

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

JUNE 30, 1999 AND 1998

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

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CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF PLAN NET ASSETS

	June 30, 1999				
	Old Pension & New Pension System	Old Pension & New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
<u>ASSETS</u>					
CASH	\$ 1,595,929	\$ -	\$ 215,156	\$ -	\$ 1,811,085
<u>RECEIVABLES</u>					
Accrued Interest & Dividend Income	\$ 53,840,328	\$ -	\$ 7,608,933	\$ -	\$ 61,449,261
Contributions	461,388	-	1,587,863	-	2,049,251
Due from Old Pension & New Pension System	-	252,968,619	-	-	252,968,619
Due from Safety Members Pension Plan	-	-	-	192,928,739	192,928,739
Due from Brokers	62,152,790	-	5,979,241	-	68,132,031
TOTAL RECEIVABLES	\$ 116,454,506	\$ 252,968,619	\$ 15,176,037	\$ 192,928,739	\$ 577,527,901
<u>INVESTMENTS AT FAIR VALUE</u>					
Temporary	\$ 521,886,165	\$ -	\$ 221,632,595	\$ -	\$ 743,518,760
U.S. Government Obligations	703,479,833	-	221,994,963	-	925,474,796
Municipal Bonds	28,436,640	-	7,274,000	-	35,710,640
Domestic Corporate Bonds	1,637,260,793	-	222,994,363	-	1,860,255,156
International Bonds	41,217,728	-	10,256,768	-	51,474,496
Domestic Stocks	4,958,397,694	-	756,029,579	-	5,714,427,273
International Stocks	1,463,184,383	-	11,265,777	-	1,474,450,160
Real Estate	143,968,316	-	364,537,698	-	508,506,014
Alternative Investments	153,258,022	-	25,877,204	-	179,135,226
TOTAL INVESTMENTS	\$ 9,651,089,574	\$ -	\$ 1,841,862,947	\$ -	\$ 11,492,952,521
<u>SECURITIES LENDING</u>					
<u>COLLATERAL</u>	\$ 863,928,858	\$ -	\$ 124,230,646	\$ -	\$ 988,159,504
TOTAL ASSETS	\$ 10,633,068,867	\$ 252,968,619	\$ 1,981,484,786	\$ 192,928,739	\$ 13,060,451,011
<u>LIABILITIES</u>					
Accounts Payable and Accrued Expenses	\$ 9,309,935	\$ -	\$ 848,145	\$ -	\$ 10,158,080
Benefits in Process of Payment	187,300	-	34,843	-	222,143
Due to Brokers	54,698,698	-	27,553,687	-	82,252,385
Mortgage Payable	-	-	28,244,041	-	28,244,041
Due to Health Plan Subsidy	252,968,619	-	192,928,739	-	445,897,358
Securities Lending Collateral	863,928,858	-	124,230,646	-	988,159,504
TOTAL LIABILITIES	\$ 1,181,093,410	\$ -	\$ 373,840,101	\$ -	\$ 1,554,933,511
<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST- EMPLOYMENT HEALTHCARE BENEFITS</u>					
(A schedule of funding progress is presented on pages 13 and 14)					
TOTAL PLAN ASSETS	\$ 9,451,975,457	\$ 252,968,619	\$ 1,607,644,685	\$ 192,928,739	\$ 11,505,517,500

(Attached notes are an integral part of this statement)

June 30, 1998				
Old Pension & New Pension System	Old Pension & New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
\$ 338,874	\$ -	\$ 1,019,280	\$ -	\$ 1,358,154
\$ 43,423,380	\$ -	\$ 8,254,671	\$ -	\$ 51,678,051
441,034	-	1,317,310	-	1,758,344
-	215,819,305	-	-	215,819,305
-	-	-	167,206,980	167,206,980
20,541,084	-	4,381,607	-	24,922,691
\$ 64,405,498	\$ 215,819,305	\$ 13,953,588	\$ 167,206,980	\$ 461,385,371
\$ 402,871,882	\$ -	\$ 154,819,701	\$ -	\$ 557,691,583
804,247,078	-	190,791,722	-	995,038,800
90,234,503	-	7,683,600	-	97,918,103
1,426,243,098	-	322,541,812	-	1,748,784,910
52,343,307	-	6,909,251	-	59,252,558
4,124,043,172	-	620,397,438	-	4,744,440,610
1,331,315,183	-	32,146,302	-	1,363,461,485
143,702,471	-	262,056,706	-	405,759,177
91,299,175	-	14,628,316	-	105,927,491
\$ 8,466,299,869	\$ -	\$ 1,611,974,848	\$ -	\$ 10,078,274,717
\$ 1,074,417,680	\$ -	\$ 183,718,903	\$ -	\$ 1,258,136,583
\$ 9,605,461,921	\$ 215,819,305	\$ 1,810,666,619	\$ 167,206,980	\$ 11,799,154,825
\$ 7,149,945	\$ -	\$ 302,706	\$ -	\$ 7,452,651
182,941	-	67,690	-	250,631
49,037,170	-	13,564,729	-	62,601,899
-	-	11,418,417	-	11,418,417
215,819,305	-	167,206,980	-	383,026,285
1,074,417,680	-	183,718,903	-	1,258,136,583
\$ 1,346,607,041	\$ -	\$ 376,279,425	\$ -	\$ 1,722,886,466
\$ 8,258,854,880	\$ 215,819,305	\$ 1,434,387,194	\$ 167,206,980	\$ 10,076,268,359

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS

	June 30, 1999				
	Old Pension & New Pension System	Old Pension & New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
<u>ADDITIONS</u>					
Contributions:					
City Contributions	\$ 164,112,320	\$ 16,878,608	\$ 57,642,742	\$ 9,754,995	\$ 248,388,665
Member Contributions	<u>15,680,628</u>	<u>-</u>	<u>40,124,448</u>	<u>-</u>	<u>55,805,076</u>
<u>TOTAL CONTRIBUTIONS</u>	\$ 179,792,948	\$ 16,878,608	\$ 97,767,190	\$ 9,754,995	\$ 304,193,741
Miscellaneous	669,638	-	55,441	-	725,079
	<u>\$ 180,462,586</u>	<u>\$ 16,878,608</u>	<u>\$ 97,822,631</u>	<u>\$ 9,754,995</u>	<u>\$ 304,918,820</u>
<u>INVESTMENT INCOME</u>					
Net Appreciation in Fair Value of Plan Investments, Including					
Gain on Sales	\$ 1,153,280,656	\$ 16,436,314	\$ 12,750,719	\$ 10,118,961	\$ 1,192,586,650
Interest	177,812,123	14,230,347	39,321,128	3,146,879	234,510,477
Dividends	74,866,717	5,991,601	6,083,625	486,874	87,428,817
Net Real Estate Income	18,635,572	1,491,409	27,307,526	2,185,428	49,619,935
Securities Lending Income	6,485,830	519,063	355,485	28,450	7,388,828
Other Income	<u>5,357,043</u>	<u>428,725</u>	<u>65,220</u>	<u>5,220</u>	<u>5,856,208</u>
<u>SUBTOTAL</u>	\$ 1,436,437,941	\$ 39,097,459	\$ 85,883,703	\$ 15,971,812	\$ 1,577,390,915
Less: Investment Manager Expense	<u>(26,045,505)</u>	<u>-</u>	<u>(563,838)</u>	<u>-</u>	<u>(26,609,343)</u>
Net Investment Income	<u>\$ 1,410,392,436</u>	<u>\$ 39,097,459</u>	<u>\$ 85,319,865</u>	<u>\$ 15,971,812</u>	<u>\$ 1,550,781,572</u>
<u>TOTAL ADDITIONS</u>	\$ 1,590,855,022	\$ 55,976,067	\$ 183,142,496	\$ 25,726,807	\$ 1,855,700,392
<u>DEDUCTIONS</u>					
Pension Benefits	\$ 392,673,293	\$ -	\$ 5,841,600	\$ -	\$ 398,514,893
Payment of Medicare Reimbursement	-	1,866,091	-	2,143	1,868,234
Payment of Health Subsidy	-	16,960,662	-	2,905	16,963,567
Refund of Contributions	231,267	-	4,043,405	-	4,274,672
Administrative Expenses	<u>4,829,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,829,885</u>
	<u>\$ 397,734,445</u>	<u>\$ 18,826,753</u>	<u>\$ 9,885,005</u>	<u>\$ 5,048</u>	<u>\$ 426,451,251</u>
<u>NET INCREASE</u>	\$ 1,193,120,577	\$ 37,149,314	\$ 173,257,491	\$ 25,721,759	\$ 1,429,249,141
<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS</u>					
Beginning of Year	<u>8,258,854,880</u>	<u>215,819,305</u>	<u>1,434,387,194</u>	<u>167,206,980</u>	<u>10,076,268,359</u>
End of Year	<u>\$ 9,451,975,457</u>	<u>\$ 252,968,619</u>	<u>\$ 1,607,644,685</u>	<u>\$ 192,928,739</u>	<u>\$ 11,505,517,500</u>

(Attached notes are an integral part of this statement)

June 30, 1998				
Old Pension & New Pension System	Old Pension & New Pension Post Employment Health Plan Subsidy	Safety Members Pension Plan	Safety Members Post Employment Health Plan Subsidy	Total
\$ 179,527,992	\$ 19,712,441	\$ 51,642,840	\$ 9,873,394	\$ 260,756,667
<u>16,991,363</u>	<u>-</u>	<u>36,147,773</u>	<u>-</u>	<u>53,139,136</u>
\$ 196,519,355	\$ 19,712,441	\$ 87,790,613	\$ 9,873,394	\$ 313,895,803
<u>254,497</u>	<u>-</u>	<u>51,755</u>	<u>-</u>	<u>306,252</u>
<u>\$ 196,773,852</u>	<u>\$ 19,712,441</u>	<u>\$ 87,842,368</u>	<u>\$ 9,873,394</u>	<u>\$ 314,202,055</u>
\$ 947,021,618	\$ 23,607,849	\$ 196,425,011	\$ 11,962,241	\$ 1,179,016,719
178,675,298	6,903,532	31,943,474	4,773,163	222,295,467
70,532,994	2,725,205	4,529,270	676,788	78,464,257
14,902,046	575,775	19,244,062	2,875,549	37,597,432
3,137,174	121,212	216,005	32,277	3,506,668
<u>1,445,778</u>	<u>55,861</u>	<u>131,527</u>	<u>19,654</u>	<u>1,652,820</u>
\$ 1,215,714,908	\$ 33,989,434	\$ 252,489,349	\$ 20,339,672	\$ 1,522,533,363
<u>(15,883,019)</u>	<u>-</u>	<u>(516,916)</u>	<u>-</u>	<u>(16,399,935)</u>
<u>\$ 1,199,831,889</u>	<u>\$ 33,989,434</u>	<u>\$ 251,972,433</u>	<u>\$ 20,339,672</u>	<u>\$ 1,506,133,428</u>
<u>\$ 1,396,605,741</u>	<u>\$ 53,701,875</u>	<u>\$ 339,814,801</u>	<u>\$ 30,213,066</u>	<u>\$ 1,820,335,483</u>
\$ 377,264,087	\$ -	\$ 4,727,296	\$ -	\$ 381,991,383
-	1,813,901	-	2,102	1,816,003
-	15,575,636	-	-	15,575,636
252,811	-	2,611,079	-	2,863,890
<u>3,977,451</u>	<u>-</u>	<u>791,558</u>	<u>-</u>	<u>4,769,009</u>
<u>\$ 381,494,349</u>	<u>\$ 17,389,537</u>	<u>\$ 8,129,933</u>	<u>\$ 2,102</u>	<u>\$ 407,015,921</u>
\$ 1,015,111,392	\$ 36,312,338	\$ 331,684,868	\$ 30,210,964	\$ 1,413,319,562
<u>7,243,743,488</u>	<u>179,506,967</u>	<u>1,102,702,326</u>	<u>136,996,016</u>	<u>8,662,948,797</u>
<u>\$ 8,258,854,880</u>	<u>\$ 215,819,305</u>	<u>\$ 1,434,387,194</u>	<u>\$ 167,206,980</u>	<u>\$ 10,076,268,359</u>

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998

NOTE 1 - DESCRIPTION OF PLANS

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.

Pension System

In general, the System is a defined benefit single-employer pension plan covering all fire fighters and police officers 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 29, 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 28, 1967. Members hired on or after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV) which was established at that time.

The plan also covers those certified paramedics and civilian ambulance employees who transferred from the City Employees' Retirement System during the year ending June 30, 1983, or have since been hired.

Effective July 1, 1998, a new tier was established for Article XXXV. Active Members hired prior to July 1, 1997 could elect to join the new tier, which has eligibility for service retirement requirements similar to Article XVIII, as of July 1, 1998. Members hired after July 1, 1997 will automatically be covered under the new tier, except Members hired between July 1, 1997 and December 31, 1997 who can elect to transfer to the old tier. This valuation is based upon both tiers of Article XXXV, with costs based upon the individual Member's actual tier election.

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.

Health Subsidy Plan

Members of the System are entitled to post-retirement health subsidy benefits under sections 189, 190.50 and 536 of the City Charter, and by related ordinance. Members who retire from the System

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998

NOTE 1 - DESCRIPTION OF PLANS (Continued)

Health Subsidy Plan (Continued)

with ten years of service are eligible for health subsidy benefits. Regular benefits begin at age sixty. Temporary subsidies are available to certain groups at earlier stages.

The benefit paid is a percentage of a maximum subsidy for health care based on the lesser of the amount used by the City Employees' Retirement System (CERS) and active Safety Members. The City also pays Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

Health Subsidy benefits are available to Members on disability and service retirement. No subsidy is paid to survivors or beneficiaries. Limited spousal and dependent benefits are available during the member's lifetime.

The System began pre-funding the health subsidy benefits effective with the 1989-1990 plan year. Full funding was phased in over four years.

Membership

The components of the System's membership were as follows at June 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Active nonvested - Old & New Pension System	403	547
Active nonvested - Safety Members Pension Plan	5,921	6,216
Active vested - Old & New Pension System	2,963	3,278
Active vested - Safety Members Pension Plan	3,308	2,758
Pensioners and beneficiaries -		
Old & New Pension System	11,170	10,937
Pensioners and beneficiaries -		
Safety Members Pension Plan	<u>200</u>	<u>168</u>
	<u>23,965</u>	<u>23,904</u>

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

B. Financial Reporting

The financial statements have been prepared in accordance with generally accepted accounting principles, as outlined in the Governmental Accounting Standards Board (GASB). In fiscal 1997, the System adopted the GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASB No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*; and GASB No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. GASB No. 25 establishes financial reporting standards for defined benefit pension

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Reporting (Continued)

plans and requires that System investments be reported at fair value at the reporting date. GASB No. 26 establishes financial reporting standards for defined benefit pension plans in reporting healthcare assets and benefits. GASB No. 28 establishes accounting and financial reporting standards for securities lending transactions.

GASB No. 25, *Financial Reporting for Defined Benefit Plans and Notes Disclosures for Defined Contribution Plans*, was adopted by the System on July 1, 1996. GASB 25 supercedes all previous financial reporting standards allowed for governmental defined benefit pension plans included GASB No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, Accounting and Reporting by Defined Benefit Pension Plans*, previously relied upon by the System. GASB No. 25 requires a statement of plan net assets, a statement of changes in plan net assets, investments be carried at fair value with unrealized gains and losses included in the statement of changes in plan net assets, and certain note disclosures regarding actuarial methods, contribution requirements and funding progress of the System.

GASB No. 26 was adopted by the System on July 1, 1996. GASB No. 26 establishes financial reporting standards for postemployment healthcare plans administered by state and local governmental defined benefit pension plans. It is an interim statement pending completion of the GASB's project on accounting and financial reporting of other postemployment benefits by plans and employers.

In addition to the reporting standards, the statement also establishes certain requirements for plans that elect to provide historical trend information about the funded status of the postemployment health plan subsidy and the employer's required contribution to the Plan, either as supplementary information or an additional financial statement or note.

GASB No. 28 was adopted on July 1, 1996. GASB No. 28 establishes accounting and financial reporting standards for securities lending transactions and requires the System to record cash and certain securities received as collateral under securities lending transactions as assets, and liabilities resulting from these transactions in the statement of plan net assets. Revenues from and costs of securities lending transactions, such as borrowing rebates and agent fees, are reported as investment income and expenditures, respectively, in the statement of changes in plan net assets. Securities lending activity had previously been disclosed in the footnotes to the financial statements.

C. Cash

Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles. These monies are pooled with the monies of other City agencies and invested by the City Treasurer's office.

D. 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.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments (Continued)

Short-term investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, Treasury bills and repurchase agreements along with bonds, stocks and alternative investments are reported at fair value in accordance with GASB No. 25.

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.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the System's year end. Resulting gains or losses are included in the combined pension plan and postemployment health subsidy statement of changes in plan net assets, 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.

Real estate investments are recorded in the financial statements under the equity method and are carried at lower of cost or market value. The fair values of real estate investment funds are provided by the individual real estate fund managers and are evaluated by the System's real estate consultant.

Investment transactions are accounted for one the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on the accrual basis. The corresponding proceeds due from sales are reported on the statement of plan net assets as receivables and labeled due from brokers, and amounts payable for purchases are reported as liabilities and labeled due to brokers. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned.

The fair values of venture capital and alternative investments are estimated based on audited financial statements provided by the individual fund managers.

E. 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.

F. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

NOTE 3 - 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, 1999 and 1998, 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 actuary for the System has determined the contributions for items A., B. and C. above, for the year ended June 30, 1999 to be as follows:

	<u>Percentage of Member's Salaries</u>		
	<u>Old System (Article XVII)</u>	<u>New System (Article XVIII)</u>	<u>Safety Members Pension Plan (Article XXXV)</u>
Entry-Age Normal Cost Contribution	22.87%	24.47%	14.77%
Amortization of Unfunded Liability	\$33.8M	\$137.5M	\$60.4M
Health Plan Subsidy	\$.6M*	\$ 17.1M*	\$10.2M*

*Stated as required dollar amount.

The actuarially determined unfunded (surplus) liability of the System was (\$210,544,651) and \$773,924,834 at June 30, 1999 and 1998, respectively, (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, 1999 is to be amortized over the next 39 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Contributions totaling \$304,193,741 (\$248,388,665 City and \$55,805,076 member) were made during the year ending June 30, 1999 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, 1999. These contributions consisted of approximately \$189,500,000 normal cost and \$90,500,000 amortization of the unfunded actuarial accrued liability for the aggregate pension plans,. For the health plan subsidy, they consisted of approximately \$18,000,000 normal cost and \$10,000,000 amortization of the unfunded actuarial accrued liability.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

NOTE 4 - SECURITIES LENDING

The System has entered into various short-term arrangements with its custodian, whereby investments are loaned to various brokers, as selected by the Custodian. The lending arrangements are collateralized by cash, letters of credit 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.

The City Charter permits the System to use investments of the System to enter into securities lending transactions - loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Upon direction of the Board, the Custodian may loan securities to brokers or dealers or other borrowers upon such terms and conditions as it deems advisable. Collateral for the securities on loan will be maintained at a level of at least 102 percent of their market value plus any accrued interest for U.S. securities lending and 105 percent of the market value plus any accrued interest for non U.S. securities lending. At year end, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

The borrower has all incidents of ownership with respect to borrowed securities and collateral including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify the System as a result of the custodian's failure to: (1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action, (2) demand adequate collateral, or (3) otherwise maintain the securities lending program in compliance with the *Federal Financial Institutions Examinations Council Supervisory Policy on Securities Lending*.

These agreements provide the return of the securities and revenue determined by the type of collateral received (from which the custodian's fee is deducted). The securities on loan to brokers are shown at their market value on the Systems' plan net assets.

The System adopted the provisions of Statement No. 28 of the Governmental Accounting Standards Board, *Accounting And Financial Reporting for Securities Lending Transactions*, in fiscal 1997. This Statement requires that cash received as collateral on securities lending transactions be reported as assets, and that liabilities from these transactions be reported in the statement of plan net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees are netted against securities lending income.

The market value of total securities lent was \$953,482,842 and \$1,222,341,764 as of June 30, 1999 and 1998, respectively. The collateralized value of cash and securities was \$988,159,504 and \$1,258,136,583 as of June 30, 1999 and 1998, respectively.

NOTE 5 - 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 amount of the contributions and interest subject to this right was \$787,499,626 and \$456,435,241 as of June 30, 1999 and 1998, respectively.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998

B. Investment Commitment

The System has commitments to contribute capital for real estate and venture capital investments in the aggregate amount of approximately \$229,900,000 at June 30, 1999.

NOTE 6 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) INVESTMENT CATEGORIES

The System's investments in securities, which are held by Bankers Trust Company, the Custodian, 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, 1999, the market value of categorized investments were as follows (in thousands):

Types of Investments	Category			AMOUNT
	1	2	3	
<u>Investments - Categorized</u>				
<u>Securities Not on Securities Loan</u>				
Temporary Investments	\$ 221,958,158	\$ -	\$ 521,560,602	\$ 743,518,760
U.S. Government Obligations	596,382,583	-	-	596,382,583
Municipal Bonds	35,710,640	-	-	35,710,640
Domestic Corporate Bonds	1,789,094,279	-	-	1,789,094,279
International Bonds	50,485,196	-	-	50,485,196
Domestic Stocks	5,292,566,747	-	-	5,292,566,747
International Stocks not on Loan	1,344,070,234	-	-	1,344,070,234
Alternative Investments	179,135,226	-	-	179,135,226
<u>Total Securities Not on Loan</u>	<u>\$ 9,509,403,063</u>	<u>\$ -</u>	<u>\$ 521,560,602</u>	<u>\$ 10,030,963,665</u>
<u>Securities on Loan for Securities Collateral</u>				
U.S. Government Obligations	\$ 34,145,272	\$ -	\$ -	\$ 34,145,272
Domestic Corporate Bonds	18,796,153	-	-	18,796,153
Domestic Stocks	24,019,151	-	-	24,019,151
International Stocks	18,350,979	-	-	18,350,979
<u>Total Securities on Loan for Securities Collateral</u>	<u>\$ 95,311,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,311,555</u>
<u>Total Categorized Investments</u>	<u>\$ 9,604,714,618</u>	<u>\$ -</u>	<u>\$ 521,560,602</u>	<u>\$ 10,126,275,220</u>
<u>Investments - Non-Categorized</u>				
<u>Securities Held by Broker/Dealer Under</u>				
<u>Securities Loans with Cash Collateral:</u>				
Domestic Stocks				\$ 397,841,375
International Stocks				112,028,947
Domestic Corporate Bonds				52,364,724
U.S. Government Obligations				294,946,941
International Bonds				989,300
<u>Total Securities Held by Broker/Dealer Under</u>				<u>988,159,504</u>
<u>Securities Loans with Cash Collateral:</u>				<u>\$ 858,171,287</u>
Securities Lending Short Term Investment Pool				\$ 988,159,504
Real Estate				\$ 508,506,014
<u>Total</u>				<u>\$ 12,481,112,025</u>

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999 AND 1998

NOTE 6 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) INVESTMENT CATEGORIES
(Continued)

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-D).

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 1999:

Secured by real estate. Interest rate ranges from 7.25% to 9.0% per annum.

Monthly Principal and interest payments range from \$25,357 to \$41,047.

The notes mature July 2002 through October 2008.

\$28,244,041

Principal payments due under such notes are as follows for the years ended June 30:

2000	\$ 662,737
2001	719,502
2002	777,348
2003	4,885,348
2004	759,153
Thereafter	<u>20,439,410</u>

\$28,244,041

NOTE 8 - OPERATING LEASE

The System leases building facilities under a noncancelable operating lease that expires in 2001, at which time a five-year renewal option is available.

The future minimum lease commitments are as follows as of June 30, 1999:

2000	\$339,989
2001	339,989
2002	<u>169,995</u>

\$849,973

NOTE 9 - YEAR 2000 Compliance

The System has addressed the Year 2000 issue (i.e. to recognize between 99 and 00 as one year instead of negative 99 years). During the fiscal year ending June 30, 1999, the System has completed the assessment and converted affected computer systems and equipment that are not year 2000 compliant. The execution of the plan included the replacement of existing hardware systems and the review of existing software for Year 2000 compliance. The System also completed the testing of all new hardware for compliance.

As of November 1, 1999, 98% of the System's computer systems have been converted and tested. Conversion and testing of all other systems should be completed by November 30, 1999.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULES

FOR THE SIX YEARS ENDED JUNE 30, 1999

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - PENSION PLANS

ALL PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 5,111,331,371	\$ 8,311,393,751	\$ 3,200,062,380	61.5%	\$ 554,626,745	577.0%
June 30, 1995	5,602,149,360	8,412,407,080	2,810,257,720	66.6%	608,978,306	461.5%
June 30, 1996	6,558,796,766	8,786,175,771	2,227,379,005	74.6%	688,572,262	323.5%
June 30, 1997	7,406,443,749	9,111,057,591	1,704,613,842	81.3%	749,505,571	227.4%
June 30, 1998	8,393,868,685	8,912,535,199	518,666,514	94.2%	808,807,269	64.1%
June 30, 1999	9,637,255,489	9,203,636,397	(433,619,092)	104.7%	819,740,647	(52.9%)

OLD PENSION SYSTEM & NEW PENSION SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 4,527,618,395	\$ 7,781,907,008	\$ 3,254,288,613	58.2%	\$ 269,887,595	1205.8%
June 30, 1995	4,913,393,210	7,813,942,098	2,900,548,888	62.9%	278,097,839	1043.0%
June 30, 1996	5,701,026,050	8,041,068,131	2,340,042,081	70.9%	286,626,330	816.4%
June 30, 1997	6,376,809,995	8,217,516,312	1,840,706,317	77.6%	286,787,233	641.8%
June 30, 1998	7,145,149,538	7,821,533,465	676,383,927	91.4%	287,719,455	235.1%
June 30, 1999	8,134,046,399	7,920,942,404	(213,103,995)	102.7%	261,600,750	(81.5%)

SAFETY MEMBERS PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 583,712,976	\$ 529,486,743	\$ (54,226,233)	110.2%	\$ 284,739,150	(19.0%)
June 30, 1995	688,756,150	598,464,982	(90,291,168)	115.1%	330,880,467	(27.3%)
June 30, 1996	857,770,716	745,107,640	(112,663,076)	115.1%	401,945,932	(28.0%)
June 30, 1997	1,029,633,754	893,541,279	(136,092,475)	115.2%	462,718,338	(29.4%)
June 30, 1998	1,248,719,147	1,091,001,734	(157,717,413)	114.5%	521,087,814	(30.3%)
June 30, 1999	1,503,209,090	1,282,693,993	(220,515,097)	117.2%	558,139,897	(39.5%)

(See accompanying Independent Auditors' Report and notes to funding progress and employer contributions)

**CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - HEALTHCARE PLANS**

ALL PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 131,848,404	\$ 697,230,188	\$ 565,381,784	18.9%	\$ 554,626,745	101.9%
June 30, 1995	175,792,687	659,805,919	484,013,232	26.6%	608,978,306	79.5%
June 30, 1996	248,228,909	591,777,845	343,548,936	41.9%	688,572,262	49.9%
June 30, 1997	310,852,382	586,429,073	275,576,691	53.0%	749,505,571	36.8%
June 30, 1998	371,411,413	626,669,733	255,258,320	59.3%	808,807,269	31.6%
June 30, 1999	443,492,170	666,565,679	223,073,509	66.5%	819,740,647	27.2%

OLD PENSION SYSTEM & NEW PENSION SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 77,378,107	\$ 609,717,517	\$ 532,339,410	12.7%	\$ 269,887,595	197.2%
June 30, 1995	102,366,307	566,443,155	464,076,848	18.1%	278,097,839	166.9%
June 30, 1996	145,929,451	504,733,828	358,804,377	28.9%	286,626,330	125.2%
June 30, 1997	181,352,489	481,842,685	300,490,196	37.6%	286,787,233	104.8%
June 30, 1998	213,935,369	501,116,016	287,180,647	42.7%	287,719,455	99.8%
June 30, 1999	254,933,821	518,059,740	263,125,919	49.2%	261,600,750	100.6%

SAFETY MEMBERS PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1994	\$ 54,470,297	\$ 87,512,671	\$ 33,042,374	62.2%	\$ 284,739,150	11.6%
June 30, 1995	73,426,380	93,362,764	19,936,384	78.6%	330,880,467	6.0%
June 30, 1996	102,299,458	87,044,017	(15,255,441)	117.5%	401,945,932	(3.8%)
June 30, 1997	129,499,893	104,586,388	(24,913,505)	123.8%	462,718,338	(5.4%)
June 30, 1998	157,476,044	125,553,717	(31,922,327)	125.4%	521,087,814	(6.1%)
June 30, 1999	188,558,349	148,505,939	(40,052,410)	127.0%	558,139,897	(7.2%)

(See accompanying Independent Auditors' Report and notes to funding progress and employer contributions)

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLANS

ALL PLANS

<u>Fiscal Years Ending</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1994	\$ 281,880,495	100%
1995	287,697,971	100%
1996	296,636,023	100%
1997	265,744,307	100%
1998	231,170,832	100%
1999	221,755,062	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

<u>Fiscal Years Ending</u>		
1994	246,773,576	100%
1995	250,731,527	100%
1996	253,792,681	100%
1997	222,678,703	100%
1998	179,527,992	100%
1999	164,112,320	100%

SAFETY MEMBERS PENSION PLAN

<u>Fiscal Years Ending</u>		
1994	35,106,919	100%
1995	36,966,444	100%
1996	42,843,342	100%
1997	43,065,604	100%
1998	51,642,840	100%
1999	57,642,742	100%

(See accompanying Independent Auditors' Report and notes to funding progress
and employer contributions)

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS - HEALTHCARE PLANS

ALL PLANS

<u>Fiscal Years Ending</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1994	\$ 49,889,992	100%
1995	45,782,214	100%
1996	46,565,595	100%
1997	39,935,095	100%
1998	29,585,835	100%
1999	26,633,603	100%

OLD PENSION SYSTEM AND NEW PENSION SYSTEM

<u>Fiscal Years Ending</u>		
1994	32,957,468	100%
1995	31,897,396	100%
1996	32,128,225	100%
1997	26,805,677	100%
1998	19,712,441	100%
1999	16,878,608	100%

SAFETY MEMBERS PENSION PLAN

<u>Fiscal Years Ending</u>		
1994	16,932,524	100%
1995	13,884,818	100%
1996	14,437,370	100%
1997	13,129,418	100%
1998	9,873,394	100%
1999	9,754,995	100%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary schedules for the Pension and Healthcare Plans was determined as part of the actuarial valuations as of June 30, 1999. Additional information as of June 30, 1998 follows:

PENSION PLANS

Funding Method - Entry Age Normal Funding Method

Asset Valuation Method - The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

Investment Return:	8.5%
Annual Salary Scale Increase:	
Individually	(Varies by age)
Age:	
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%
Aggregate	5.00%

Annual Cost-of-Living Increase:	
Old System and New System Members:	
Accrued for All Subsequent	
Service (Subject to Any	
Applicable Caps)	5.00%
Safety Members Pension Plan	
Members	3.00%

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.

HEALTHCARE PLANS

Funding Method – Entry Age Normal Funding Method

Asset Valuation Method – The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

HEALTHCARE PLANS (Continued)

Investment Return	8.5%
Annual Salary Scale Increase:	
Individually	(Varies by age)
Age:	
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%
Aggregate	5.50%
Graded Medical Cost Rate Increases:	
Pre-65 Premiums	8.00%*
Post-65 Premiums	7.75%*

*Decreasing gradually to 6.5% in 2004 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.