ANNUAL REPORT

2004

July 1, 2003 to June 30, 2004

CITY OF LOS ANGELES DEPARTMENT OF FIRE AND POLICE PENSIONS

FIRE AND POLICE PENSION SYSTEMS

Department of Fire and Police Pensions

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Los Angeles, California 90012
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2004 Annual Report

July 1, 2003 to June 30, 2004

Gary Mattingly
General Manager

D. Edward Griffiths
Assistant Manager
Pensions Division

Michael A. Perez
Assistant Manager
Member Services Division

Rhonda A. Peterson
Assistant Manager
Administrative Services Division

Donna Weisz Jones
Assistant City Attorney

Tom Lopez
Chief Investment Officer

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MAYOR
James K. Hahn

City Attorney
Rockard J. Delgadillo

Controller
Laura Chick

CITY COUNCIL

Alex Padilla, *President*
Mark Ridley-Thomas, *President Pro Tempore*

Ed P. Reyes First District	**Wendy Greuel** Second District	**Dennis P. Zine** Third District
Tom LaBonge Fourth District	**Jack Weiss** Fifth District	**Tony Cardenas** Sixth District
Alex Padilla Seventh District	**Bernard C. Parks** Eighth District	**Jan Perry** Ninth District
Martin Ludlow Tenth District	**Cindy Miscikowski** Eleventh District	**Greig Smith** Twelfth District
Eric Garcetti Thirteenth District	**Antonio Villaraigosa** Fourteenth District	**Janice Hahn** Fifteenth District

BOARD OF PENSION COMMISSIONERS
Mike Carter, President

George V. Aliano Commissioner	**Sim Farar** Commissioner
Elliott Broidy Commissioner	**William Jackson III** Commissioner
Thomas A. Dawson Commissioner	**Peggy Moore** Commissioner
Sam Diannitto Commissioner	**Louis F. Moret** Commissioner

June 30, 2004

The Honorable James K. Hahn, Mayor
Honorable Members of the City Council

In accordance with Section 216 of the Los Angeles Charter, I am submitting the Annual Report of the Department of Fire and Police Pensions for the fiscal year ended June 30, 2004. This annual report includes the System's financial statements audited by an independent audit firm and the actuarial valuation summary prepared by the System's actuary.

The System's overall investment performance was up 16.92% for the fiscal year 2003-2004 and the annualized return for the past five years was 3.51%. Total system assets are $11.6 billion. The funding of pension benefits decreased to 103.0%, down 1.2% from the previous year. During the same period, the funding of health subsidy benefits decreased to 60.1%, a decrease of 5.9%.

A 0.1% decrease in active membership brought down the total to 12,649. Pensioners currently number 11,782, a 0.3% decrease. The average monthly benefit paid to pensioners rose to $3,663, a 2.9% increase from the previous year.

Respectfully submitted,

GARY MATTINGLY
General Manager

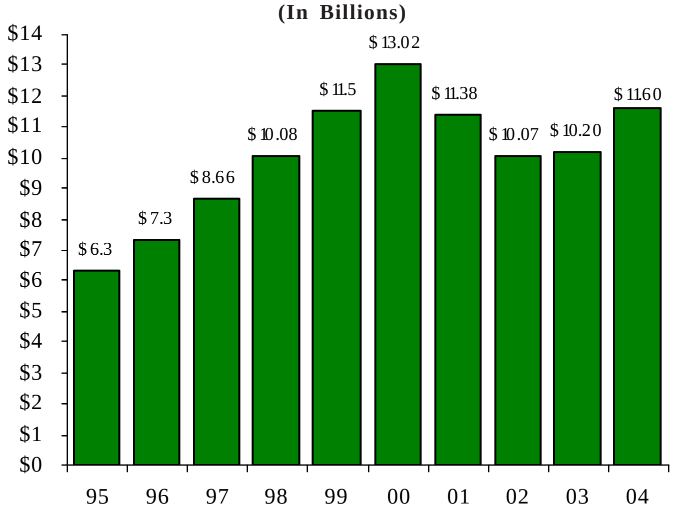
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have grown from $11.5 billion to $11.6 billion. The fund grew by $100 million for the year ending June 30, 2004.

MARKET VALUE GROWTH OF SYSTEM ASSETS
(In Billions)



Investment Environment

The bond market (*Citigroup Broad Investment Grade Index)*, produced a positive return of .37 percent for the year ending June 30, 2004. Large company stocks (*S&P 500*) returned a positive 19.10 percent. Small company stocks (*Russell 2000 Index*) returned a positive 33.37 percent. International stocks (*Morgan Stanley EAFE Index*) returned a positive 32.85 percent. Real Estate, as measured by the National Council of Real Estate Investment Fiduciaries Index (*NCREIF Classic Property Index*) returned 10.85 percent.

Investment Performance

The investment objectives of the total Fund, over a full market cycle (usually 5 to 7 years), is to earn a return on investments matching or exceeding the required actuarial rate of return and investment performance above the median of a sampling of public funds.

For the past five years, the System's annualized return of 3.51 percent was greater than the annualized rate of inflation of 2.7 percent. For the one-year period, the System's overall investment performance was up 16.92 percent.

The System's performance was greater than the median compared with other public funds (Frank Russell Public Fund Universe) over the past one year period and below the median for the three and five-year periods. The Fund was ranked in the 65th percentile for the three-year period ending June 30, 2004, and 82nd for the five-year period. For this past year, the System returned a positive 16.92 percent (50th percentile) versus the public fund median of positive 16.80 percent. The Plan's overall performance this year is primarily attributable to the performance of the System's large and small domestic company stocks and the international stock market portfolios.

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 investment returns necessary to fund benefits.

The Board adopted the following asset class targets on June 5, 2003, pursuant to a recommendation by Pension Consulting Alliance, the Board's asset allocation project consultant.

Domestic Equity	28.0%
U.S. Small Capitalization stocks	7.0%
International Equity	16.2%
Domestic Bonds	21.5%
High Yield Bonds	4.5%
Real Estate	10.0%
Alternative Investments	10.0%
Emerging Markets	1.8%
Cash Equivalents	1.0%

The actual asset class percentages of the System will vary from target allocations due to inflows (such as City and member contributions), outflows (such as pension payments) and the movements of the securities markets. Assets are periodically rebalanced to adjust for these movements.

As of June 30, 2004, the net asset values were as follows:

ASSET CLASS	MARKET VALUE (In $ Millions)	PERCENT
Stocks	$ 7,026.5	60.5
Bonds	3,310.1	28.5
Real Estate	703.8	6.1
Alternative Investments	399.1	3.4
Cash Equivalents	170.6	1.5
Total	$ 11,610.1	100.00

Investment Activities

The manager changes for the year included the hiring of a bond index manager, a high yield bond manager and two alternative investment managers, and the contract expirations of a large cap equity manager and a bond manager. The following investment managers were rehired during the year: two large cap equity managers, one small cap equity manager, three bond managers, two alternative investment managers and four real estate managers.

Most of the System's assets are managed by investment managers who try to outperform a market index. The System has one large equity account that is a Standard and Poor's 500 Index fund whose performance matches that index. A list of our managers is at the end of this section.

The real estate acquisition program continued with the purchase of an industrial property in St. Louis, MO and retail properties in Goodyear, AZ and Statesville, NC. Properties sold by the fund included an apartment building in Fairfield, CA, an office building in Phoenix, AZ and a retail complex in Brookfield, CT.

Proxy Voting

The System votes all domestic and available international proxy ballots. The Plan voted 1,011 corporations' proxies and corporate consents in Fiscal Year 2003-2004. The international equities managers vote the proxies for their portfolios in accordance with the Board's proxy guidelines, and cast a total of 485 proxy ballots.

The System votes affirmatively on preemptive rights, cumulative voting, and confidential voting; 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 System votes affirmatively on executive compensation bonus plans if the corporation's stock performance in the past year has exceeded the returns of both the Standard & Poor's 500 Index and an appropriate peer group index; supports the nomination of and affirmative vote for the appointment of independent directors to the Board of Directors; and directs an affirmative vote on measures proposed to place independent directors on compensation committees.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Real Estate	Alternative Investments	Short Term Investments
1994-95	59.5%	27.9%	6.3%		6.3%
1995-96	59.2%	29.3%	6.9%		4.6%
1996-97	58.8%	30.3%	5.2%		4.9%
1997-98	60.62%	28.79%	3.91%	1.05%	5.63%
1998-99	62.48%	24.97%	4.42%	1.56%	6.57%
1999-00	64.45%	22.53%	5.55%	2.65%	4.82%
2000-01	56.35%	25.24%	7.62%	3.31%	7.48%
2001-02	54.95%	27.74%	7.95%	3.52%	5.84%
2002-03	54.1%	31.4%	7.6%	3.50%	3.4%
2003-04	60.3%	28.0%	6.7%	3.50%	1.5%

ANNUAL RATES OF RETURN

Fiscal Year	Domestic Equities	International Equities	Fixed Income	Real Estate	Alternative Investments	Total Fund*	CPI**
1994-95	25.6%	-0.37%	14.3%	14.5%		14.5%	3.0%
1995-96	25.3%	14.83%	7.8%	9.5%		14.6%	2.7%
1996-97	27.09%	12.70%	10.43%	13.9%		18.52%	2.30%
1997-98	23.07%	12.42%	11.84%	18.2%	10.77%	17.48%	1.69%
1998-99	25.53%	17.65%	2.44%	13.0%	12.46%	16.04%	1.96%
1999-00	17.91%	26.93%	3.90%	15.0%	42.14%	16.30%	2.87%
2000-01	-17.88%	-19.49%	2.35%	12.80%	1.58%	-10.00%	2.98%
2001-02	-17.64%	-6.57%	1.17%	1.1%	-17.05%	-7.97%	1.07%
2002-03	3.21%	-5.42%	15.29%	3.9%	-12.66%	5.47%	2.11%
2003-04	23.67%	35.82%	3.39%	6.5%	23.50%	16.92%	3.3%

**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
Boston Partners Asset Management
Daruma Asset Management
Delta Asset Management
Frontier Capital Management
Trust Company of the West

INTERNATIONAL STOCK MANAGERS

Brandes Investment Partners
Marvin & Palmer Associates
Principal Global Investors
Oechsle International Advisors
Wells Capital Management

BOND MANAGERS

Apollo Real Estate Advisors
CIC/HCM Asset Management
LM Capital Management
Loomis Sayles & Company
MacKay Shields
Northern Trust
Reams Asset Management
Smith, Graham & Company
WR Huff Asset Management Company

REAL ESTATE MANAGERS

Apollo Real Estate Advisors
Heitman Capital Management
Lowe Enterprises Investment Management
Oaktree Capitol Management
PSI Institutional Realty
Sentinel Real Estate Corporation
Trust Company of the West
Urdang & Associates Real Estate Advisors

ALTERNATIVE INVESTMENT MANAGERS

Abbott Capital Management
Hamilton Lane Advisors
Pension Consulting Alliance
Portfolio Advisors

Actuarial Valuation

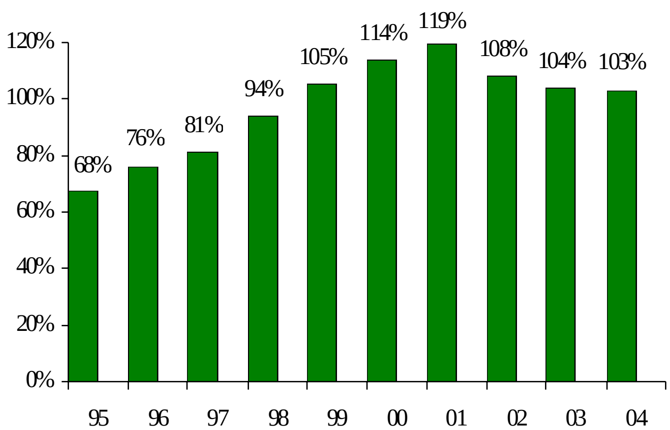
Actuarial Valuation Summary

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-Actuarial Ratio)



How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Section 1210 (Fire and Police Pension Plans General Provision section) for Tier 1, Tier 2 , Tier 3, Tier 4 and Tier 5. 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 every three years.

These assumptions are recommended by an actuary and adopted by the Board of Fire and Police Pension Commissioners. The last study was adopted by the Board in September 2004. This experience study covered the period beginning July 1, 2001 to June 30, 2004. An example of projected mortality is as follows:

Average Life Expectancy for Retirees

Service Retiree (Age = 65) .... 18.8 years
Disabled Retiree (Age = 65) .... 15.8 years
Surviving Spouse (Age = 65) .... 20.4 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 the Consumer Price Index 5.0%**
Annual Individual Salary Increase .... varies by age

Age	Annual Salary Increase
Under 25	9.50%
25-29	8.00%
30-34	7.00%
35-39	6.00%
40-44	5.75%
45-49	5.50%
50 and over	5.00%

Annual Increases in Total System Payroll 5.0%
Annual Interest 8.5%
*(**Tiers 3, 4 and 5 are 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 assumptions are 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 Fire and Police Pensions. For purposes of determining the contributions to the System, the current assets are now valued using a method that phases in, over five years, the unrealized and realized appreciation above that which is expected based upon the assumed rate of return.

As can be seen on the Actuarial Pension Benefit Balance Sheet (see page 16), the balance of -$345 million is considered the unfunded actuarial liability. The unfunded liability for health subsidy benefits for all plans combined is $403 million (see page 16).

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' benefits 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, 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 and Administrative Code. The amortization period for Tier 1 and Tier 2 is scheduled to end on June 30, 2037.

Tier 1 is amortized as a level dollar amount. Tier 2 is amortized as a level percent of all system members' (Tiers 1, 2, 3, 4 and 5 combined) salaries. Tiers 3, 4 and 5'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. With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements Recommended 2005-2006

(As a percentage of plan members' salaries)

Tier 1	0.0%
Tier 2	21.30%
Tier 3	13.67%
Tier 4	11.56%
Tier 5	15.07%

Unfunded Liability Contribution Requirements Recommended 2005-2006

Tier 1	$23,014,960
Tier 2	-0.15% of total payroll of Tiers 1, 2, 3, 4 & 5
Tier 3	-1.02% of Tier 3 payroll
Tier 4	-2.93% of Tier 4 payroll
Tier 5	-4.76% of Tier 5 payroll

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. Assumptions in the June 30, 2004 actuarial valuation included medical trend rate increases of 9.00% for pre-65 premiums and 11.25% for post-65 premiums in 2005; both decreasing gradually to 4.5% in 2013 and thereafter. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 16.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements
Recommended 2005-2006

(As a percentage of plan members' salaries)

Tier 1	0.0%
Tier 2	1.39%
Tier 3	1.90%
Tier 4	1.29%
Tier 5	1.78%

Unfunded Liability Contribution Requirements
Recommended 2005-2006

Tier 1	$2,234,526
Tier 2	2.15% of total payroll of Tiers 1, 2, 3, 4, & 5
Tier 3	-6.42% of Tier 3 payroll
Tier 4	-4.41% of Tier 4 payroll
Tier 5	-0.63% of Tier 5 payroll

Actuarial Balance Sheet - June 30, 2004

($ in Thousands)

Present Resources and Expected Future Resources

	Retirement	Health	Total
A. Actuarial value of system assets	$11,735,696	$ 605,999	$12,341,695
B. Present value of expected future contributions			
1. For normal costs for present actives	1,759,220	157,652	1,916,872
2. For unfunded actuarial accrued liability	(345,715)	403,064	57,349
3. Totals	1,413,505	560,716	1,974,221
C. Present value of expected future member contributions	847,995	0	847,995
D. Total present and expected future resources	$13,997,196	$1,166,715	$ 15,163,911

Present Value of Expected Future Benefit Payments and Reserve

	Retirement	Health	Total
A. To retirees and beneficiaries	$ 7,220,705	$ 705,072	$ 7,925,777
B. To present active members			
1. Allocated to service rendered prior to valuation date	4,169,276	303,991	4,473,267
2. Allocated to service likely to be rendered after valuation date	2,607,215	157,652	2,764,867
3. Totals	6,776,491	461,643	7,238,134
C. Total present value of expected future benefit payments	$13,997,196	$1,166,715	$15,163,911

Department Budget

Department Budget

Receipts		Budgeted 2003-04		Actual 2003-04
City Contribution	$	136,122,879	$	135,702,867
Member Contributions		75,622,052		73,439,319
Earnings on Investments		325,000,000		340,176,988
Gain (Loss) on Sale of Investments		--		522,043,796
UFLAC Settlement		500,000		500,000
Miscellaneous [1]		800,000		15,758,383
Total Receipts	**$**	**538,044,931**	**$**	**1,087,621,353**

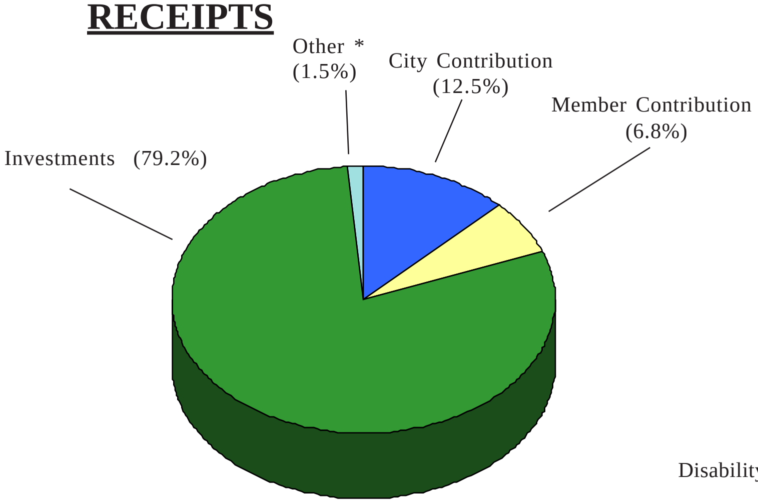
[1] Actual miscellaneous receipts include $14.4 million in donations from outside entities. Donations are not budgeted.

Expenditures		Budgeted 2003-04		Actual 2003-04
Service Pensions [2]	$	368,145,484	$	335,754,014
Disability Pensions		107,385,172		101,629,503
Surviving Spouses' Pensions		84,109,931		79,760,455
Minors'/Dependents' Pensions		1,447,607		1,374,168
Refund of Member Contributions		4,000,000		3,963,440
Health Insurance Subsidy		47,400,000		38,876,714
Dental Insurance Subsidy		2,000,000		2,143,634
Medicare		4,000,000		3,934,369
Health Insurance Reimbursement		300,000		257,827
Investment Management Expense		37,134,500		28,249,568
Administrative Expense		12,755,950		9,130,663
Total Expenditures	**$**	**668,678,644**	**$**	**605,074,355**

[2] Sevice Pensions includes DROP payments. Budgeted DROP payments were $20,000,000. Actual DROP payments were $11,752,450.

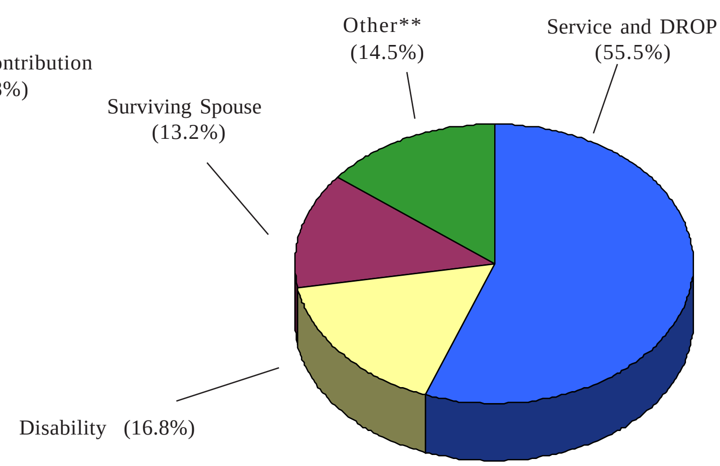
Increase (Decrease) in Fund Balance	**$**	**(130,633,713)**	**$**	**482,546,998**

RECEIPTS



*UFLAC Settlement and Miscellaneous

EXPENDITURES



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

Auditors' Report

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, 2004 and 2003, 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, 2004 and 2003, 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 financial 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

September 24, 2004 except for the Annual Actuarial Valuation information which is October 14, 2004

EXHIBIT "A"

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF PLAN NET ASSETS

	June 30, 2004		June 30, 2003	
ASSETS				
CASH		$ 814,532		$ 4,576,819
RECEIVABLES				
Accrued Interest and Dividends	$ 46,628,223		$ 48,936,015	
Contributions	5,062,749		3,957,765	
Due from Brokers	338,302,763		43,381,418	
TOTAL RECEIVABLES		389,993,735		96,275,198
INVESTMENTS AT FAIR VALUE				
Temporary	$ 569,114,300		$ 450,529,257	
U.S. Government Obligations	1,093,224,273		1,350,230,087	
Domestic Corporate Bonds	1,568,575,205		1,698,057,711	
Foreign Bonds	128,339,624		156,550,523	
Domestic Stocks	5,495,426,877		4,077,003,290	
Foreign Stocks	1,773,542,279		1,436,539,901	
Real Estate	949,164,002		912,541,642	
Alternative Investments	354,172,422		362,078,659	
TOTAL INVESTMENTS		11,931,558,982		10,443,531,070
SECURITIES LENDING COLLATERAL		398,032,348		15,591,862
TOTAL ASSETS		$ 13,720,399,597		$ 10,559,974,949
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 6,829,349		$ 6,758,455	
Benefits in Process of Payment	5,377,855		3,361,048	
Due to Brokers	452,468,558		126,125,511	
Mortgage Payable	287,462,348		209,317,727	
Securities Lending Collateral	1,398,032,348		15,591,862	
TOTAL LIABILITIES		$ 2,150,170,458		$ 361,154,603
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST-EMPLOYMENT BENEFITS:		$ 11,570,229,139		$ 10,198,820,346

EXHIBIT "B"

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	July 1, 2003 to June 30, 2004		July 1, 2002 to June 30, 2003	
ADDITIONS				
CONTRIBUTIONS				
City Contributions	$ 136,202,867		$ 98,529,049	
Member Contributions	73,439,319		70,953,454	
TOTAL CONTRIBUTIONS		$ 209,642,186		$ 169,482,503
INVESTMENT INCOME				
Net Appreciation in Fair Value of Plan Investments, Including Gains and Losses on Sales	$ 1,410,905,593		$ 169,167,669	
Interest	179,917,019		200,926,272	
Dividends	99,181,435		84,122,838	
Net Real Estate Income	51,417,306		62,071,384	
Income from Alternative Investments	5,494,248		3,984,118	
Securities Lending Income	3,338,460		3,547,765	
Other Income	828,518		374,528	
SUBTOTAL	$ 1,751,082,579		$ 524,194,574	
Less: Investment Manager Expense	(28,249,568)		(23,286,743)	
NET INVESTMENT INCOME		1,722,833,011		500,907,831
OTHER INCOME				
Donations (Note 9)	$ 14,402,308		$ 2,918,066	
Miscellaneous	1,356,075		1,260,983	
TOTAL OTHER INCOME		15,758,383		4,179,049
TOTAL ADDITIONS		$ 1,948,233,580		$ 674,569,383
DEDUCTIONS				
Pension Benefits	$ 518,518,140		$ 489,958,681	
Payment of Medicare Reimbursement	3,934,369		3,433,705	
Payment of Health Subsidy	41,278,175		37,075,855	
Refund of Contributions	3,963,440		3,158,990	
Administrative Expenses	9,130,663		7,851,982	
TOTAL DEDUCTIONS		576,824,787		541,479,213
NET INCREASE		$ 1,371,408,793		$ 133,090,170
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST-EMPLOYMENT BENEFITS				
Beginning of Year		10,198,820,346		10,065,730,176
End of Year		$ 11,570,229,139		$ 10,198,820,346

City of Los Angeles Fire and Police Pension System
Notes to Financial Statements
June 30, 2004 and 2003

NOTE 1 -- DESCRIPTION OF THE PLANS

The City of Los Angeles Department of Fire and Police Pensions operates under the provisions of the City of Los Angeles Charter and Administrative Code, which provide 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

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. As of June 30, 2004, the System is composed of five tiers. Benefits are based on members' pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Those members hired on or before January 28, 1967 participate in Tier 1. Tier 2 includes members hired on or after January 29, 1967, and Tier 1 members who transferred to Tier 2. Members hired on or after December 8, 1980 participate in Tier 3, and those hired on or after July 1, 1997 are in Tier 4. Tier 3 members were allowed to transfer to Tier 4 during an enrollment period. Also, Tier 4 members hired between July 1, 1997 and December 31, 1997 could elect to transfer to Tier 3 during an enrollment period. Tier 5 is the current Tier established for all members hired on or after January 1, 2002. Active Members of Tiers 2, 3, and 4 were allowed to transfer to Tier 5 during the enrollment period of January 1, 2002 through December 31, 2002.

The System 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.

Tiers 1 and 2 members with 20 or more years of service 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. Tiers 1 and 2 have no minimum age requirement. These Tiers provide for unlimited post-retirement cost-of-living adjustments based on the Consumer Price Index (CPI) for local Urban Consumers. Tiers 1 and 2 members who were active as of July 1, 1982, and 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 at least 10 years of service, to be entitled to a service pension. Annual pension benefits are equal to 20% of their one-year average compensation, increasing for each year of service over 10 years, to a maximum of 70% for 30 years. Tier 3 provides for post-retirement cost-of-living adjustments based on the CPI, to a maximum of 3% per year. The Los Angeles City Council may grant an ad-hoc cost-of-living adjustment no more than every three years. Members who terminate their employment 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 4 must have at least 20 years of service to be entitled to a service pension. There is no minimum age requirement. Annual pension benefits are 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. Tier 4 provides for post-retirement cost of-living adjustments based upon the CPI, to a maximum of 3% per year. The City Council may grant an ad-hoc cost-of -living adjustments no more than every three years. Members who terminate their employment before they are eligible for pension benefits do not receive a refund of contributions.

Members of Tier 5 must be age 50, with at least 20 years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years to a maximum of 90% for 33 years. Tier 5 provides for post-retirement cost-of-living adjustments based upon the CPI, to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a Cost-of-Living-Adjustment (COLA) bank for use in years in which the increase in CPI is less than 3%. The City Council may grant an ad-hoc cost-of-living adjustment no more than every three years. Members who terminate their employment are entitled to a refund of contributions if they do not qualify for a pension or if they waive their pension entitlements.

NOTE 1 - DESCRIPTION OF PLANS (Continued)

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 City Charter, Section 4.2018 of the Administrative Code, and by related ordinance. Members who retire from the System with ten years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits began at age 60. Temporary subsidies are available to certain groups at earlier ages. For retirement effective dates after June 30, 1998, regular benefits begin at age 55.

The benefit paid is a percentage of a maximum subsidy for health care based on the lesser of the amount used by the LACERS (civilian retirees) and active Safety Members. Effective July 1, 2003, maximum subsidy amount is $618 per month. The City also reimburses 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, qualified 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, 2004, of $11,570,229,139 in total net assets available for benefits, $570,069,372 was actuarially determined to be available for the Health Subsidy Plan.

Health Insurance Premium Reimbursement Program

Effective January 1, 2001, members of the System are entitled to post-retirement health insurance premium reimbursements under Section 4.1163 of the Administrative Code.

Eligibility requirements for pensioners and qualified surviving spouses/domestic partners are as follows: The Pensioner (whether living or deceased) must have had at least ten years of sworn service as a fire or police pension member and must have met minimum age requirements on the effective date of retirement. The pensioner or qualified surviving spouse/ domestic partner must reside either outside California or in the state of California but not within a City-approved health plan zip code service area. They may not be enrolled in a City-approved plan.

The reimbursement paid is a percentage of a maximum subsidy for health care based on the lesser of the health subsidy in effect for LACERS (civilian retirees) and active Safety Members. Effective July 1, 2003, the maximum subsidy amount is $618 per month. For members with Medicare Parts A and B, a different subsidy maximum is used. The City also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

Dental Subsidy Plan

Effective January 1, 2002, members of the System are entitled to post-retirement dental subsidy benefits under Section 4.1164 of the Administrative Code.

Members who retire from the System with 10 years of service, are at least 55 years old, and who are enrolled in a City approved dental plan; are eligible for dental subsidy benefits. Surviving spouses, domestic partners, and dependents are not covered by this subsidy.

The benefit paid is a percentage of a maximum subsidy for dental care based on the lesser of the health subsidy in effect for LACERS (civilian retirees) and active Safety Members. Effective January 1, 2004 the maximum subsidy amount is $39.86 per month. In determining the dental subsidy, members receive 4% for each completed year of service, up to 100% of the subsidy.

Deferred Retirement Option Plan

Effective May 1, 2002 and through April 30, 2007, members of the System have the option to enroll in the Deferred Retirement Option Plan (DROP) under Section 4.2100 of the Administrative Code.

Members of Tiers 2 and 4 who have at least 25 years of service, and members of Tiers 3 and 5 who have at least 25 years of service and who are at least age 50 are eligible for the DROP.

NOTE 1 - DESCRIPTION OF PLANS (Continued)

Deferred Retirement Option Plan (Continued)

Members who enroll continue to work and receive their active salary up to 5 years. Enrolled members continue to contribute to the System until they have completed the maximum number of years required for their Tier but cease to earn additional retirement service and pay credits. Monthly pension benefits that would have been paid to enrolled members are credited into their DROP accounts. DROP account balances will earn interest at an annual rate of 5%.

Once the DROP participation period ends, enrolled members must terminate active employment. They then receive proceeds from their DROP account and a monthly benefit based on their service and salary at the beginning date of the DROP, plus applicable COLA's.

At June 30, 2004 and 2003, 1,120 and 882 pensioners, respectively, were enrolled in the DROP program, with total estimated values of all DROP accounts of $131,000,000 and $63,000,000, respectively.

Membership

The components of the System's membership were as follows at June 30, 2004 and 2003:

	2004	2003
Active Nonvested:		
Tier 1	-	-
Tier 2	1	1
Tier 3	709	802
Tier 4	430	479
Tier 5	7,700	7,687
	8,840	8,969
Active Vested:		
Tier 1	-	-
Tier 2	293	326
Tier 3	467	434
Tier 4	109	93
Tier 5	2,940	2,836
	3,809	3,689
Pensioners and beneficiaries:		
Tier 1	1,183	1,261
Tier 2	9,810	9,943
Tier 3	314	293
Tier 4	64	37
Tier 5	411	280
	11,782	11,814
	24,431	24,472

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 accounting principles generally accepted in the United States of America, 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, State Street Bank.

Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, U.S. 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.

Alternative investments are comprised predominantly of limited partnerships that invest in private equity companies. The fair values of alternative investments are estimated by the General Partners based on consideration of various factors, including current net asset valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with accounting principles generally accepted in the United States of America, and other financial information provided by the General Partners of investee limited partnerships.

Real estate investments are recorded in the financial statements under the equity method and are carried at fair value as determined by an annual external appraisal. 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.

E. 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 actuary, in its report as of June 30, 2004 , 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 were required by the City Charter to contribute 6% of salary. Tiers 3, 4 and 5 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, 4 and 5, 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.

	Percentage of Members' Salaries				
	(Tier 1)	(Tier 2)**	(Tier 3)**	(Tier 4)**	(Tier 5)
Entry-Age Normal Cost Contribution	N/A	20.94%	15.20%	13.05%	15.63%
Amortization of Unfunded Liability	$25.0M	($8.0)M	$42.5M	$15.1M	$31.0M
Health Plan Subsidy*	$ 1.1M	$ 22.0M	$ (2.3)M	$.7M	$ 6.8M

Accordingly, the actuary for the System has determined the contributions for items A, B, and C above, for the year ended June 30, 2004 to be as follows:

*Stated as required dollar amount. **Actuarial assumption stipulates that 83% of Tier 2 members and 100% of Tiers 3 and 4 members will convert to Tier 5.

The actuarially determined unfunded (surplus) liability of the System was $57,348,136 and ($152,969,989) at June 30, 2004 and 2003, 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, 2004 is to be amortized over the next 33 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Contributions totaling $209,642,186 ($136,202,867 City and $73,439,319 member) were made during the year ending June 30, 2004 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, 2002. These contributions included City contributions of approximately $145,500,000 normal cost and ($44,700,000) amortization of the unfunded actuarial accrued liability for the aggregate pension plans. For the health plan subsidy, they consisted of approximately $21,000,000 normal cost and $6,100,000 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.

NOTE 4 - SECURITIES LENDING (Continued)

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 reasonable 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 System's plan net assets.

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 $1,357,500,856 and $14,847,809 as of June 30, 2004 and 2003, respectively. The collateralized value of cash and securities was $1,398,032,348 and $15,591,862 as of June 30, 2004 and 2003, 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, except Tier 4 members. The dollar amount of contributions and interest subject to this right was $1,057,559,214 and $975,852,484 as of June 30, 2004 and 2003, respectively.

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.

B. Investment Commitment

The System has commitments to contribute capital for real estate and venture capital investments in the aggregate amount of approximately $230,500,000 at June 30, 2004.

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

The System's investments in securities, which are held by State Street Bank, 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.

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

At June 30, 2004, the market value of categorized investments were as follows:

Types of Investments	Category 1	Category 2	Category 3	AMOUNT
Investments - Categorized				
Securities Not on Securities Loan				
Temporary Investments	$ 170,127,198	$ --	$ 398,987,102	$ 569,114,300
U.S. Government Obligations	475,620,187	--	--	475,620,187
Domestic Corporate Bonds	1,153,696,293	--	--	1,153,696,293
Foreign Bonds	128,339,624	--	--	128,339,624
Domestic Stocks	5,495,426,877	--	--	5,495,426,877
Foreign Stocks	1,448,524,421	--	--	1,448,524,421
Total Securities Not on Loan	$ 8,871,734,600	$ --	$ 398,987,102	$ 9,270,721,702
Securities on Loan for Securities Collateral				
U.S. Government Obligations	$ 86,897,088	$ --	$ --	$ 86,897,088
Total Securities on Loan for Securities Collateral	$ 86,897,088	$ --	$ --	$ 86,897,088
Total Categorized Investments	$ 8,958,631,688	$ --	$ 398,987,102	$ 9,357,618,790
Investments - Non-Categorized				
Securities Held by Broker/Dealer Under Securities Loans with Cash Collateral:				
U.S. Government Obligations				$ 530,706,998
Domestic Corporate Bonds				414,878,912
Foreign Stocks				325,017,858
Total Securities Held by Broker/Dealer Under Securities Loans with Cash collateral				$ 1,270,603,768
Securities Lending Short-Term Investment Pool				1,398,032,348
Alternative Investments				354,172,422
Real Estate				949,164,002
Total Non-Categorized Investments				$ 3,971,972,540
TOTAL				$ 13,329,591,330

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2004:

Secured by real estate. Interest rate ranges from 2.53% to 8.26% per annum.

Monthly Principal and interest payments range from $21,964 to $190,800.

The notes mature June 2005 through July 2034. $ 287,462,348

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

	Principal	Interest	Total
2005	$ 58,374,687	$ 12,301,864	$ 70,676,551
2006	12,081,978	11,775,951	23,857,929
2007	15,110,235	10,168,082	25,278,317
2008	16,581,716	9,591,364	26,173,080
2009	77,664,233	6,012,140	83,676,373
2010 through 2014	52,599,798	18,294,815	70,894,613
2015 through 2019	11,810,259	15,101,155	26,911,414
2020 through 2024	15,647,518	11,253,983	26,901,501
2025 through 2029	18,803,780	5,967,619	24,771,399
2030 through 2034	8,788,144	1,052,242	9,840,386
	$ 287,462,348	$ 101,519,215	$ 388,981,563

NOTE 8 - OPERATING LEASE

The System leases office space under an operating lease that expires on December 31, 2011.

The annual lease payments during fiscal year ending June 30, 2004 were $808,588 and the future minimum lease commitments are as follows:

2005	$ 820,298
2006	834,317
2007	955,824
2008	976,273
2009	1,001,159
2010 through 2011	2,100,430
	$ 6,688,301

NOTE 9 - DONATIONS

The System has been the recipient of donations of private equity. Under the terms of such donations, the System is the owner of the stocks until an agreed upon future date at which time the System has the right to sell them back to their original donors. Donations are recorded if proceeds are received upon sale and if the stocks earn dividends while in the possession of the System. As of June 30, 2004, potential future sales proceeds due the System from various donors are estimated to be $15,000,000 to $20,000,000.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULES

FOR THE SIX YEARS ENDED JUNE 30, 2004

SCHEDULE 1A

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1999	9,637,255,489	9,203,636,397	(433,619,092)	104.7%	819,740,647	(52.9%)
June 30, 2000	10,985,936,206	9,604,173,677	(1,381,762,529)	114.4%	845,426,191	(163.4%)
June 30, 2001	11,835,548,939	9,954,056,461	(1,881,492,478)	118.9%	882,758,282	(213.1%)
June 30, 2002	11,491,922,362	10,606,825,276	(885,097,086)	108.3%	946,037,252	(93.6%)
June 30, 2003	11,690,750,393	11,203,558,461	(487,191,932)	104.3%	970,726,720	(50.2%)
June 30, 2004	11,735,696,180	11,389,980,813	(345,715,367)	103.0%	1,001,003,937	(34.5%)

SCHEDULE 1B

SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - HEALTH SUBSIDY PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 1999	443,492,170	666,565,679	223,073,509	66.5%	819,740,647	27.2%
June 30, 2000	519,240,573	791,337,962	272,097,389	65.6%	845,426,191	32.2%
June 30, 2001	573,844,190	840,287,944	266,443,754	68.3%	882,758,282	30.2%
June 30, 2002	586,953,850	884,371,214	297,417,364	66.4%	946,037,252	31.4%
June 30, 2003	592,539,000	926,760,943	334,221,943	63.9%	970,726,720	34.4%
June 30, 2004	605,998,904	1,009,062,407	403,063,503	60.1%	1,001,003,937	40.3%

SCHEDULE 2A

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

Fiscal Years Ending	Annual Required Contribution	Percent Contributed
1999	$ 221,755,062	100%
2000	163,380,843	100%
2001	113,849,004	100%
2002	73,120,666	100%
2003	64,634,125	100%
2004	97,465,612	100%

SCHEDULE 2B

SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS - HEALTH SUBSIDY PLANS

Fiscal Years Ending	Annual Required Contribution	Percent Contributed
1999	$ 26,633,603	100%
2000	27,456,320	100%
2001	25,084,169	100%
2002	30,326,543	100%
2003	33,894,924	100%
2004	38,737,255	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 Plans was determined as part of the actuarial valuations as of June 30, 2004. Additional information as of June 30, 2004 follows:

PENSION PLAN

Funding Method - Entry Age Normal Actuarial 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 Rate:	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%

Annual Cost-of-Living Increase:	
Tiers 1 and 2:	
Accrued for All Subsequent Service [Subject to any Applicable Caps]	5.00%
Tiers 3, 4 and 5	3.00%

Mortality among retirees - The valuation for those on service retirement is based upon the 1994 Group Annuity Mortality Basic Table. The valuation for those on disability retirement is based upon the 1994 Group Annuity Mortality Basic Table.

Mortality among spouses - The valuation is based upon the 1994 Group Annuity Mortality Basic Table.

NOTES TO SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Continued)

HEALTH SUBSIDY PLAN

Funding Method - Entry Age Normal Actuarial 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.

Graded Medical and Dental Cost Rate Increases:

Pre-65 Premiums	6.75%*
Post-65 Premiums	6.50%*
Dental	6.75%*
Medicare Part B	6.50%

*Decreasing gradually to 5.0% in 2013 and beyond

85% of all retirees over age 65 are assumed to receive a subsidy for an approved health carrier. 75% of retirees under age 65 are assumed to receive a subsidy.

86% of retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage, with members being three years older than spouses/domestic partners.

90% of retirees are assumed to elect Medicare Parts A and B.

65% of retirees are assumed to elect dental coverage.

With regard to members who are currently alive, 70% of eligible spouses or domestic partners are assumed to elect continued health coverage after the member's death. With regard to deceased members, 70% of the current eligible survivors are assumed to elect health coverage.

All other assumptions used are the same as for retirement benefits.

The following methodology is used to develop blended subsidy amounts to be used in the valuation of current actives health subsidies. The participation percentages for carrier elections are assumed to be the same as the current retiree participation rates. These participation percentages are used to determine a blend of different carrier amounts. Utilization assumption factors are then applied to the blended rates. Service is prorated to determine the portion subsidized. This methodology is done separately for those with and without Medicare Parts A and B coverage, and for single, married, and surviving spouse coverage as shown.

NOTES TO SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Continued)

HEALTH SUBSIDY PLAN (Continued)

For Participants Without Medicare Parts A and B

Plan	Participation Percentage	Maximum Subsidies Single	Maximum Subsidies Married	Maximum Subsidies Surviving Spouse	Utilization
Fire Medical	14.3%	$ 618.00	$ 668.00	$ 452.86	75.0%
Blue Cross PPO	55.8%	535.21	668.00	452.86	75.0%
California Care	15.4%	274.80	574.66	274.80	75.0%
Fire Kaiser	14.5%	286.51	569.38	286.51	75.0%
Dental	100.00%	39.86	39.86	0.00	65.0%

Blended Monthly Premiums

Coverage Type	Fire Medical	Blue Cross	California Care	Fire Kaiser	Dental	Medicare	Sum
Single Coverage	$ 66.28	$ 223.99	$ 31.74	$ 31.16	$ 25.91	$ 0.00	$ 379.08
Married Coverage	71.64	279.56	66.37	61.92	25.91	0.00	505.40
Surviving Spouse	48.57	189.52	31.74	31.16	0.00	0.00	300.99

For Participants With Medicare Parts A and B

Plan	Participation Percentage	Maximum Subsidies Single	Maximum Subsidies Married	Maximum Subsidies Surviving Spouse	Utilization
Fire Medical	36.4%	$ 340.29	$ 568.00	$ 340.29	85.0%
Fire Kaiser	5.6%	340.29	648.46	340.29	85.0%
Blue Cross PPO	40.9%	311.88	571.70	311.88	85.0%
California Care	3.9%	279.67	552.72	279.67	85.0%
Police Kaiser	13.2%	232.36	462.52	232.36	85.0%
Dental	100.0%	39.86	39.86	0.00	65.0%
Medicare B	100.0%	66.60	66.60	66.60	100.0%

Blended Monthly Premiums

Coverage Type	Fire Kaiser	Fire Medical	Blue Cross	California Care	Police Kaiser	Dental	Medicare	Sum
Single Coverage	$ 105.29	$ 16.20	$ 108.42	$ 9.27	$ 26.07	$ 25.91	$ 66.60	$ 357.76
Married Coverage	175.74	30.87	198.75	18.32	51.89	25.91	66.60	568.08
Surviving Spouse	105.29	16.20	108.42	9.27	26.07	0.00	66.60	331.85

NOTES TO SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (Continued)

HEALTH SUBSIDY PLAN (Continued)

For the valuation of current retirees, subsidies valued are based on actual average subsidies shown below. Averages are calculated on a health participant basis and include medical, dental, and Medicare Part B premium subsidies.

Monthly Average Retiree Subsidies

	Pre-65	Post-65
Single	$458.00	$400.00
Married	607.00	621.00
Surviving Spouse	344.00	357.00

Active and Retired Membership

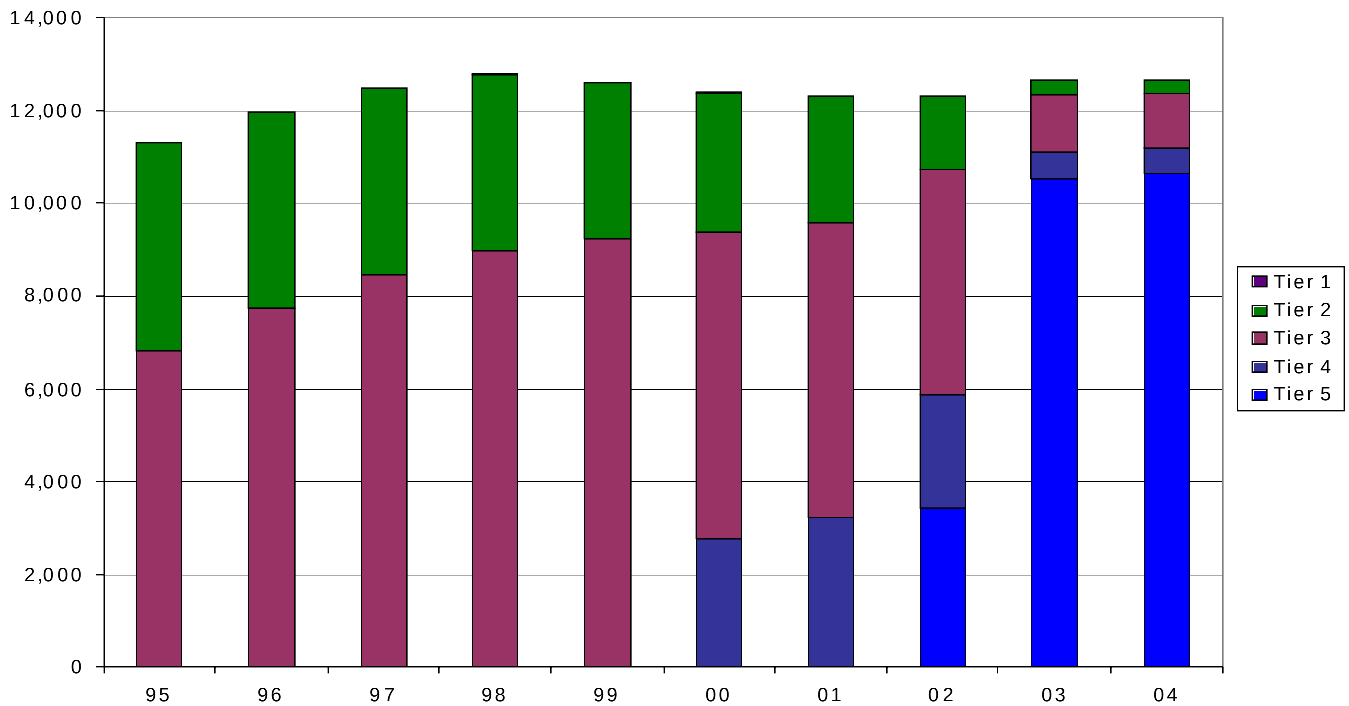
FIRE AND POLICE PENSION PLANS

Five Fire and Police Pension Plans

As of June 30, 2004, the System is composed of five tiers. Benefits are based on the member's pension tier, pension salary base and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

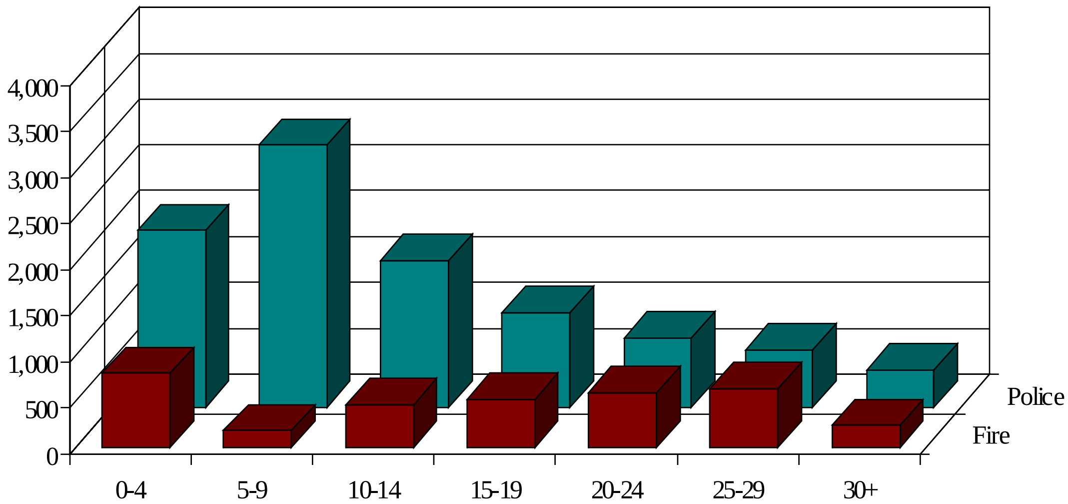
Those members hired on or before January 28, 1967 participate in Tier 1 (formerly Article XVII). Tier 2 (formerly Article XVIII) includes members hired on or after January 29, 1967, and Tier 1 members who transferred to Tier 2. Members hired on or after December 8, 1980 participate in Tier 3 (formerly Article XXXV, Plan 1) and those hired on or after July 1, 1997 are in Tier 4 (formerly Article XXXV, Plan 2). Tier 3 members were allowed to transfer to Tier 4 during an enrollment period. Also, Tier 4 members hired between July 1, 1997 and December 31, 1997 were given the opportunity to transfer to Tier 3 during an enrollment period. Tier 5 is the current tier. It was established for all members hired on or after January 1, 2002. Active members of Tiers 2, 3, and 4 were allowed to transfer to Tier 5 during the enrollment period from January 1, 2002 through December 31, 2002.

ACTIVE MEMBERSHIP
Last Ten Years



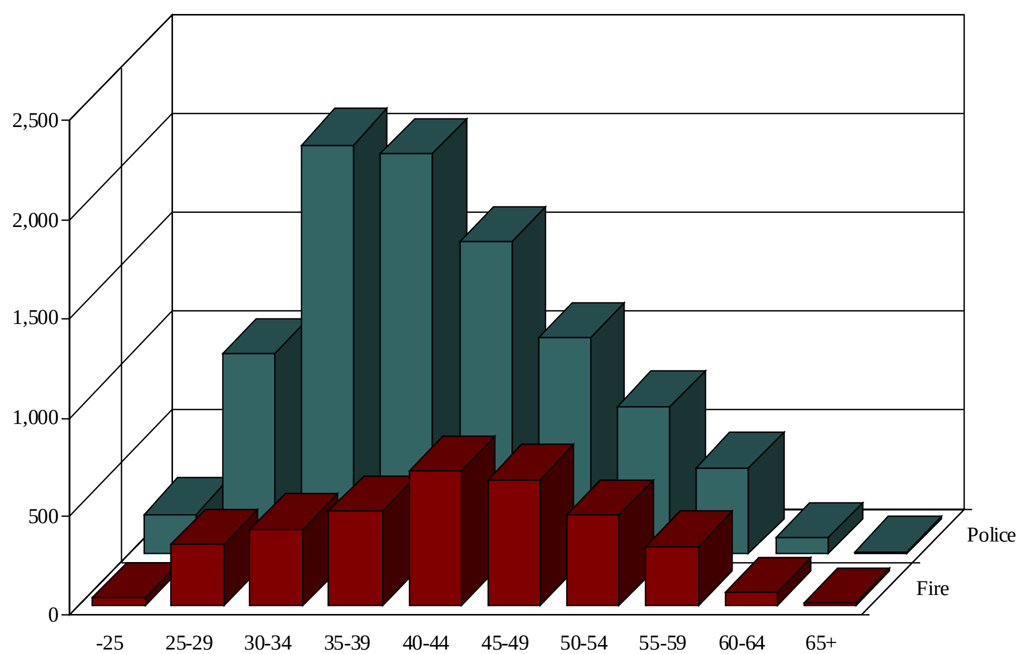
MEMBERSHIP AS OF JUNE 30, 2004			
Tier	**Fire**	**Police**	**Total**
Tier 2	114	180	294
Tier 3	41	1,135	1,176
Tier 4	69	470	539
Tier 5	3,278	7,362	10,640
Total	3,502	9,147	12,649

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	898	1,653
5-9	191	2,954
10-14	359	1,377
15-19	600	1,262
20-24	582	857
25-29	564	546
30+	308	498
Total	3,502	9,147

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	56	130
25-29	333	883
30-34	400	1,941
35-39	470	2,034
40-44	662	1,637
45-49	668	1,146
50-54	494	772
55-59	316	476
60-64	82	113
65+	21	15
Total	3,502	9,147

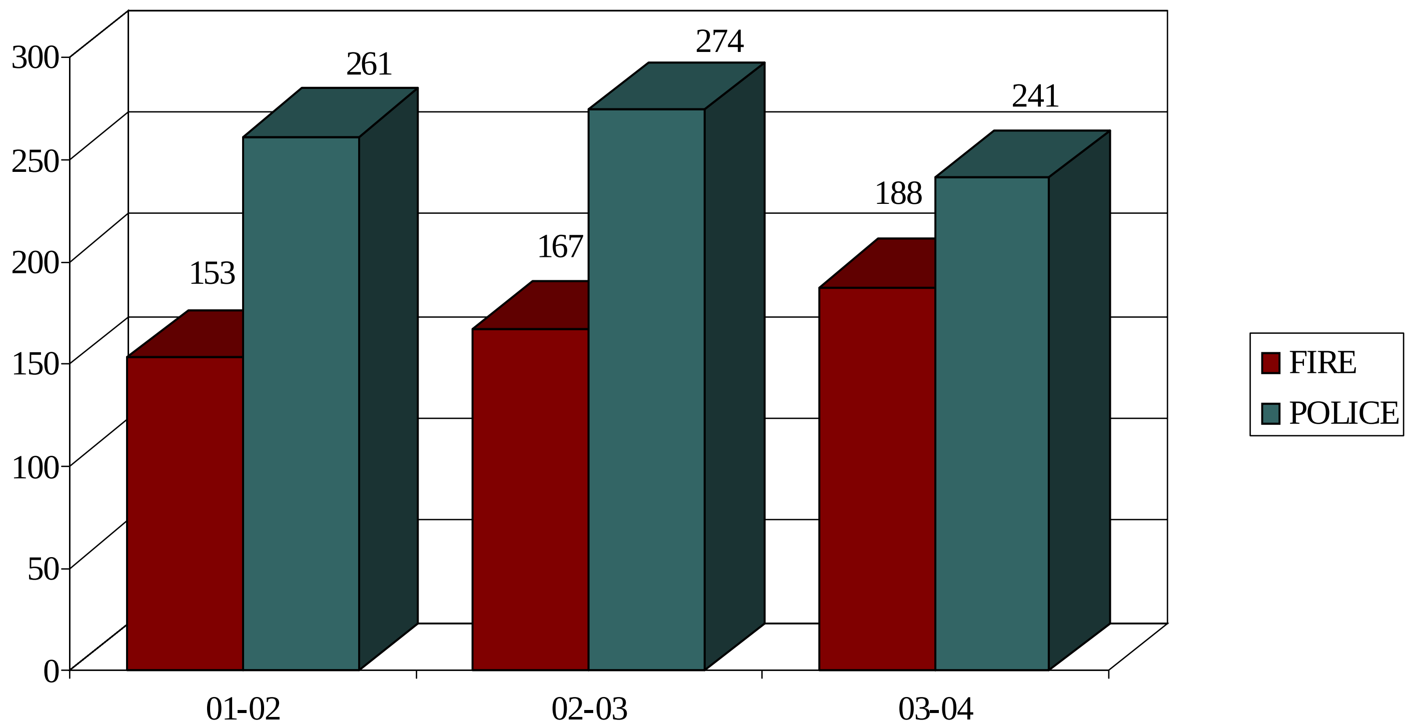
REFUNDS OF MEMBER CONTRIBUTIONS

	99-00	00-01	01-02	02-03	03-04
FIRE					
Tier 2	0	0	0	0	0
Tier 3	0	1	3	1	0
Tier 5			0	6	10
POLICE					
Tier 2	2	5	4	0	0
Tier 3	185	209	117	49	39
Tier 5			13	37	54
TOTAL	187	215	137	93	103

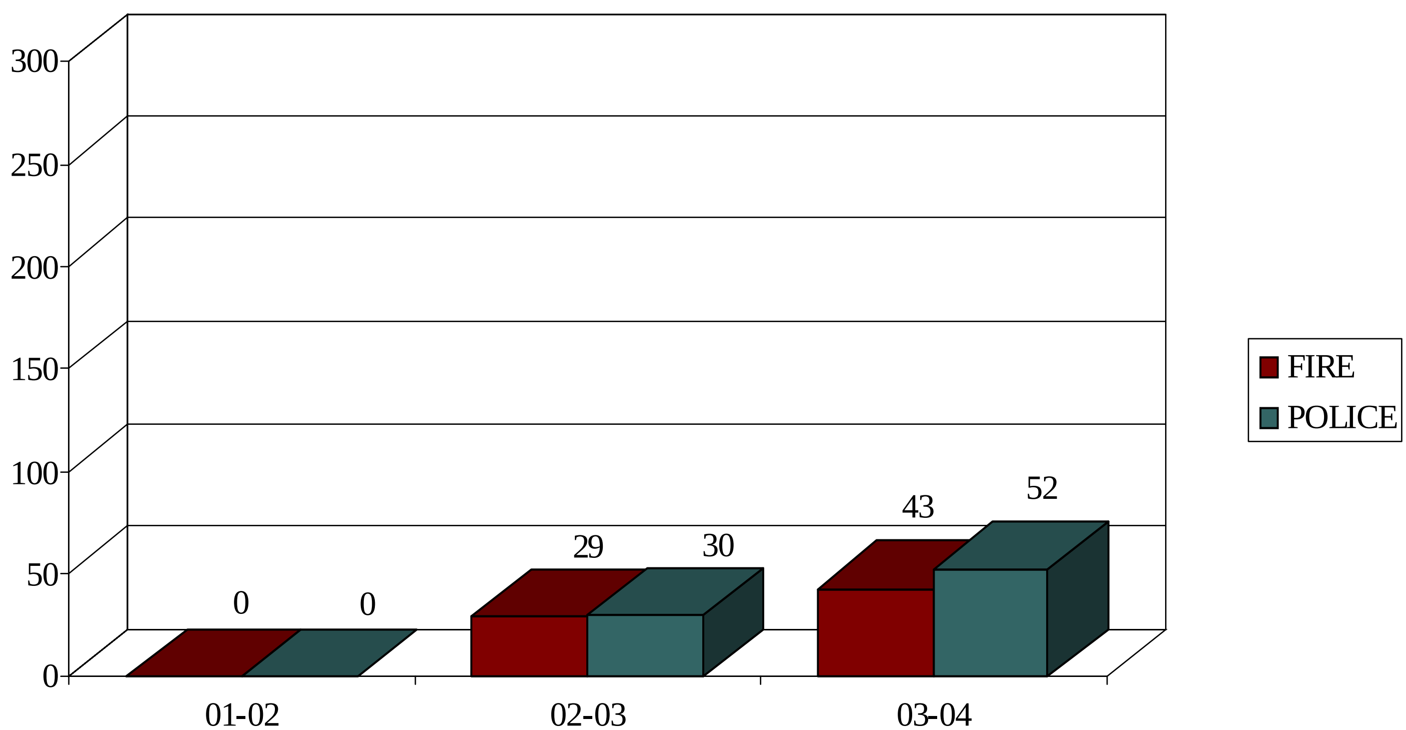
This chart shows the number of members who have applied for a refund of their Pension contributions.

DEFERRED RETIREMENT OPTION PLAN (D.R.O.P.)

DROP ENTRIES

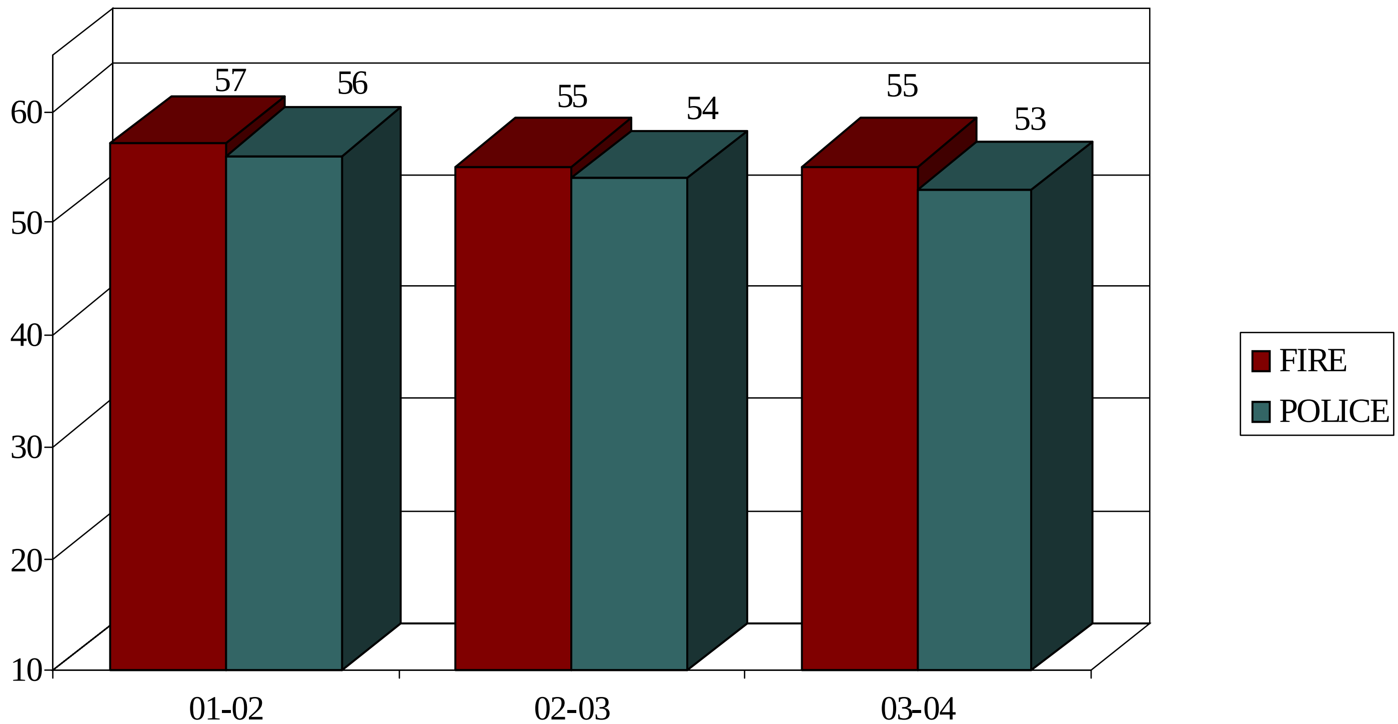


DROP EXITS GRANTED

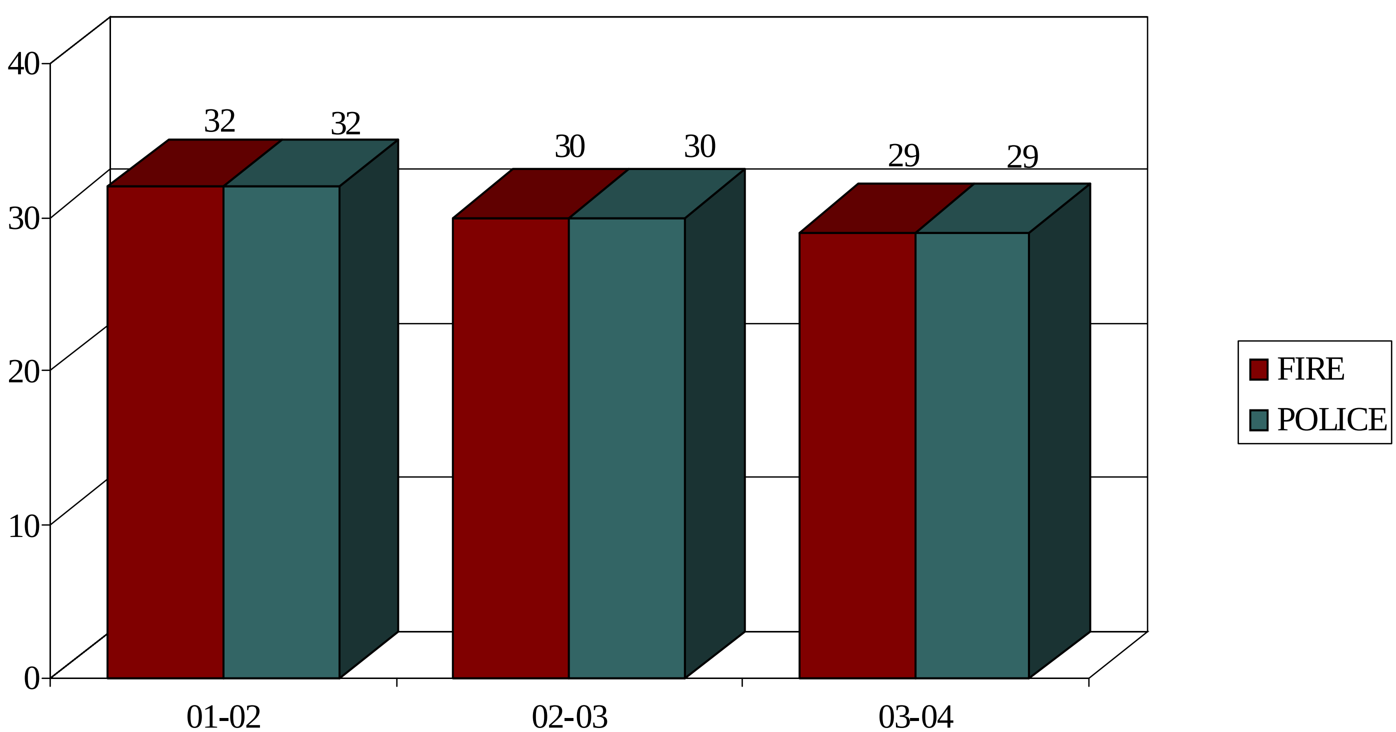


DEFERRED RETIREMENT OPTION PLAN (D.R.O.P.)

AVERAGE AGE AT DROP ENTRY

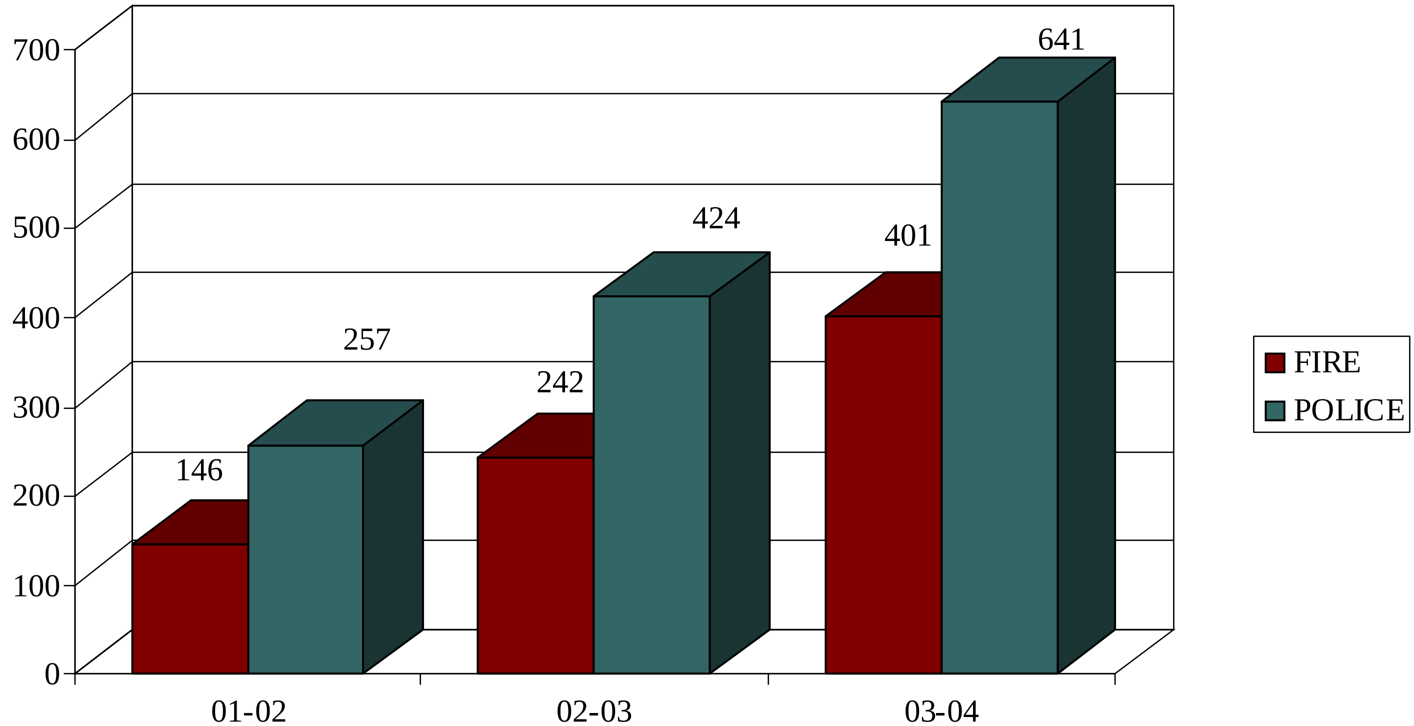


AVERAGE YEARS OF SERVICE AT DROP ENTRY

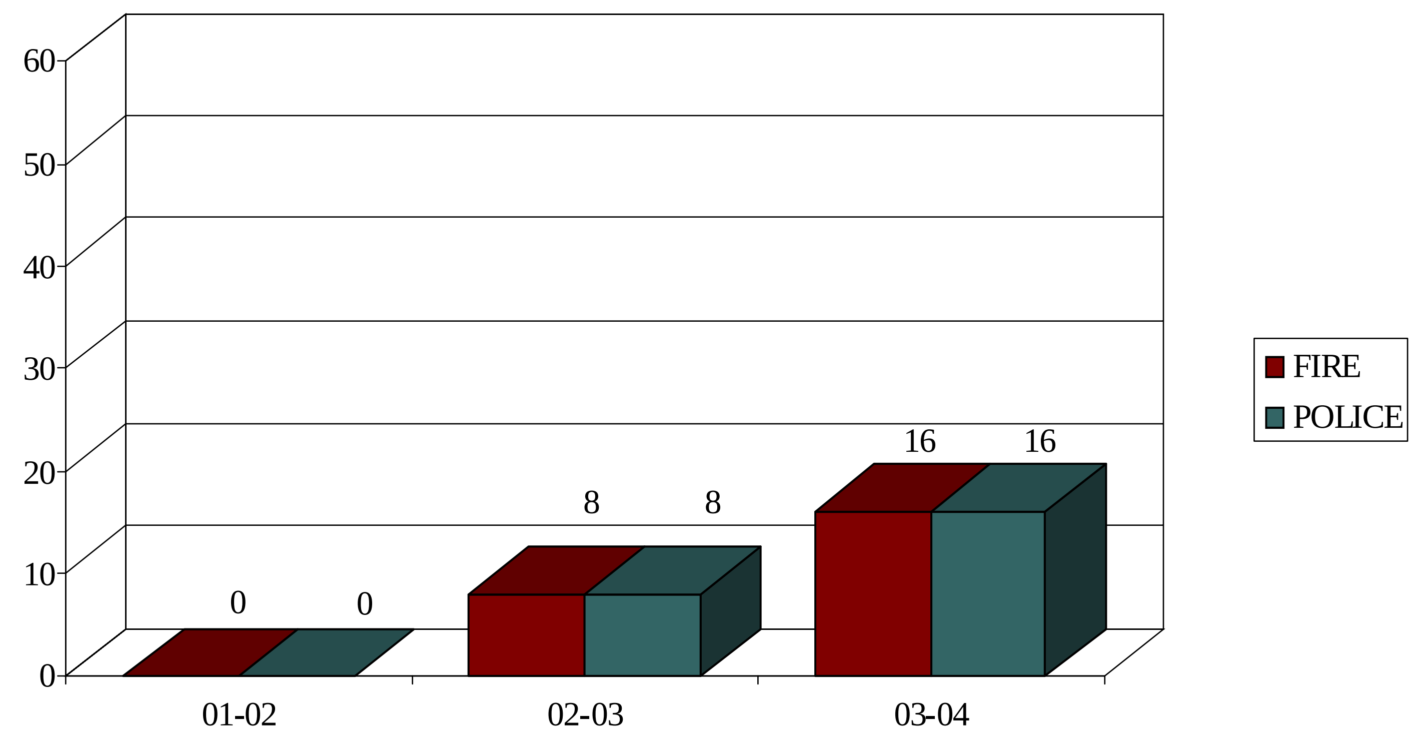


DEFERRED RETIREMENT OPTION PLAN (D.R.O.P.)

AVERAGE DROP PARTICIPATION

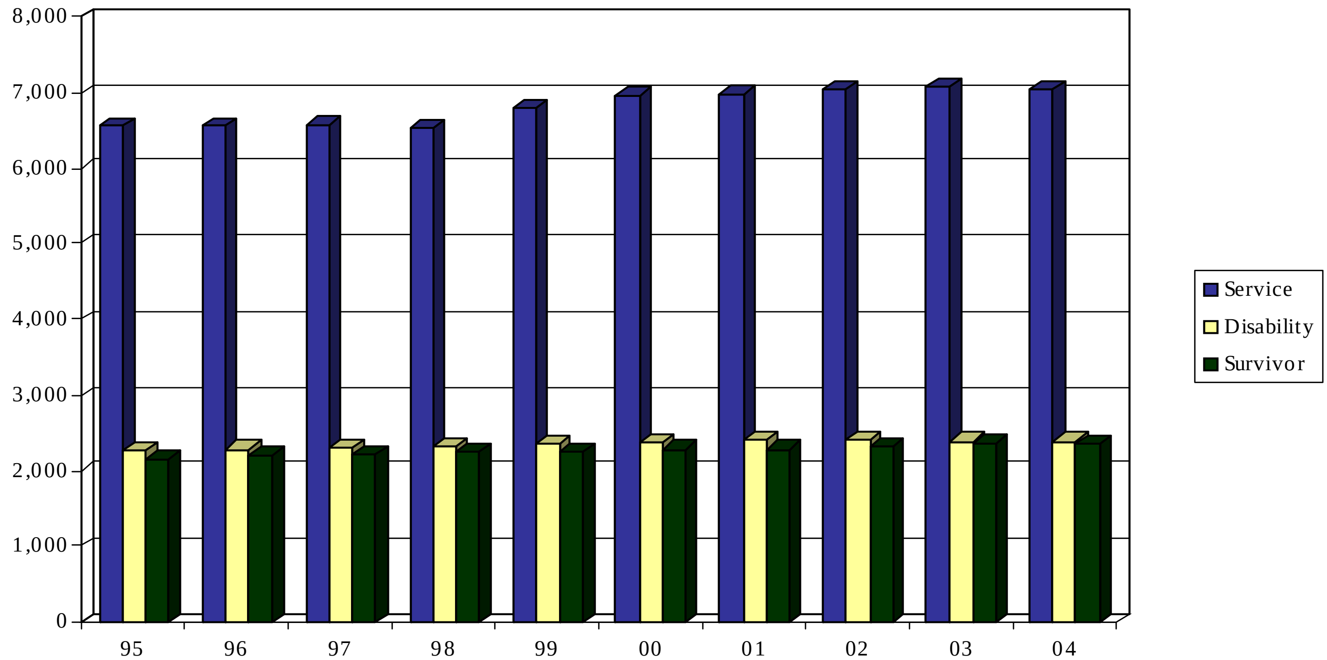


AVERAGE DROP DURATION AT EXIT (Months)

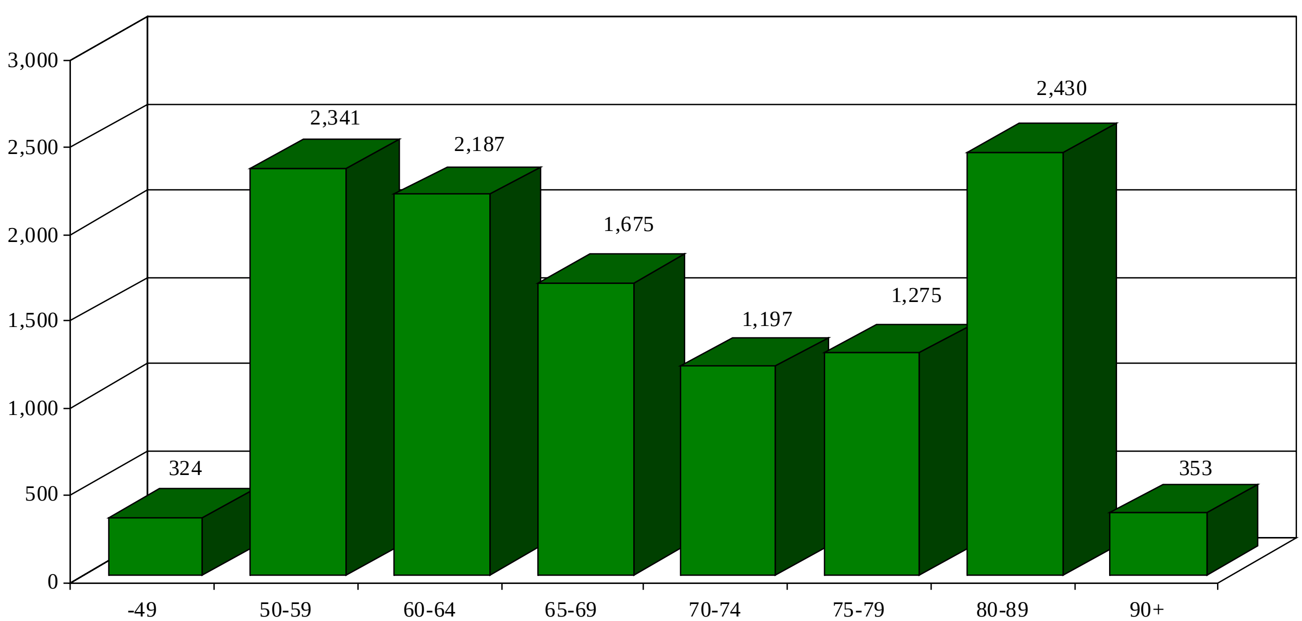


RETIRED MEMBERSHIP
Last Ten Years

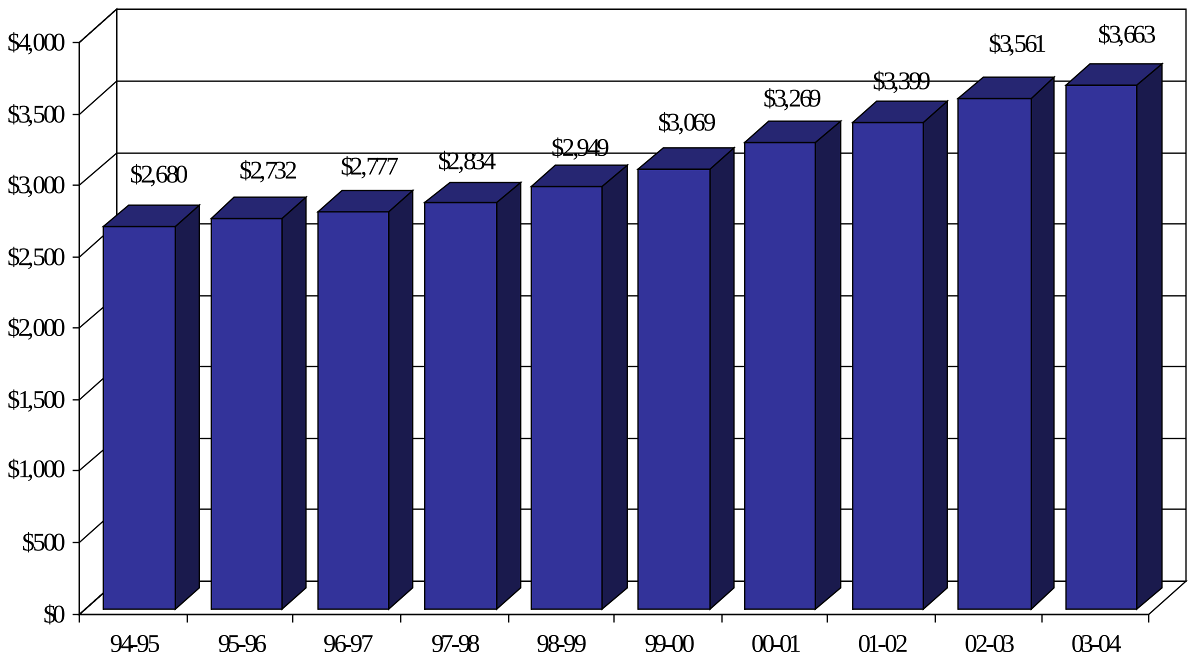
AS OF JUNE 30, 2004	
Service Pensions	7,045
Disability Pensions	2,386
Survivor Pensions	2,351
Total	11,782



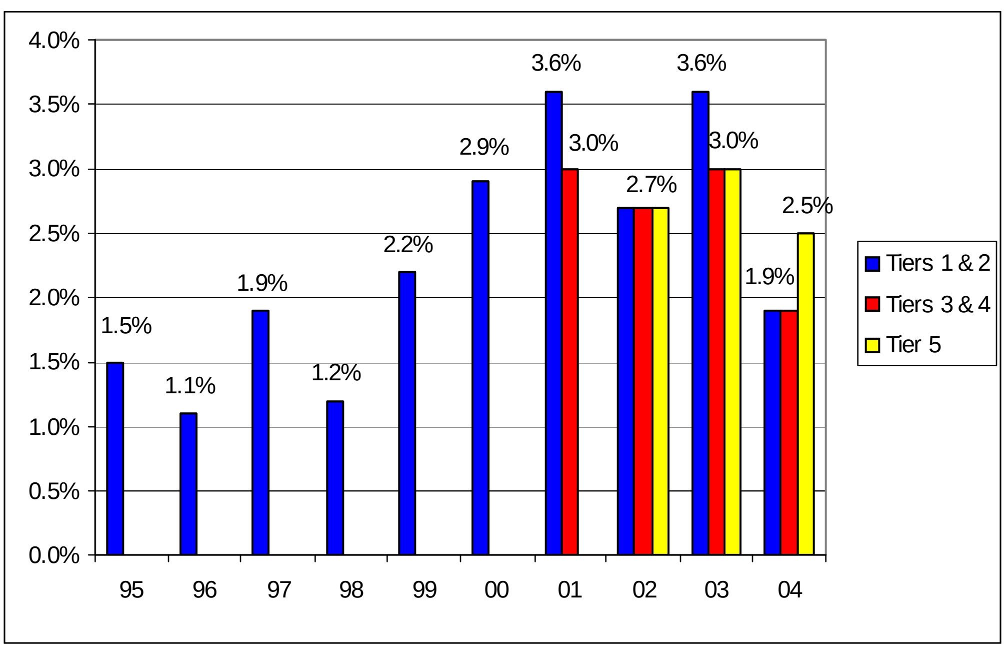
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



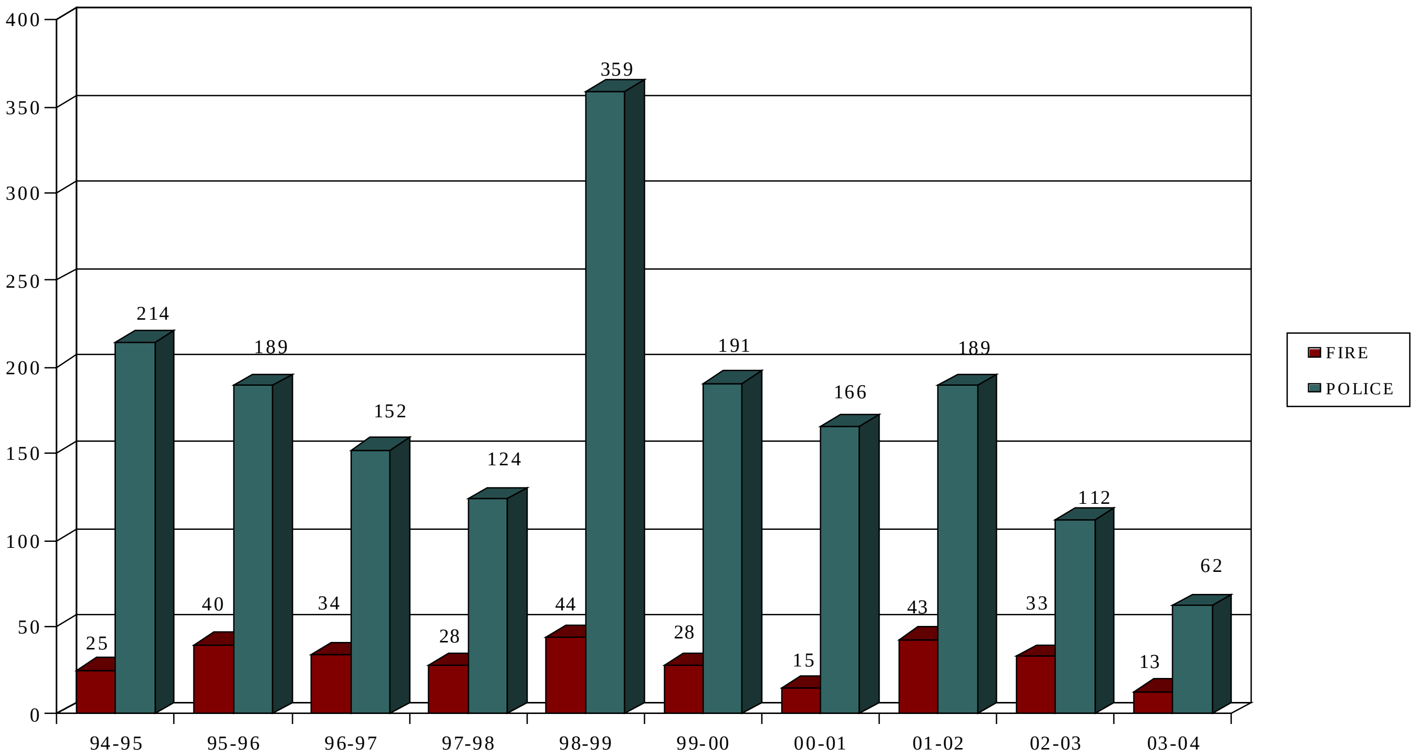
COST OF LIVING ADJUSTMENTS
Effective July 1



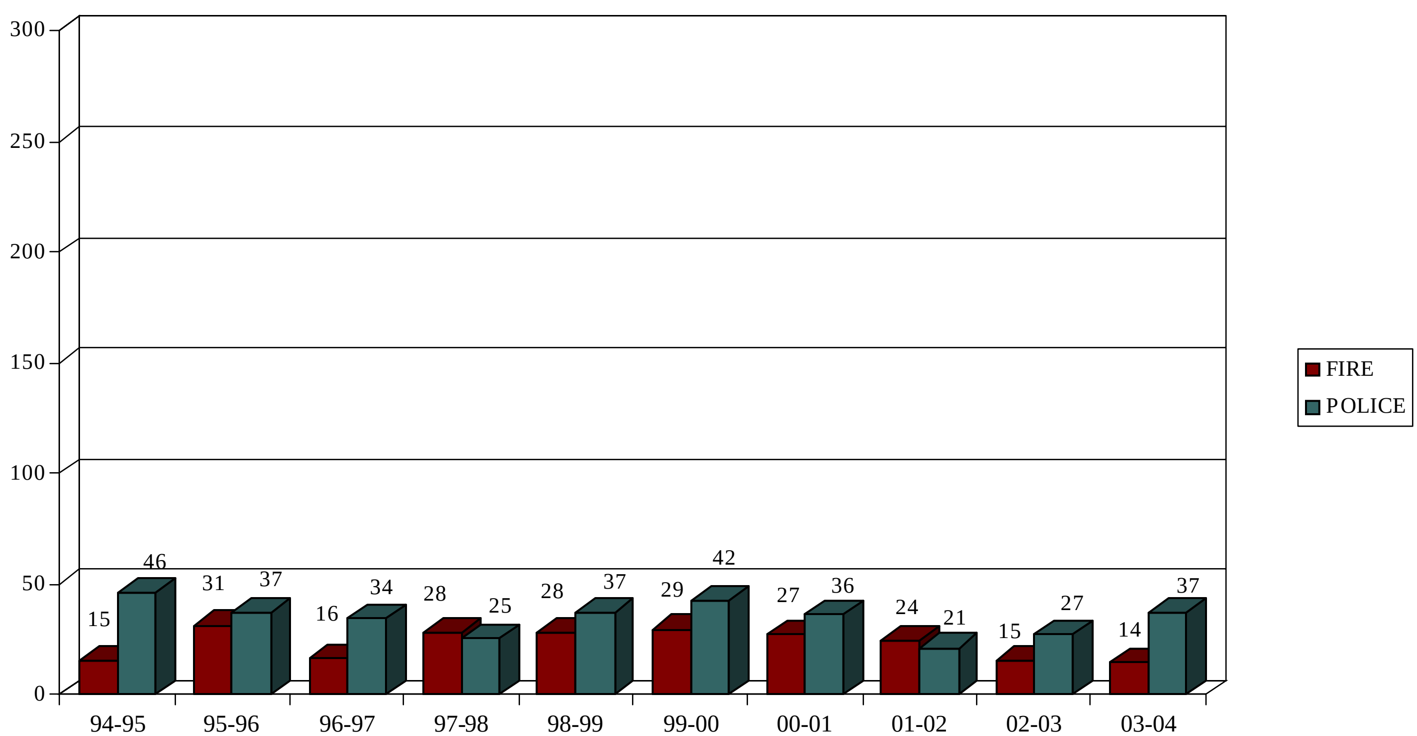
Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of Tier 1 and Tier 2 have no cap on their cost of living adjustments. Members of Tiers 3, 4 and 5 have cost of living increases capped at 3%. Members of Tier 5 also have a COLA bank feature.

PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

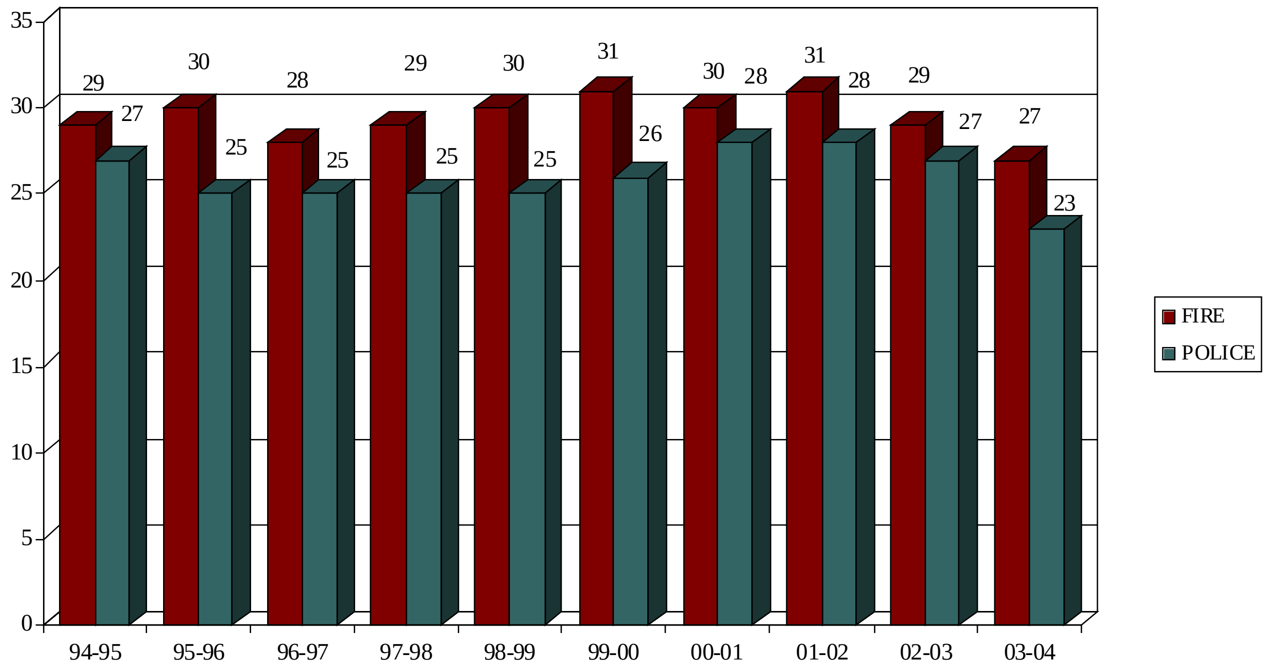


DISABILITY PENSIONS GRANTED

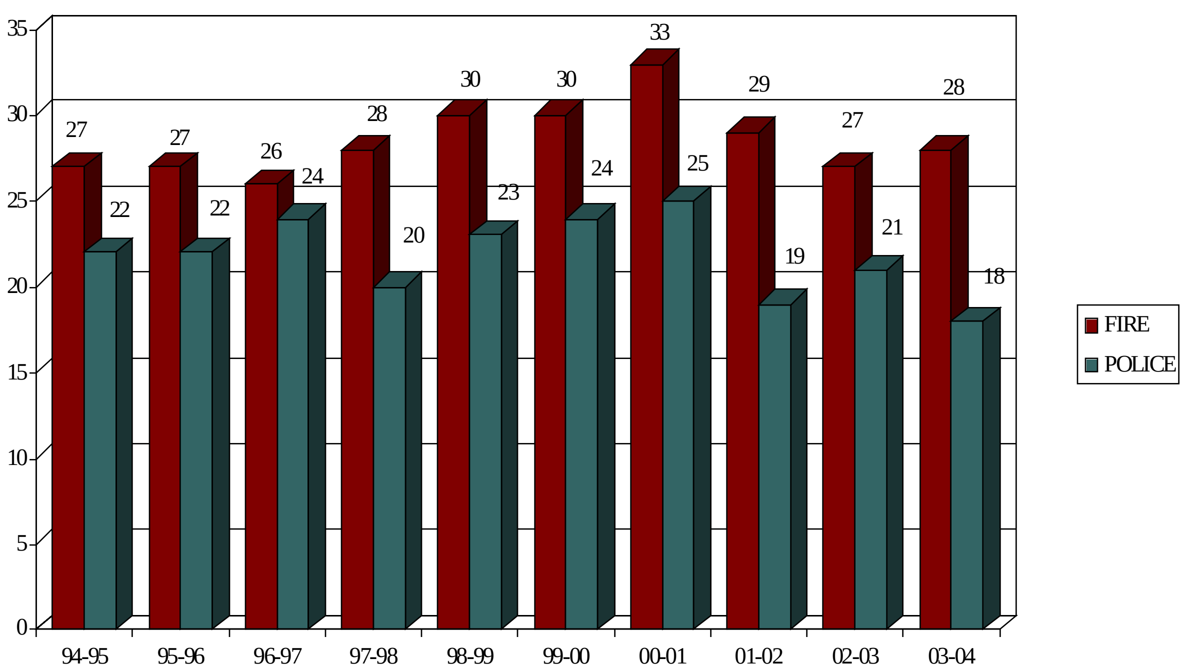


PENSION STATISTICS: LAST TEN YEARS

AVERAGE YEARS OF SERVICE
At Service Retirement

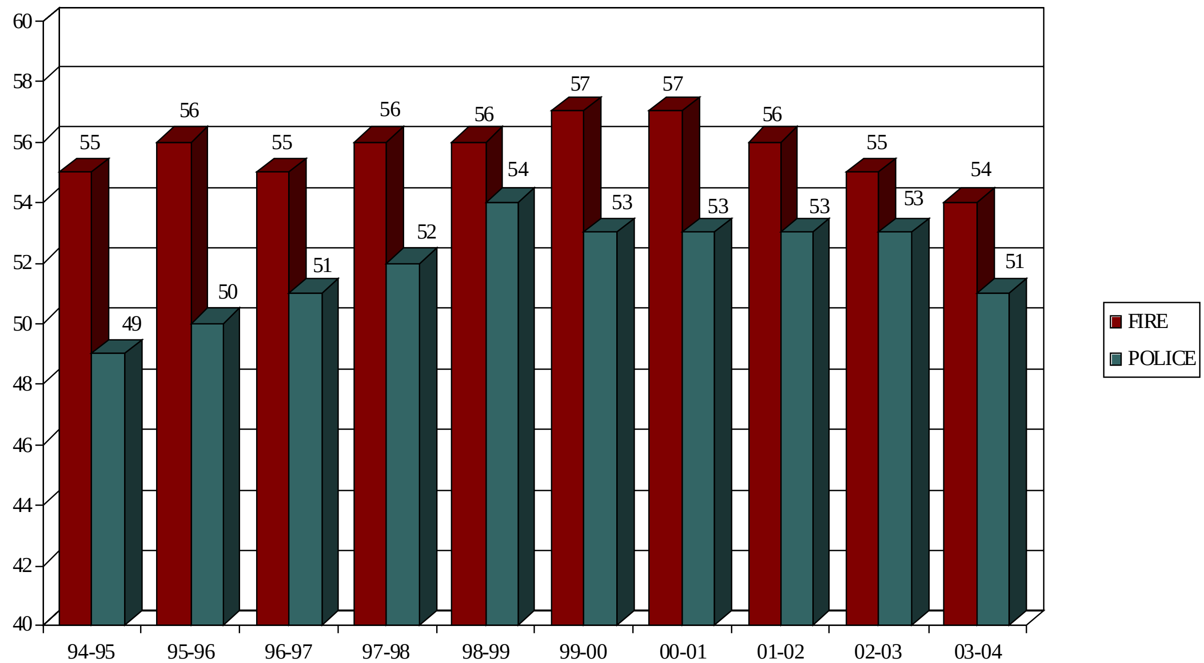


AVERAGE YEARS OF SERVICE
At Disability Retirement

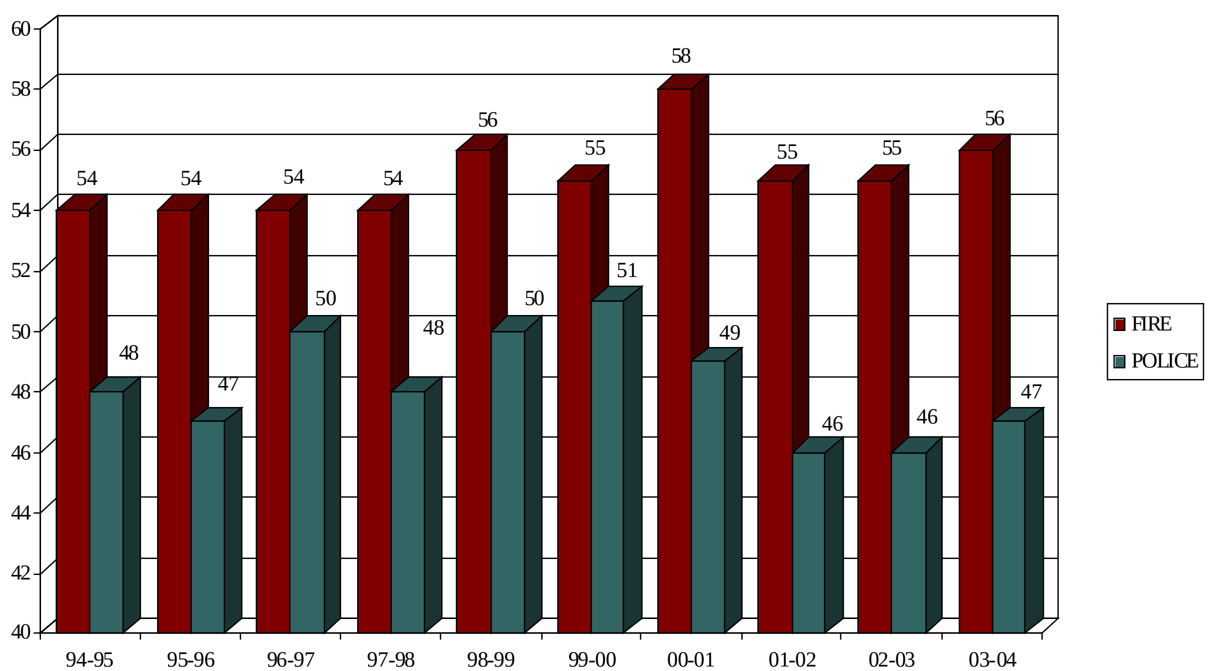


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 1999-00			FISCAL YEAR 2000-01			FISCAL YEAR 2001-02			FISCAL YEAR 2002-03			FISCAL YEAR 2003-04		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	29	37	66	26	24	50	22	10	32	13	24	37	13	22	35
Physical/Psychiatric	0	1	1	0	8	8	1	5	6	1	2	3	1	10	11
Psychiatric Only	0	4	4	0	2	2	0	2	2	0	0	0	0	1	1
TOTAL	29	42	71	26	34	60	23	17	40	14	26	40	14	33	47

TYPES OF CLAIMS*	FISCAL YEAR 1999-00			FISCAL YEAR 2000-01			FISCAL YEAR 2001-02			FISCAL YEAR 2002-03			FISCAL YEAR 2003-04		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	17	25	42	17	17	34	15	4	19	7	16	23	12	27	39
Neck	7	7	14	5	4	9	9	4	13	0	4	4	3	10	13
Knees	10	15	25	10	5	15	8	3	11	3	3	6	7	15	22
Other Orthopedic	11	17	28	15	18	33	11	10	21	7	20	27	8	21	29
Cardiovascular	4	12	16	4	7	11	6	7	13	3	8	11	2	9	11
Ulcer	0	5	5	0	5	5	0	0	0	4	5	9	0	11	11
Hypertension	0	0	0	1	7	8	2	2	4	2	7	9	1	8	9
Pulmonary	0	1	1	8	3	11	1	0	1	1	1	2	2	0	2
Cancer	1	0	1	0	1	1	2	1	3	1	0	1	3	1	4
Gun Shot Wound	0	0	0	0	1	1	0	0	0	0	0	0	0	1	1
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

SERVICE AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS
By Department and Rank

FIRE	99-00	00-01	01-02	02-03	03-04
Firefighter	12	8	6	7	5
Apparatus Operator	0	1	1	0	1
Engineer	5	2	2	3	2
Inspector	1	1	2	0	0
Captain	9	11	11	4	6
Battalion Chief	1	4	1	0	0
Assistant Chief	0	0	1	1	0
Deputy Chief	1	0	0	0	0
TOTAL	29	27	24	15	14

POLICE	99-00	00-01	01-02	02-03	03-04
Police Officer	19	15	15	5	25
Sergeant	7	10	2	5	2
Detective	12	11	3	9	8
Lieutenant	2	0	1	6	0
Captain	1	0	0	1	2
Commander	1	0	0	1	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	42	36	21	27	37

Legal Summary

SUMMARY OF LEGAL ACTIVITIES

Fiscal Year 2003-2004

Under City Attorney Rockard J. Delgadillo, the Retirement Benefits Division of the Los Angeles City Attorney's Office, led by Managing Assistant City Attorney Donna Weisz Jones, along with Deputy City Attorneys John C. Blair, Mary Jo Curwen, Michael R. Wilkinson, and assisted by legal Secretary Rebecca Clark, provided day-to-day assistance on the myriad of legal issues facing the Department and the members and beneficiaries of the Plan. As legal counsel to the Board of Fire and Police Pension Commissioners and the Department, the City Attorney's Office provided advice on a full range of subjects, from Brown Act issues and Public Record requests to Tier 5 and DROP (Deferred Retirement Option Plan) issues and compliance with new tax regulations. Additionally, the Division provided representation for the Board and the Department in all legal matters. They assisted Plan members and their beneficiaries in understanding the effects of dissolution proceedings on pension and DROP benefits, as well as providing guidance to Courts on contested matters related to DROP. The Division continued to work hand in hand with the Department staff on new issues including privacy of retired member information and DROP.

Summary of Pension Plan Benefits

Fire and Police Pension Plan - Tier 1 (Formerly Article XVII)
(Closed January 28, 1967)

Fire and Police Pension Plan - Tier 2 (Formerly Article XVIII)
(Closed December 7, 1980

Fire and Police Pension Plan - Tier 3 (Formerly Article XXXV, Plan 1)
(Closed June 30, 1997)

Fire and Police Pension Plan - Tier 4 (Formerly Article XXXV, Plan 2)
(Closed December 31, 2001)

Fire and Police Pension Plan - Tier 5 (Effective January 1, 2002)

SUMMARY OF PENSION PLAN BENEFITS
JUNE 30, 2004

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
1. SERVICE RETIREMENT				
a. Eligibility	20 years of service.	20 years of service.	Tier 3: Age 50 with 10 years of service. Tier 4: 20 years of service.	Age 50 with 20 years of service.
b. Salary Base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly 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.	50% at 20 years of service, plus 3% for each additional year (except 4% at 30 years of service). Maximum of 90% for 33 or more years of service.
2. SERVICE-CONNECTED DISABILITY				
a. Eligibility	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.
b. Salary Base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)
c. Pension as a percentage of salary base	50% to 90% depending on severity of disability, with a minimum of Member's service pension percentage rate.	50% to 90% depending on severity of disability, with a minimum of Member's service pension percentage rate.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NONSERVICE-CONNECTED DISABILITY				
a. Eligibility	Not work related. Five years of service.	Not work related. Five years of service.	Not work related. Five years of service.	Not work related. Five years of service.
b. Salary Base	Highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.	Highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability.	30% to 50% depending on severity of disability.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY				
a. Eligibility	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.
b. Salary Base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except for Members who transferred from Tier 2 to Tier 5*
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base	50%	50% with less than 25 years of service with uncapped COLA. 55% with 25 or more years of service with uncapped COLA.	SERVICE-CONNECTED DEATH: 75% of Final Average Salary if service-connected death while active or death due to service-connected cause(s) within 3 years after effective date of Service-Connected Disability pension with 3% cap on COLA, no COLA Bank. DEATH AFTER SERVICE-CONNECTED DISABILITY: 75% of Final Average Salary if death due to service-connected cause(s) within 3 years after effective date of Service-Connected Disability pension, otherwise 60% of Member's Service-Connected Disability pension with 3% cap on COLA, no COLA Bank.	SERVICE-CONNECTED DEATH: Former Tier 2: 75% of Normal Pension Base if service-connected death with 3% cap on COLA and COLA Bank. Former Tier 3/Tier 4 or Tier 5 hired on or after 1/1/02: 75% of Final Average Salary if service-connected death while active or death due to service-connected cause(s) within 3 years after effective date of Service-Connected Disability pension with 3% cap on COLA and COLA Bank. DEATH AFTER SERVICE-CONNECTED DISABILITY: Former Tier 2: 50% of Normal Pension Base with less than 25 YOS with 3% cap on COLA and COLA Bank. 55% of Normal Pension Base with 25 or more YOS with 3% cap on COLA and COLA Bank.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY (Continued)				
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base (Continued)				Former Tier 3/Tier 4 or Tier 5 hired on or after 1/1/02: 75% of Final Average Salary if death due to service-connected cause(s) within 3 years after effective date of Service-Connected Disability pension, otherwise 60% of Member's Service-Connected Disability pension with 3% cap on COLA and COLA Bank.
d. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21. Uncapped COLA	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21. Uncapped COLA	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21. 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21. 3% cap on COLA, with COLA Bank
e. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA, with COLA Bank

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
5. DEATH WHILE ELIGIBLE TO RECEIVE A SERVICE PENSION ON ACCOUNT OF YEARS OF SERVICE				
a. Eligibility	20 years of service.	20 years of service.	Tier 3: 10 years of service. Tier 4: 20 years of service.	20 years of service.
b. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base	100% of Member's accrued service retirement Member would have received, not to exceed 50% of Normal Pension Base. Uncapped COLA	100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base. Uncapped COLA	Higher of 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary. 3% cap on COLA, no COLA Bank	Former Tier 2: 100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base with 3% cap on COLA and COLA Bank. Former Tier 3/Tier 4 or Tier 5 hired on or after 1/1/02: Per Section 1508(2), if Member was eligible to retire based on YOS, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary; not to exceed 40% of Final Average Salary with 3% cap on COLA and COLA Bank.
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
5. DEATH WHILE ELIGIBLE TO RECEIVE A SERVICE PENSION ON ACCOUNT OF YEARS OF SERVICE (Continued)				
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit (Continued)	Uncapped COLA	Uncapped COLA	3% cap on COLA, no COLA Bank	3% cap on COLA and COLA Bank
d. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA and COLA Bank
6. DEATH AFTER SERVICE RETIREMENT				
a. Eligibility	Member was receiving a service pension.	Member was receiving a service pension.	Member was receiving a service pension.	Member was receiving a service pension.
b. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base	Same as Member's pension up to 50% of Member's Normal Pension Base. Uncapped COLA	Same as Member's pension up to 55% of Member's Normal Pension Base. Uncapped COLA	60% of Member's pension benefit. 3% cap on COLA, no COLA Bank	<u>Former Tier 2:</u> Same as Member's pension up to 55% of Normal Pension Base, with 3% cap on COLA, and COLA Bank. <u>Former Tier 3/Tier 4 or Tier 5 hired on or after 1/1/02:</u> 60% of Member's pension benefit, with 3% cap on COLA and COLA Bank.
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive, otherwise:	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise:	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise:	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise:

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
6. DEATH AFTER SERVICE RETIREMENT (Continued)				
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit (Continued)	25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21. Uncapped COLA	25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21. Uncapped COLA	25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21. 3% cap on COLA, no COLA Bank	25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21. 3% cap on COLA and COLA Bank
d. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA and COLA Bank
7. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY				
a. Eligibility	Five years of service.	Five years of service.	Five years of service.	Five years of service.
b. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay Uncapped COLA	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice-connected pension base) Uncapped COLA	NON SERVICE-CONNECTED DEATH 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary 3% COLA Cap, no COLA Bank DEATH AFTER NONSERVICE-CONNECTED DISABILITY 60% of Member's pension. 3% COLA Cap, no COLA Bank	NONSERVICE-CONNECTED DEATH Former Tier 2: 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay with 3% cap on COLA and COLA Bank

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
7. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY (Continued)				
b. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of Member's salary base (Continued)				Former Tier 3/Tier 4 or Tier 5 hired on or after 1/1/02: 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary with 3% cap on COLA and COLA Bank DEATH AFTER NONSERVICE-CONNECTED DISABILITY Former Tier 2: 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay with 3% cap on COLA and COLA Bank Former Tier3/Tier 4 or Tier 5 hired on or after 1/1/02: 60% of Member's pension with 3% cap on COLA and COLA Bank
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21.	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive, otherwise: 25% for one child 40% for two children 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
7. NONSERVICE-CONNECTED DEATH OR DEATH AFTER NONSERVICE-CONNECTED DISABILITY (Continued)				
c. Eligible children's benefit as a percentage of Qualified Surviving Spouse's or Qualified Domestic Partner's benefit (Continued)	Uncapped COLA	Uncapped COLA	3% cap on COLA, no COLA Bank	3% cap on COLA and COLA Bank
d. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's or Qualified Domestic Partner's benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Uncapped COLA	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. 3% cap on COLA and COLA Bank
8. COST-OF-LIVING				
a. Generally applicable provisions	Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for local Urban Consumers.	Full annual cost-of-living increase. Cost-of-living increases compound, and are based upon the Consumer Price Index for local Urban Consumers.	Annual cost-of-living increase not to exceed 3%. Cost-of-living increases compound, and are based upon the Consumer Price Index for local Urban Consumers. City Council may grant discretionary cost-of-living increases once every three years.	Annual cost-of-living increase not to exceed 3%. Amounts above the maximum of 3% are banked to be credited during years when the CPI is less than the maximum. Cost-of-living increases compound, and are based upon the Consumer Price Index for local Urban Consumers. City Council may grant discretionary cost-of-living increases once every three years. Such discretionary COLAs reduce the Member's COLA Bank.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
8. COST-OF-LIVING (Continued)				
a. Generally applicable provisions (Continued)	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivor's pension includes 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.	Survivor's pension includes 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 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.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
ii. 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.	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 increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
iv. Nonservice-connected death, 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 effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
8. COST-OF-LIVING (Continued)				
b. Effective date of cost-of-living increases (Continued)				
v. Death after nonservice-connected disability, death after service-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 increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
9. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY				
	6%. No Member contributions required after 30 years of service.	6% plus 1/2 of the cost of cost-of-living benefit up to 1%. (Currently 7%) No Member contributions required after 30 years of service.	8%. No Member contributions required after 30 years of service.	9%. City pays 1% of 9% if Plan is at least 100% actuarially funded. No Member contributions required after 33 years of service.
10. QUALIFIED SURVIVORS				
a. Qualified Surviving Spouse (QSS) or Qualified Domestic Partner (QSDP) eligibility requirements				
i. Nonservice-connected death	Married at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.
ii. Service-connected death	Married as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
10. QUALIFIED SURVIVORS (Continued)				
a. Qualified Surviving Spouse (QSS) or Qualified Surviving Domestic Partner (QSDP) eligibility requirements (continued)				
iii. Death after service pension	Married at least one year prior to the effective date of service pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of service pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of service pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of service pension and as of date of death.
iv. Death after nonservice-connected disability	Married at least one year prior to effective date of nonservice-connected disability pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of nonservice-connected disability pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of nonservice-connected disability pension and as of date of death.	Married or registered the domestic partner at least one year prior to effective date of nonservice-connected disability pension and as of date of death.
v. Death after service-connected disability	Married as of effective date of service-connected disability pension and as of date of death.	Married or registered the domestic partner as of effective date of service-connected disability pension and as of date of death.	Married or registered the domestic partner as of effective date of service-connected disability pension and as of date of death.	Married or registered the domestic partner as of effective date of service-connected disability pension and as of date of death.
b. Minor child eligibility requirements	Legitimate or adopted child of a deceased Member, until age 18 or marries, whichever comes first.	Legitimate or adopted child of a deceased Member, until age 18 or marries, whichever comes first.	Child or adopted child of a deceased Member, until age 18 (22 if a full-time student) or marries, whichever comes first.	Child or adopted child of a deceased Member, until age 18 (22 if a full-time student) or marries, whichever comes first.
c. Dependent child eligibility requirements	Legitimate or adopted child of a deceased Member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood.	Legitimate or adopted child of a deceased Member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood.	Child of a deceased Member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood.	Child of a deceased Member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood.
d. Dependent parent eligibility requirements	Natural parent of a deceased Member who had at least one-half of their necessary living expenses provided by the Member for at least one year prior to the Member's death and be unable to pay necessary living expenses without the pension.	Natural parent of a deceased Member who had at least one-half of their necessary living expenses provided by the Member for at least one year prior to the Member's death and be unable to pay necessary living expenses without the pension.	Parent of a deceased Member who had at least one-half of their necessary living expenses provided by the Member for at least one year prior to the Member's death and be unable to pay necessary living expenses without the pension.	Parent of a deceased Member who had at least one-half of their necessary living expenses provided by the Member for at least one year prior to the Member's death and be unable to pay necessary living expenses without the pension.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
11. MISCELLANEOUS				
a. Vesting of service retirement	After 20 years of service.	After 20 years of service.	Tier 3: After 10 years of service. Tier 4: No vesting until retirement (20 years).	After 20 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.	Tier 3: On termination or death if no other benefits are payable (except basic death benefit). Tier 4: Upon death if no other benefits are payable (except basic death benefit). No refund upon termination.	On termination or death if no other benefits are payable (except basic death benefit).
c. Basic death benefit	None.	None.	If Member has at least one year of service, in addition to return of contributions. beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).	If Member has at least one year of service, in addition to return of contributions. beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).
d. Optional forms of benefits for Qualified Surviving Spouse (QSS) or Qualified Surviving Domestic Partner (QSDP)	None.	None.	At service or disability retirement, Member may elect higher death benefit with corresponding actuarial reduction of retirement benefit.	At service or disability retirement, Member may elect higher death benefit with corresponding actuarial reduction of retirement benefit.
e. Deferred Pension Option	None.	None.	Tier 3: Upon termination, can elect deferred pension option if Member has at least 10 YOS and leaves contributions in Fund. Upon reaching age 50, Member is entitled to receive a service pension using Tier 3 retirement formula. Tier 4: No Deferred Pension Option	Tier 5: Upon termination, can elect deferred pension option if Member has at least 20 YOS and leaves contributions in Fund. Upon reaching age 50, Member is entitled to receive a service pension using Tier 3 retirement formula.

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 Employees' 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.

1984. The City Charter was amended to permit banks and insurance companies to act as investment advisors to the plan.

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.

1996. In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents earned while working or residing in that state.

Effective December 5, 1996, pension benefits to the qualified surviving spouse of a deceased police officer or firefighter continue even if the spouse remarries.

1997. Article XXXV, Plan II was established effective July 1, 1997. All Article XXXV members hired between December 8, 1980 and June 30, 1997 were given until June 30, 1998 to make an irrevocable transfer to Plan II. Plan II offers a "20 and out" provision with retirement benefits at any age after 20 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 Final Average Salary; member contributions are non-refundable; deferred retirement is not an option.

Article XXXV members retiring on or after July 1, 2000 at a rank no higher than Fire Captain or Police Lieutenant shall receive some pension credit for prior hazard pay even if no hazard pay was received during the twelve-month period used to determine Final Average Salary for pension purposes.

Effective July 1, 1997, at the discretion of the City Council, administrative expenses which shall include investment management expenses, shall be paid from fund assets.

The City Council approved an ordinance lowering the health subsidy eligibility age to 55 for members retiring on or after July 1, 1998 with at least 10 years of service.

1999. City Council was given authority to establish by ordinance domestic partner benefits and pension benefits for sworn employees brought into City employment by merger or contract for fire and police services.

Provision was also established so that members hired July 1, 1997 through December 31, 1997 could irrevocably elect to transfer from Article XXXV, Plan

2 to Article XXXV, Plan 1. The provision allowed the Metropolitan Transportation Authority officers merged into the Police Department to join either Plan 1 or Plan 2 of Article XXXV. A delay in the merger made it necessary to add this provision so that negotiated benefits could be provided.

As of June 30, 1999, the actuarial value of system assets equaled 104.7% of the actuarial accrued liability of pension benefits.

2000. Effective January 17, 2000 domestic partners became elegible to receive survivor benefits under the same eligibility requirements as surviving spouses, after filing a Declaration of Domestic Partnership with the Board of Fire and Police Pension Commissioners. Surviving spouses and domestic partners who meet eligibility requirements may now receive a health insurance premium subsidy at the time of the member's death.

The new City Charter became effective July 1, 2000. The primary changes affecting the Pension System are:

(1) The official department name became the Department of Fire and Police Pensions.

(2) The plans were reorganized under a new Charter Article number. Articles XVII, XVIII, XXXV Plan 1 and XXXV Plan 2 are now referred to as Tiers 1, 2, 3 and 4, respectively.

(3) The Board of Commissioners was expanded from 7 to 9 members and now includes an elected retired fire member and an elected retired police member.

(4) The Board now selects the Retirement Plan Manager, subject to confirmation by the Mayor and Council, and may remove the Manager, subject to confirmation by the Mayor.

(5) Assistant General Manager positions will be appointed on an exempt basis.

(6) The powers, duties and responsibilities of the Board are more expressly recognized and include:

(a) Language consistent with the provisions of the California Constitution Article XVI, Section17

(b) The prudent person investment standard

(c) Sole and exclusive power to provide actuarial services

(d) Control over litigation and settlement of litigation that involve policies and funds under board control

(e) Deletion of the Council's right to veto any Board decisions.

(7) The definition of dependent parent was revised so that United States residency at the time of member death is no longer an eligibility requirement.

2001. Charter changes were approved to:

(1) enable the City Council to establish by ordinance a deferred retirement option plan (DROP).

(2) combine all tiers into a single plan for funding purposes.

(3) require City Council to create by ordinance a Tier 5 effective January 1, 2002.

(4) allow surviving spouses who remarried prior to December 5, 1996 to collect "surviving spouse" benefits.

(5) enable City Council to provide by ordinance a dental subsidy for retirees.

2002. By Council ordinance, a new Tier 5 pension plan became effective January 1. Active members of existing tiers could elect to irrevocably transfer to Tier 5 during the period January 1, 2002 to December 31, 2002. Tier 5 members are eligible to retire at age 50 with 20 years of service and receive a service pension benefit of 50% of final average salary, plus 3% for each additional year of service to a maximum of 90% of final average salary for 33 or more years. The exception is year 30 in which 4% of final average salary is earned for retirement. Members contribute 8% of salary; 9% if plan assets fall below 100% funding level.

The Deferred Retirement Option Plan (DROP) became effective May 1, 2002. DROP is a voluntary program whereby a member with a minimum of 25 years of service may file for a service pension but continue to work and earn salary and benefits as an active member. The monthly service pension benefit is deposited into a DROP account that earns a 5% per annum return, payable upon exiting the DROP program. Participation in the DROP program is limited to a maximum of 5 years.

A dental subsidy for retirees became effective January 1, 2002. To qualify, a member must be age 55 with a minimum of 10 years of service. For each year of service, a member earns 4% of the maximum available subsidy.

Effective January 1, 2001, retirees and surviving spouses/domestic partners not able to enroll in a City-approved and subsidized health plan because they live out of state or outside the service area of a City-approved HMO, became eligible to receive a health insurance premium reimbursement. Administration of the program began in 2002, retroactive to the effective date.

The first payment under the Excess Benefit Plan was made. This plan was first authorized in 1990 to supplement the benefits to certain employees to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986 as amended.

2003. Annual active member statements of service credit and recorded contributions were issued to members for the first time since 1985.

Based on recent federal and state legislation, active members may now use funds from deferred compensation and other qualified plans to purchase service credit.

City of Los Angeles

Department of Fire and Police Pensions