

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

JUNE 30, 2001 AND 2000

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

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Independent Auditors' Report

To the Board of Fire and Police
Pension Commissioners
Los Angeles, California

Members of the Board:

We have audited the accompanying statements of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 2001 and 2000, and the related statements of changes in plan net assets 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 auditing standards generally accepted in the United States of America and *Governmental Auditing Standards* issued by the Comptroller General of the United States. 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, the financial statements present fairly, in all material respects, information regarding the System's plan net assets as of June 30, 2001 and 2000, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental schedules and the related notes are presented for the purpose of additional analysis and are not a part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the financials statements and, in our opinion, is fairly presented, when considered in relation to the basic financial statements taken as a whole.

MILLER, KAPLAN, ARASE & CO., LLP

November 2, 2001

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

<u>ASSETS</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
<u>CASH</u>	\$ 564,581	\$ 3,125,305
<u>RECEIVABLES</u>		
Accrued Interest and Dividends	\$ 60,185,204	\$ 64,130,303
Contributions	2,543,521	299,312
Due from Brokers	<u>315,332,026</u>	<u>85,229,887</u>
<u>TOTAL RECEIVABLES</u>	378,060,751	149,659,502
<u>INVESTMENTS AT FAIR VALUE</u>		
Temporary	\$ 652,417,831	\$ 673,104,140
U.S. Government Obligations	817,745,093	856,443,858
Domestic Corporate Bonds	1,838,340,681	1,925,391,195
International Bonds	216,866,336	152,995,473
Domestic Stocks	4,745,994,018	6,246,346,398
International Stocks	1,667,711,598	2,147,775,508
Real Estate	1,003,479,644	722,763,649
Alternative Investments	<u>376,662,622</u>	<u>344,652,555</u>
<u>TOTAL INVESTMENTS</u>	11,319,217,823	13,069,472,776
<u>SECURITIES LENDING COLLATERAL</u>	<u>1,343,695,171</u>	<u>1,266,025,602</u>
<u>TOTAL ASSETS</u>	<u>\$ 13,041,538,326</u>	<u>\$ 14,488,283,185</u>
<u>LIABILITIES</u>		
Accounts Payable and Accrued Expenses	\$ 9,456,357	\$ 7,743,749
Benefits in Process of Payment	407,571	672,311
Due to Brokers	169,427,620	100,310,840
Mortgage Payable	135,847,245	89,886,800
Securities Lending Collateral	<u>1,343,695,171</u>	<u>1,266,025,602</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 1,658,833,964</u>	<u>\$ 1,464,639,302</u>
<u>NET ASSETS HELD IN TRUST FOR BENEFITS</u>	<u>\$ 11,382,704,362</u>	<u>\$ 13,023,643,883</u>

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

	July 1, 2000 to June 30, 2001	July 1, 1999 to June 30, 2000
<u>ADDITIONS</u>		
Contributions:		
City Contributions	\$ 138,933,173	\$ 190,837,163
Member Contributions	58,182,993	57,568,489
<u>TOTAL CONTRIBUTIONS</u>	\$ 197,116,166	\$ 248,405,652
Miscellaneous	409,061	599,055
	\$ 197,525,227	\$ 249,004,707
<u>INVESTMENT INCOME</u>		
Net (Depreciation) Appreciation in Fair Value of Plan Investments, Including Gains and Losses on Sales	\$ (1,769,301,019)	\$ 1,329,663,065
Interest	259,082,273	251,255,333
Dividends	104,876,784	107,372,944
Net Real Estate Income	70,170,407	47,784,915
Income from Alternative Investments	6,638,327	6,413,254
Securities Lending Income	4,893,871	4,015,263
Other Income	1,258,538	1,710,325
<u>SUBTOTAL</u>	\$ (1,322,380,819)	\$ 1,748,215,099
Less: Investment Manager Expense	(33,696,037)	(26,470,935)
<u>Net Investment (Loss) Income</u>	(1,356,076,856)	1,721,744,164
<u>TOTAL (REDUCTIONS) ADDITIONS</u>	\$ (1,158,551,629)	\$ 1,970,748,871
<u>DEDUCTIONS</u>		
Pension Benefits	\$ 443,006,115	\$ 421,932,400
Payment of Medicare Reimbursement	2,680,967	1,885,035
Payment of Health Subsidy	24,999,727	19,864,358
Refund of Contributions	5,749,455	3,875,333
Administrative Expenses	5,951,628	5,065,362
<u>TOTAL DEDUCTIONS</u>	\$ 482,387,892	\$ 452,622,488
<u>NET (DECREASE) INCREASE</u>	\$ (1,640,939,521)	\$ 1,518,126,383
<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST-EMPLOYMENT HEALTH SUBSIDY BENEFITS:</u>		
Beginning of Year	13,023,643,883	11,505,517,500
End of Year	\$ 11,382,704,362	\$ 13,023,643,883

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 1 - DESCRIPTION OF THE PLANS

The City of Los Angeles Department of Fire and Police Pensions operates under the provisions of the City Charter, 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.

Pension Plan

In general, the System is a defined benefit single-employer pension plan covering all full-time active sworn firefighters and police officers of the City of Los Angeles. Benefits are based on members' final salary rate or any twelve month average salary and terms of service. In addition, the Plan provides for disability benefits under certain conditions and benefits to eligible survivors. At June 30, 2001, the System is composed of four tiers. Those members hired on or before January 28, 1967 participate in the first established Department of Pensions (Old System under Article XVII, Now Tier 1) unless they requested transfer to the New Pension System (New System under Article XVIII, Now Tier 2) established for members hired on or after January 29, 1967. Members hired on or after December 8, 1980 participate in the Safety Members Pension Plan (under Article XXXV, Now Tier 3) which was established at that time. Effective July 1, 1997, a new tier was established for Article XXXV (Tier 4). Active members hired prior to July 1, 1997 could elect to join Tier 4, which has eligibility for service retirement requirements similar to Article XVIII. Members hired on or after July 1, 1997 are automatically covered under the Tier 4, except Members hired between July 1, 1997 and December 31, 1997, who may elect to transfer to Tier 3.

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

Members with 20 or more years of service in Tiers 1 and 2 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 Tier 1 and 70% in Tier 2. 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 Tier 3 must be age 50, with 10 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 10 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 3 years. Members of Tier 4 with 20 or more years of service are entitled to benefits equal to 40% of their one-year average compensation, increasing for each year of service over 20 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 1330, 1428, 1518 and 1618 of the new City Charter, and by related ordinance. Members who retire from the System with ten years of service are eligible for health subsidy benefits. Prior to July 1, 1998, regular benefits began at age sixty. Temporary subsidies are available to certain groups at earlier stages. Effective July 1, 1998, regular benefits begin at age fifty-five.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 1 - DESCRIPTION OF PLANS (CONTINUED)

Health Subsidy Plan (Continued)

The benefit paid is a percentage of a maximum subsidy for health care based on the lesser of the amount used by the LACERS 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 and their spouses/domestic partners on disability and service retirement. Effective January 1, 2000, surviving spouses/domestic partners are eligible for Health Subsidy benefits.

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

At June 30, 2001, of \$11,382,704,362 in total net assets available for benefits, \$489,126,016 was actuarially determined to be available for the Health Subsidy Plan.

Membership

The components of the System's membership were as follows at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Active nonvested -		
Tier 1	-	-
Tier 2	2	210
Tier 3	3,151	3,936
Tier 4	1,953	1,576
Active vested -		
Tier 1	1	2
Tier 2	2,749	2,768
Tier 3	3,203	2,684
Tier 4	1,263	1,202
Pensioners and beneficiaries -		
Tier 1	1,406	1,504
Tier 2	9,989	9,873
Tier 3	263	235
Tier 4	-	-
	<u>23,980</u>	<u>23,990</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.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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, a subsidiary of Deutsche Bank.

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.

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 pension plan 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.

Alternative investments are comprised of limited partnerships that invest in private equity companies. The fair values of alternative investments are estimated based on audited financial statements provided by the individual investment managers.

Real estate investments are recorded in the financial statements under the equity method and are carried at fair 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 on 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.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income from Investments

The Charter of the City of Los Angeles provides that member contributions earn interest at a rate based on return from investments, exclusive of gains and losses.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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, 2001 and 2000, recommended that Tier 2 members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Tier 1 members are required by the City Charter to contribute 6% of salary. Tier 3 and 4 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 members of Tiers 1 and 2, 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 Tiers 3 and 4, any "unfunded liability" 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.

Accordingly, the actuary for the System has determined the contributions for items A, B, and C. above, for the year ended June 30, 2001 to be as follows:

	<u>Percentage of Member's Salaries</u>			
	<u>(Tier 1)</u>	<u>(Tier 2)</u>	<u>(Tier 3)</u>	<u>(Tier 4)</u>
Entry-Age Normal Cost Contribution	18.49%	21.75%	14.19%	14.19%
Amortization of Unfunded Liability	\$29.0M	\$29.8M	\$40.5M	\$17.1M
Health Plan Subsidy	\$.4M*	\$15.2M*	\$ 7.0M*	\$ 3.0M*

*Stated as required dollar amount.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 3 – FUNDING POLICY (Continued)

The actuarially determined unfunded (surplus) liability of the System was (\$1,615,048,724) and (\$1,109,665,140) at June 30, 2001 and 2000, 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, 2001 is to be amortized over the next 36 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Contributions totaling \$197,116,166 (\$138,933,173 City and \$58,182,993 member) were made during the year ending June 30, 2001 with respect to the pension plan and health subsidy plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2001. These contributions consisted of approximately \$185,700,000 normal cost and (\$13,500,000) amortization of the unfunded actuarial accrued liability for the aggregate pension plans. For the health plan subsidy, they consisted of approximately \$19,000,000 normal cost and \$6,700,000 amortization of the unfunded actuarial accrued liability.

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.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 4 - SECURITIES LENDING (Continued)

As required by GASB, cash received as collateral on securities lending transactions is reported as assets, and the liabilities from these transactions are 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 \$1,290,333,802 and \$1,222,861,713 as of June 30, 2001 and 2000, respectively. The collateralized value of cash and securities was \$1,343,695,171 and \$1,266,025,602 as of June 30, 2001 and 2000, 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 \$860,784,202 and \$811,781,737 as of June 30, 2001 and 2000, respectively.

B. Investment Commitment

The System has commitments to contribute capital for real estate and venture capital investments in the aggregate amount of approximately \$356,438,938 at June 30, 2001.

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.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

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

At June 30, 2001, the market value of categorized investments were as follows:

<u>Types of Investments</u>	<u>Category</u>			<u>AMOUNT</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
<u>Investments - Categorized</u>				
<u>Securities Not on Securities Loan</u>				
Temporary Investments	\$ 323,355,082	\$ -	\$ 329,062,749	\$ 652,417,831
U.S. Government Obligations	583,797,575	-	-	583,797,575
Domestic Corporate Bonds	1,725,549,627	-	-	1,725,549,627
International Bonds	216,866,336	-	-	216,866,336
Domestic Stocks	4,089,899,765	-	-	4,089,899,765
International Stocks	1,380,210,621	-	-	1,380,210,621
Alternative Investments	<u>376,662,622</u>	<u>-</u>	<u>-</u>	<u>376,662,622</u>
<u>Total Securities Not on Loan</u>	<u>\$ 8,696,341,628</u>	<u>\$ -</u>	<u>\$ 329,062,749</u>	<u>\$ 9,025,404,377</u>
<u>Securities on Loan for Securities Collateral</u>				
U.S. Government Obligations	\$ 42,630,066	\$ -	\$ -	\$ 42,630,066
Domestic Corporate Bonds	1,443,933	-	-	1,443,933
Domestic Stocks	12,384,256	-	-	12,384,256
International Stocks	<u>11,224,994</u>	<u>-</u>	<u>-</u>	<u>11,224,994</u>
<u>Total Securities on Loan for Securities Collateral</u>	<u>\$ 67,683,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,683,249</u>
 <u>Total Categorized Investments</u>	 <u>\$ 8,764,024,877</u>	 <u>\$ -</u>	 <u>\$ 329,062,749</u>	 <u>\$ 9,093,087,626</u>
 <u>Investments - Non-Categorized</u>				
<u>Securities Held by Broker/Dealer Under Securities Loans with Cash Collateral:</u>				
U.S. Government Obligations				\$ 191,317,452
Domestic Corporate Bonds				111,347,121
Domestic Stocks				643,875,880
International Stocks				<u>276,110,100</u>
<u>Total Securities Held by Broker/Dealer Under Securities Loans with Cash Collateral:</u>				<u>\$ 1,222,650,553</u>
 Securities Lending Short Term Investment Pool				 <u>\$ 1,343,695,171</u>
 Real Estate				 <u>\$ 1,003,479,644</u>
 Total				 <u>\$ 12,662,912,994</u>

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).

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2001:

Secured by real estate. Interest rate ranges from 6.68% to 8.26% per annum. Monthly Principal and interest payments range from \$36,140 to \$190,800. The notes mature July 2002 through July 2028. \$135,847,245

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

2002	\$ 2,577,026
2003	25,436,816
2004	2,307,240
2005	2,499,058
2006	28,273,326
Thereafter	<u>74,753,779</u>
	<u>\$135,847,245</u>

NOTE 8 - OPERATING LEASE

The System leases building facilities under an operating lease that expires on December 31, 2001. A new lease was agreed to expiring on December 31, 2011.

The future minimum lease commitments are as follows (including the new lease):

2002	\$ 712,234
2003	982,868
2004	982,868
2005	982,868
2006	982,868
Thereafter	<u>5,405,774</u>
	<u>\$10,049,480</u>

NOTE 9 - RECLASSIFICATIONS

Certain balances for the year ended June 30, 2000 have been reclassified to conform to the 2001 presentation.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULES

FOR THE SIX YEARS ENDED JUNE 30, 2001

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

<u>Fiscal Years Ending</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1996	\$ 296,636,023	100%
1997	265,744,307	100%
1998	231,170,832	100%
1999	221,755,062	100%
2000	163,380,843	100%
2001	113,849,004	100%

SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS - HEALTH SUBSIDY PLANS

<u>Fiscal Years Ending</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1996	\$ 46,565,595	100%
1997	39,935,095	100%
1998	29,585,835	100%
1999	26,633,603	100%
2000	27,456,320	100%
2001	25,084,169	100%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

NOTES TO SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

The information presented in the required supplementary schedules for the Pension and Health Subsidy Plan was determined as part of the actuarial valuations as of June 30, 2001. Additional information as of June 30, 2000 follows:

PENSION PLAN

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:

Tiers 1 and 2 - (Old System and New System Members):	
Accrued for All Subsequent Service) [Subject to Any Applicable Caps]	5.00%
Tiers 3 and 4 - 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.

HEALTH SUBSIDY PLAN

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 SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

HEALTH SUBSIDY PLAN (Continued)

Investment Return	8.50%
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%
Graded Medical and Dental Cost Rate Increases:	
Pre-65 Premiums	7.50%*
Post-65 Premiums	7.25%*
Dental	7.50%*

*Decreasing gradually to 6.5% in 2005 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.