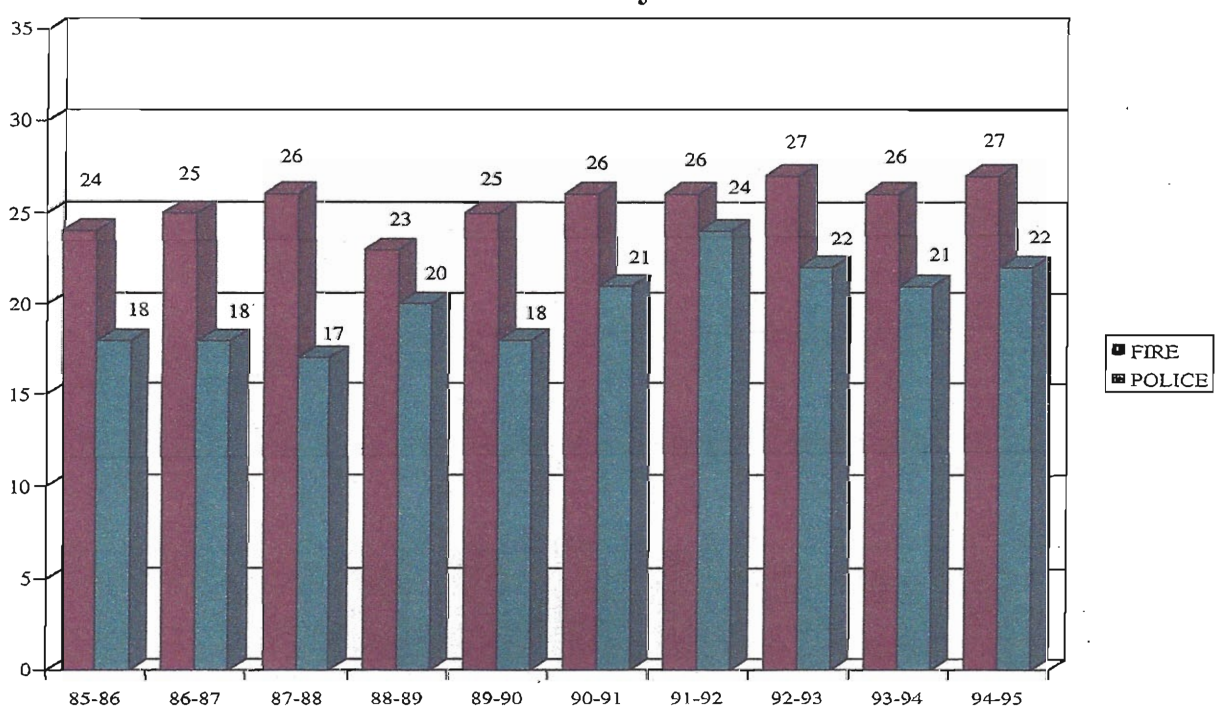


PENSION STATISTICS: LAST TEN YEARS

YEARS OF SERVICE
At Service Retirement

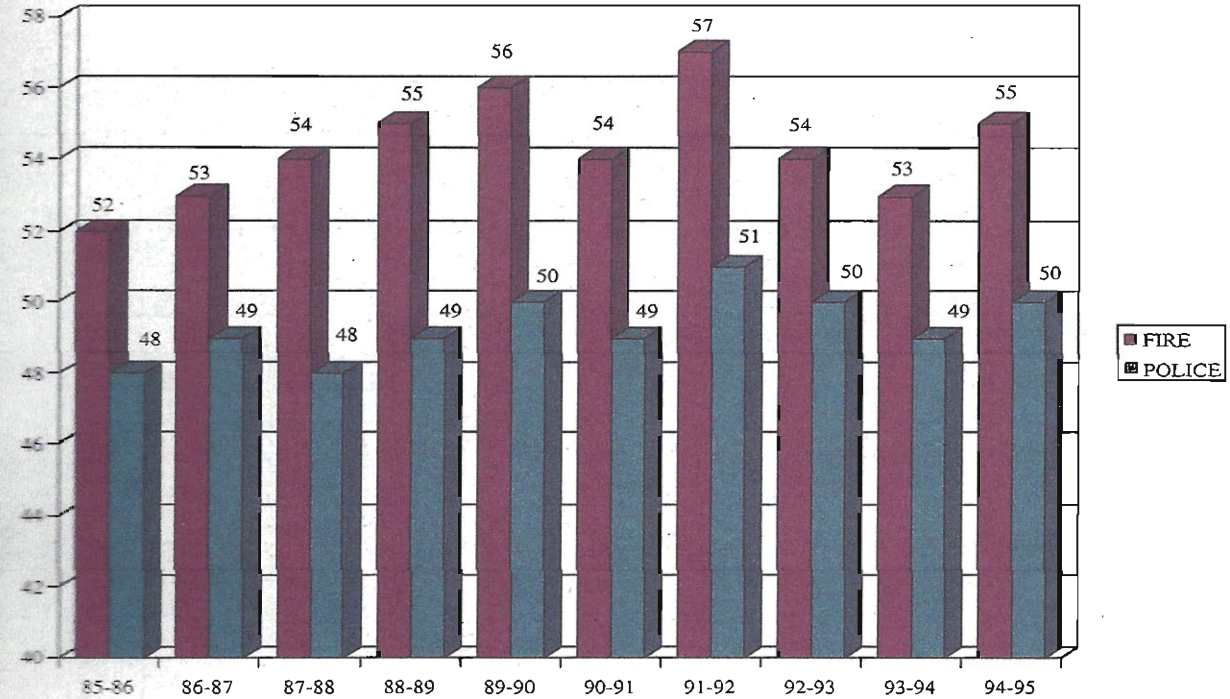


YEARS OF SERVICE
At Disability Retirement

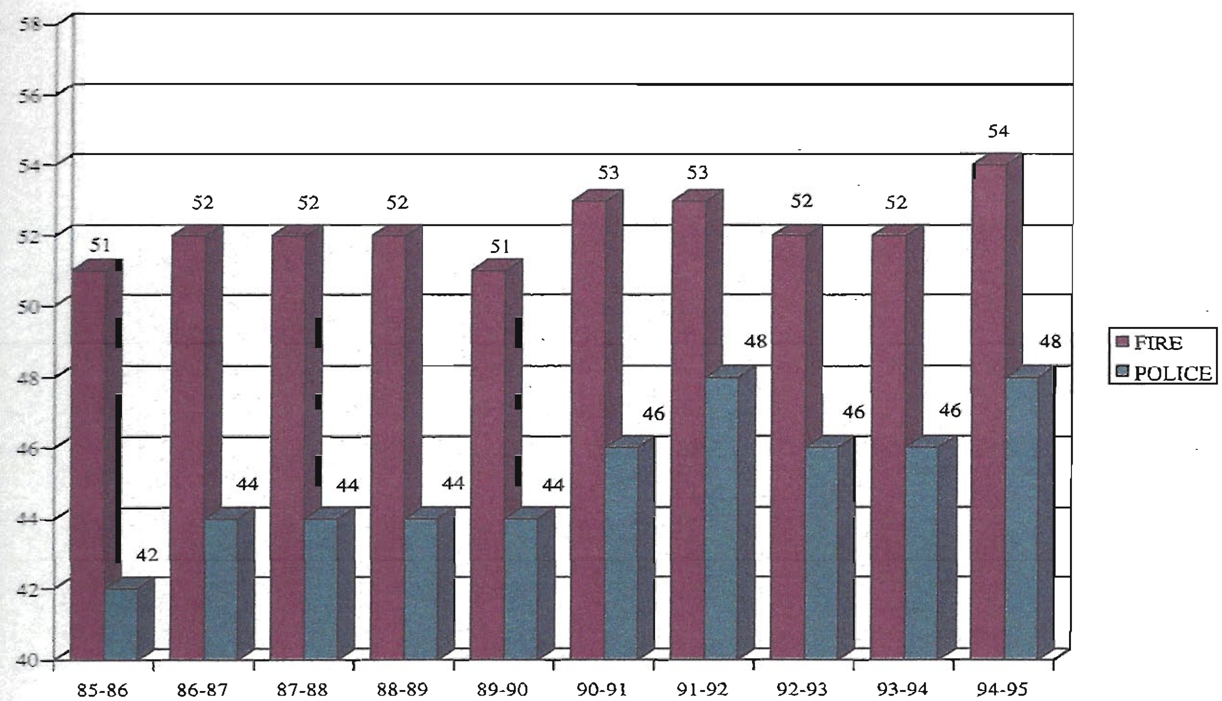


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 1990-91			FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	25	35	60	24	43	67	27	43	70	23	48	71	12	33	45
Physical/Psychiatric	0	8	8	1	6	7	2	11	13	0	6	6	3	10	13
Psychiatric Only	0	2	2	0	1	1	0	2	2	0	1	1	0	1	1
TOTAL	25	45	70	25	50	75	29	56	85	23	55	78	15	44	59

TYPES OF CLAIMS*	FISCAL YEAR 1990-91			FISCAL YEAR 1991-92			FISCAL YEAR 1992-93			FISCAL YEAR 1993-94			FISCAL YEAR 1994-95		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	13	22	35	19	31	50	17	20	37	17	29	46	5	11	16
Neck	1	10	11	1	7	8	4	5	9	3	14	17	1	5	6
Knees	8	11	19	11	8	19	8	6	14	9	9	18	3	5	8
Other Orthopedic	3	6	9	6	10	16	8	14	22	8	17	25	4	16	20
Heart Attack	2	1	3	7	16	23	8	15	23	6	9	15	5	17	22
Ulcer	0	2	2	0	2	2	0	3	3	0	2	2	0	1	1
Hypertension	1	9	10	0	12	12	1	10	11	1	14	15	1	10	11
Hearing Loss	7	3	10	1	2	3	3	1	4	3	3	6	1	4	5
Pulmonary	1	0	1	1	2	3	2	4	6	2	0	2	2	3	5
Cancer	1	1	2	0	0	0	1	1	2	0	0	0	0	0	0
Gun Shot Wound	0	1	1	0	0	0	0	1	1	0	0	0	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0

*Will not equal the total number of disability pensions granted due to multiple claimed impairments.

SERVICE AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS
By Department and Rank

POLICE	90-91	91-92	92-93	93-94	94-95
Police Officer	23	16	24	25	18
Sergeant	7	15	4	8	12
Detective	15	19	22	17	10
Lieutenant	1	3	5	5	3
Captain	2	1	1	0	2
Commander	0	0	1	0	1
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	48	54	57	55	46

FIRE	90-91	91-92	92-93	93-94	94-95
Paramedic	0	1	6	**	**
Firefighter	11	6	10	9	6
Apparatus Operator	1	0	0	1	0
Engineer	5	4	5	1	1
Inspector	1	3	1	0	0
Captain	7	10	7	9	6
Battalion Chief	1	1	0	3	0
Assistant Chief	1	0	0	0	1
Deputy Chief	0	0	1	0	1
TOTAL	27	25	30	23	15

**Rank merged with Firefighter.

Legal Summary

SUMMARY OF LEGAL ACTIVITIES
General Pension Litigation in Fiscal Year 1994-1995

The Legal Section of the City Attorney's Office represented the Board of Pension Commissioners in numerous lawsuits and legal matters during this reporting period.

Presented below are summaries of some of the more notable matters handled by the City Attorney for the Board of Pension Commissioners.

Tokie Upp v. Board of Pension Commissioners

Probationary police officer Tokie Upp was en route home after her morning watch tour of duty when her vehicle veered from the roadway and overturned causing her to suffer a skull fracture. A worker's compensation judge determined that Tokie Upp had not fully adjusted to her recent change to the morning watch, that she was understandably tired and thus her accident was work-related. This finding by the worker's compensation judge was in direct violation of the established labor principle that employees are not deemed to be within the scope of employment when traveling to or from work.

Approximately five years after her accident, Tokie Upp became substantially disabled as a result of her injuries. After a hearing on her disability pension application, the Board of Pension Commissioners determined that her accident and subsequent disabling injuries were not work-related and accordingly granted her a nonservice-connected disability pension. Upp challenged the Board's finding in a Superior Court Writ of Mandate proceeding at which a superior court judge agreed that her accident and subsequent disability were indeed work-related. The City Attorney's Office, on behalf of the Board, filed a timely appeal to the superior court. This case raises fundamental issues of res judicata, collateral estoppel and applicability of the 'going and coming rule' in the context of injury arising out of fatigue-caused accidents en route to or from work. Following the completion of written trial briefs, this case was argued orally in the Court of Appeal on September 19, 1995. The Superior Court decision was reversed and the Board's decision granting Upp a nonservice-connected disability pension was upheld.

City of Los Angeles v. George Aitchison

The Aitchison lawsuit has been reported in previous annual reports. This lawsuit involved a reactivated LAPD Sergeant who continued to receive pension payments for almost three years while also receiving an active salary. The pension overpayment exceeded $60,000.

Aitchison's actions resulted in the imposition of discipline by the LAPD in the form of suspended days off without pay. In response to his suspension, Aitchison filed a Petition for Peremptory Writ of Mandate which was defended by the Employee Relations Section of the City Attorney's Office.

Following the filing of our initial complaint, Aitchison filed a cross-complaint against the City seeking declaratory and injunctive relief against the actions of the Board. Extensive pretrial discovery and other nonsubstantive court proceeding subsequently took place. This matter was finally settled in early 1995 when Aitchison agreed to repay a substantial portion of the pension overpayment. A dismissal of the lawsuit was filed on May 12, 1995.

City of Los Angeles v. Dorinda Wilkins

In this case, filed in the San Diego Superior Court, a spouse who married a pension plan member after his retirement unlawfully continued to receive pension benefits in the approximate amount of $20,000. After initially filing a civil action to recover the funds, the City Attorney's Office filed a Summary Judgment motion and eventually succeeded in obtaining a judgment against Dorinda Wilkins in the total amount of the loss. Efforts currently are under way to collect the judgment amount.

City of Los Angeles, et al. v . Bank of America, John P. Lafon, et al.

John P. Lafon, the great-grandson of a deceased pensioner's widow, Elizabeth Lafon, forged pension checks after her death in an amount exceeding $13,000. The City Attorney's Office filed a civil complaint against Lafon and several others, including Bank of America Corporation (because of the forged endorsements). Bank of America subsequently cross-complained against Lafon. After numerous settlement discussions among the parties, it appears that an agreement to recover the full amount is imminent.

City of Los Angeles v. Wells Fargo Bank, N.A., Estate of James Robert Burke, et al.

This matter first came to the attention of the Legal Section in February, 1994. It concerns a fraudulent scheme in which the fund unwittingly paid in excess of $330,000 in pension benefits over a period of thirteen years to the nephew (James R. Burke) of a deceased police widow (Evelyn Burke).

Because this lawsuit was required to be filed and litigated in Santa Rosa, California, outside counsel was retained to assist the City Attorney. On January 30, 1995, the multi-defendant lawsuit was filed. Service of summons has been completed on all defendants. It is anticipated that several pretrial court proceedings will be filed by the various defendants. During this reporting period, the Legal Section worked closely with outside counsel on ongoing litigation efforts.

In re the Pension of Marguerite Boone

Marguerite Boone, the widow of a deceased pensioner died having a joint bank account with a niece and nephew. Unaware of her death, the Pensions Department continued automatic deposits into her account totaling over $72,000. In an effort to collect this overpayment, the Legal Section prepared a draft of a Superior Court civil complaint to be filed against the niece and nephew of Marguerite Boone, American Savings Bank and the estate of Marguerite Boone, among others. A criminal complaint was also filed with the South Pasadena Police Department.

This matter was eventually settled following full repayment of the total amount by Mrs. Boone's niece and nephew. Criminal prosecution was declined by the District Attorney.

FAMILY LAW MATTERS

The Pension Fund is joined as a party claimant in over 800 marriage dissolution proceedings. New joinders are added at a rate of approximately two each week. The employee spouse's City pension is often the largest asset in the parties' marital property. Consequently, the City Attorney's Office is required to interact daily with family law practitioners to ensure that dissolution judgments are compatible with the pensions provisions of the City Charter. The City Attorney's Office occasionally makes appearances in Family Law courts when attorneys and parties are reluctant to accept the provisions of the Charter as they relate to the grant of pension benefits.

WRITS OF MANDATE

The remaining cases for this reporting period are challenges by individual system members who feel aggrieved by Board decisions relative to their disability pension applications.

Michael Brooks v. Board of Pension Commissioners, et al. - Petition for Peremptory Writ of Mandate denied in Superior Court on March 9, 1995. Brooks' appeal is pending.

George Coger v. Board of Pension Commissioners - Hearing on Petitioner's Petition for Writ of Mandate set for argument in Superior Court on November 8, 1995.

Betty J. Courtenay-Greene v. Board of Pension Commissioners - Petition for Writ of Mandate filed. No hearing yet.

George Robison, Jr. v. Board of Pension Commissioners - Petition for Writ of Mandate granted in Superior Court on October 18, 1994. Board's decision was overturned.

Description of Pension Benefits

Fire and Police Pension Plan (Article XVII)
(Closed January 28, 1967)

The New Pension System (Article XVIII)
(Closed December 7, 1980)

Safety Members Pension Plan (Article XXXV)

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
1. SERVICE RETIREMENT			
a. Eligibility	20 years of service	20 years of service	Age 50 with 10 yrs. of service.
b. Salary Base	Final Salary rate	Final Salary rate	One-year average salary
c. Pension as a percentage of salary base	40% at 20 years of service, plus 2% for each additional year up to 25 years of service, plus 1 2/3% for each additional year between 25 and 35 years of service. Maximum of 66- 2/3% for 35 or more years of service.	40% at 20 years of service, plus 2% for each additional year up to 25 years of service. 55% at 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.
2. 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 salary base	50% to 90% depending on severity of disability, with a minimum of any service pension available.	50% to 90% depending on severity of disability, with a minimum of any service pension available.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NON-SERVICE-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 of Member's own salary.
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability
4. SERVICE-CONNECTED DEATH AFTER SERVICE-CONNECTED DISABILITY			
a. Eligibility	No age or service conditions for Member.	No age or service conditions for Member.	No age or service conditions for Member.
b. Salary Base	Final salary rate.	Final salary rate.	One year average salary.
c. Eligible spouse's benefit as a percentage of salary base	50% Pension stops upon remarriage.	50% with less than 25 years of service. 55% with 25 or more years of service. Pension stops upon remarriage.	75% if service connected death or disabled less than 3 years; otherwise 60% of Member's disability pension. Pension stops upon remarriage.
d. Children's benefit as a percentage of spouse's benefit	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 (age 22 if in school) unless child is disabled before age 21.
e. Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
5. 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	100% of Member's accrued service retirement not to exceed 50% of final salary rate. Pensions stops upon remarriage.	100% of Member's accrued service retirement, not to exceed 55% of final salary rate. Pensions stops upon remarriage.	60% of Member's accrued service retirement. Pensions stops upon 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.
6. 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. Pensions stops upon remarriage.	40% of final salary rate for highest-paid police officer's or firefighter's rank. Pensions stops upon remarriage.	For nonservice death: 30% of final one-year average salary or, if eligible for service retirement, 80% of accrued service retirement not to exceed 40% of final one-year average salary. For death after non-service disability: 60% of Member's pension. Pensions stops upon remarriage.
c. Children's benefit as a percentage of spouse's benefit	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches age 18 unless child is disabled before age 21.	100% if child not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children Pension not payable after child reaches 18 (age 22 if in school) unless child is disabled before age 21.
d. Dependent parent's benefit as a percentage of spouse's benefit.	100% if spouse or children not receiving.	100% if spouse or children not receiving.	100% if spouse or children not receiving.
7. COST-OF-LIVING			
a. Generally applicable provisions	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.	Current Plan Provision: Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.	Current Plan Provision: Annual cost-of-living increase not to exceed 3%. Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.

DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
7. COST-OF-LIVING (Continued)			
a. Generally applicable provisions (cont'd)	Survivor's pensions include the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivor's pensions include the percentage of cost-of-living increases applied to the Member's pension prior to death.	City Council may grant discretionary cost-of-living increases once every three years. Survivor's pensions include the percentage of cost-of-living increases applied to the Member's pension prior to death. Pro rata adjustment in the first year of retirement.
b. Effective date of cost of living increases			
i. Service retirement.	Annual increases commence on the July 1 following the later of the effective date or the date the Member would have been age 55.	Annual increases commence on the July 1 following the later of the effective date or the date the Member would have completed 25 years of service.	Same provisions for all types of pensions. Annual increases commence on the July 1 following the effective date.
ii. Service-connected disability, ~~death after service-connected disability~~, service-connected death.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	
iii. Nonservice-connected disability	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increase s commence on the July 1 following the date the Member would have had 26 years of service or 5 years after the effective date of the pension, if earlier.	
iv. Nonservice-connected death, death after service and nonservice-connected disability, death while eligible for service retirement.	Annual increases commence on the July 1 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 1 following the date the Member would have had 26 years of service or 5 years after the effective date of the pension if earlier.	
8. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY			
	6% No Member contributions required after 30 years of svc.	6% plus 1/2 cost of cost-of-living benefit up to 1%. No Member contributions required after 30 years of svc.	8% No member contributions required after 30 years of svc.
9. MISCELLANEOUS			
a. Vesting of svc retirement.	No vesting until retirement.	No vesting until retirement.	After 10 years of service.
b. Return of contributions with interest.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable (except basic death benefit).
c. Basic death benefit.	None.	None.	In addition to return of contributions, beneficiary receives 1-yr avg. salary x yrs. of completed service (up to 6).
d. Optional forms of benefit	None.	None.	At service or disability retirement, Member may elect higher death benefit with corresponding actuarial reduction of retirement benefit.

Milestones

MILESTONES

1899-1901. The California State Legislature enacted legislation in 1899 that enabled cities and counties to establish pension systems for police officers and firefighters. The City of Los Angeles authorized a system for police officers effective June 7, 1899 and for firefighters effective June 10, 1901. It provided for a pension at age 60 after 20 years of service, at an amount of one-half of the salary of the rank held for one year preceding retirement. Disability and survivor benefits were also provided. Member contributions were set at $2 per month.

1911-1919. In 1911 a charter amendment empowered the City Council to make changes in the pension systems. Effective September 16, 1913, the Council adopted an ordinance that reduced the minimum retirement age to 55 and eliminated member contributions. In 1919, ordinances were adopted allowing retirement after 20 years of service regardless of age.

1922. Fire and police pension plans were merged into one system.

1923-1925. The pension system was placed on an actuarial basis effective January 29, 1923 and a provision was added increasing pensions for members with more than 20 years of service, based on a formula of 1-2/3% for each year of service over 20 up to two-thirds of the salary of the rank held at retirement. The new City Charter which became effective July 1, 1925 added a provision that service and disability pensions would remain fixed amounts.

1927. Members entering service after January 17, 1927 would receive a pension after 25 years of service equal to 50% of the average salary during the three years preceding retirement, plus 1-2/3% for each of the next 10 years of service. A monthly limit of $1,800 for service pensions was established. Member contributions to the system were set at 4% of salary. Pensions for widows were made fixed amounts.

1933. The actuarial requirements were eliminated and the system was placed on a "pay-as-you-go" basis effective May 15, 1933.

1947. Members hired after January 17, 1947 could retire after 20 years of service with a pension equal to 40% of the average salary of the last three years of service with an additional 2% for each of the next five years of service and 1-1/3% for each of the next ten years of service. A maximum pension of two-thirds of the average salary was retained, with a cap based on the salary level of a police captain or fire battalion chief. Member contributions were increased from 4% to 6% of salary. Effective June 16, 1947, a Charter amendment created a non-service disability pension of 40% of the highest salary attached to the rank of firefighter or police officer; an equal amount was to be paid to any surviving spouse with additional percentages allowed for unmarried minor children under the age of 18.

1957. The maximum limit attached to rank for service pensions was removed effective April 18, 1957.

1958. The California Supreme Court ruled that the 1928 Charter provisions for fixed pension did not apply to members employed prior to July 1, 1925 or to surviving spouses of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the system was again placed on an actuarial basis with a 50-year amortization period for the unfunded liabilities. Investment provisions were changed to permit investment of up to 35% of the fund assets in common stocks.

1961. A one time cost-of-living increase was provided for all member or surviving spouse pensions based on service-connected disability or death.

1967. Article XVII was extensively amended, and a New Pension system (Article XVIII) adopted effective January 29, 1967 provided:

(1) a pension equal to 55% of annual salary at retirement with 25 years of service plus an additional 3% for each year of service over 25 up to a maximum pension of 70% of salary at retirement with 30 years of service;

(2) a 2% cap to the annual cost-of-living adjustment to all member and surviving spouse pensions that were based on length of service;

(3) a minimum pension of $250 per month to be adjusted each year by the cost-of-living formula;

(4) an extension of the amortization period for the unfunded liability to seventy years, and

(5) changes in the investment authority to provide for mortgage investments and public improvement financing.

1968. Overtime compensation was excluded from computation of contributions and benefits under Articles XVII and XVIII.

1969. Amendments to Articles XVII and XVIII effective May 2, 1969 applied cost-of-living adjustments to disability and survivor pensions. Service pensioners were allowed to apply for return to active duty under certain conditions and restrictions. The authorized limit for common stock investments was raised to 50% of fund assets.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost-of-living ceiling from all eligible pensions and pegged increases to the Consumer Price Index; to increase the minimum pension to $350 per month; to grant pension credit for partial years of service; and to add two elected employee members to the Board of Pension Commissioners.

1974. Article XVII and XVIII amendments enabled the City Council to adopt ordinances providing subsidy payments for health insurance and other programs for eligible pensioners.

1975. Amendments to Articles XVII and XVIII allowed cost-of-living adjustments for service-connected disability pensions upon the July 1st following the date of retirement. Certain waiting periods for those eligible to receive this adjustment were eliminated.

1976. The health insurance subsidy ordinance was amended effective September 30, 1976 to include the spouse and dependents of eligible members.

1977. The mandatory retirement age provision of Article XVII was eliminated effective April 15, 1977.

1980. Article XXXV, The Safety Members' Pension Plan, was created effective December 8, 1980. It provided for a pension at age 50 with 10 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60% of member's pension.

1981. Extensive revisions to the investment provisions of the Charter provided for:

(1) the investment of up to 70% of fund assets in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange;

(2) the investment of 35% of fund assets in short term securities;

(3) the appointment of a securities custodian bank;

(4) a requirement to retain investment advisors registered under the Investment Advisor Act;

(5) the selling and repurchasing of covered call options, and

(6) authority to conduct transactions and

exchanges of securities without specific prior Board approval, within established guidelines.

1982. Significant revisions to Articles XVII and XVIII provided a 3% cap on the cost-of-living adjustment for all future service earned by active members and a refund of member contributions upon termination. Cost-of-living adjustments were prorated for the first year of retirement. Paramedics and civilian ambulance drivers were transferred from the City Employee's Retirement System to the Safety Members Pension Plan (Article XXXV).

1983. Article XVII and XVIII active members were no longer required to contribute to the pension system upon completion of thirty years of service.

1985. Authority was extended to include investment in real estate by all City of Los Angeles pension systems.

1990. A series of measures were enacted which allow the City to protect the integrity of the pension system in response to new tax code regulations. The waiting period was removed for cost-of-living adjustments for surviving spouses of members hired before December 8, 1980 who die in the line of duty.

The 3% cap on cost-of-living increases instituted in 1982 for Article XVII and XVIII members was overturned by court order.

1993. The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25% to 50%. Retired Article XVIII members may be recalled for up to one year after retirement.

1995. The amount of salary to be used to calculate pension benefits was capped at $150,000 (adjusted annually) for members hired on or after July 1, 1996. The City Council was authorized to enact ordinances required to maintain the tax-qualified status of Article XXXV under federal law.

City of Los Angeles

Department of Pensions
Fire and Police Pension Systems