2011 ANNUAL REPORT

LOS ANGELES
FIRE AND POLICE PENSIONS

2011

ANNUAL REPORT

July 1, 2010 to June 30, 2011

ISSUED BY

MICHAEL A. PEREZ

General Manager

LAFPP

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Introduction

DEPARTMENT OF FIRE AND POLICE PENSIONS

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CITY OF LOS ANGELES
CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

MICHAEL A. PEREZ
GENERAL MANAGER

WILLIAM S. RAGGIO
ASSISTANT GENERAL MANAGER

TOM LOPEZ
CHIEF INVESTMENT OFFICER

To the Board of Fire and Police Pension Commissioners

June 30, 2011

Our pension system provides the pension benefits promised to sworn members of the Fire, Police and Harbor Departments of the City of Los Angeles. These benefits are funded by contributions from the City and our members, and from returns on our investments. As of June 30, 2011, pension plan assets totaled over $14.4 billion on a market basis and over $15 billion on an actuarial (smoothed) basis.

We have 13,432 active members and 12,392 retired beneficiaries. As of June 30, 2011, our pension benefits are 86.3 percent actuarially funded and our health insurance premium subsidy benefits are 34.5 percent actuarially funded. We have been pre-funding health subsidy benefits since 1989, and are one of the few public pension systems to do so. Combined, our pension and health funded status is 79.4 percent on an actuarial basis.

For the one-year period ending June 30, 2011, our rate of return was 22.09 percent, up from 13.91 percent from the previous year. The pension fund grew from $12.1 billion to $14.4 billion, and paid pension benefits of approximately $1 billion.

Although this past fiscal year was our second positive year since the market downturn, we are not out of the woods yet. Our newly adopted investment earnings assumption rate of 7.75 percent contributed to our increased funding requirements. The City's contribution to the Fund for Fiscal Year 2011-12 increased by 14.56 percent and is expected to increase in the future. The City did take actions to decrease its pension liability by establishing a new Tier 6 effective July 1, 2011, but significant cost savings will not be realized until Tier 6 pension benefits become payable.

System Administration
The Fire and Police Pension System is administered by a Board of nine commissioners – five appointed by the Mayor and four elected by members. Fire and Police members each elect one active member, and Fire and Police retired beneficiaries each elect one retired member. The Board administers the System in accordance with the City Charter, the City Administrative Code and the State Constitution. Of particular note, Article XVI, Section 17 (a) of the State Constitution provides the Board "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17 (b) further provides the "members of the Retirement Board of a public retirement system shall discharge their duties ... solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

Service Efforts and Accomplishments
In March 2011, the Board adopted the third multi-year Strategic Plan covering the period 2011-2014. This plan continues the Department's focus on three primary goals – Customer Service, Risk Management and Communication and Stakeholder Relations – and nine on-going and new projects designed "…to advance the health and retirement security of those who dedicate their careers to serve and protect the people of Los Angeles."

For the last several years, the retiree payroll system conversion project has required a significant amount of staff resources. By October 2010, Staff successfully converted data for more than 12,000 pensioners from the Office of the City Controller's mainframe pension payroll system into the Department's web-based OnPoint system. The OnPoint system then interfaces with Northern Trust Bank's benefit payment system, which is used under contract. This conversion has reduced a number of manual and redundant processes, and we are better prepared to issue timely benefit payments in the event of an emergency.

In October 2010, Staff also completed enhancements to Documentum, a new document scanning and retrieval system. Training of all staff was conducted and more frequently referenced member documents were added into the system. The goal of Documentum is to provide instant access to information we use every day in all aspects of our operations.

Staff continues its efforts to improve the features and services available to members on our Web site. In April 2011, email address capture for Active and DROP members was activated. This feature allows these members to designate an email address where they want to receive electronic communications, such as newsletters and member statement notifications. The next phase of updates will include Retired member access to personalized information.

In addition to improving our service to members, another priority is to identify major risks and establish controls to minimize those risks. The Board and its general consultant review the asset allocation every 3-5 years to identify risks and opportunities in the market and make necessary adjustments. In December 2010, the Board adopted a new plan that contains, for the first time, an investment in the Commodities class, with a targeted 5 percent allocation. With this addition and other adjustments, this plan is expected to deliver better returns at a lower cost.

Our Contractor Disclosure Policy is another means of mitigating risk by requiring the disclosure of actual, potential and perceived conflicts of interest, including gifts, campaign contributions and meetings. The policy was revised in March 2011 to include disclosure of ex parte communications between contractors and individual Board members. This additional requirement provides another means of protecting LAFPP and its Board, and will enhance contractor selection and monitoring processes.

Over the past year, we have enlisted our counterpart, the Los Angeles City Employees' Retirement System (LACERS), to discuss possible joint efficiencies. Since investment management fees are significant for both systems, Staff developed contractual "favored nations" language allowing for reduced fees to both systems when the same investment manager's services for the same product are used.

It is my honor to serve the safety members of our pension system who protect the City's citizens, its employees and our collective property. In these times of economic uncertainty, being able to provide the highest quality service to our members in the most economical and practical way is vital. Going forward, the Board and Staff, together with our general investment consultant, RV Kuhns, will be mindful of this as we continue to fulfill our responsibility to the members to run a pension system that is sound, properly funded and most of all, pays out promised benefits promptly and efficiently.

Respectfully submitted,

Michael A. Perez
General Manager

BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DEAN HANSELL
President
Appointed by the Mayor

ROBERT VON VOIGT
Vice President
Elected by Active Police Members

GEORGE V. ALIANO
Member
Elected by Retired Police Members

SAM DIANNITTO
Member
Elected by Retired Fire Members

BRENDA MAULL
Member
Appointed by the Mayor

WAYNE MOORE
Member
Appointed by the Mayor

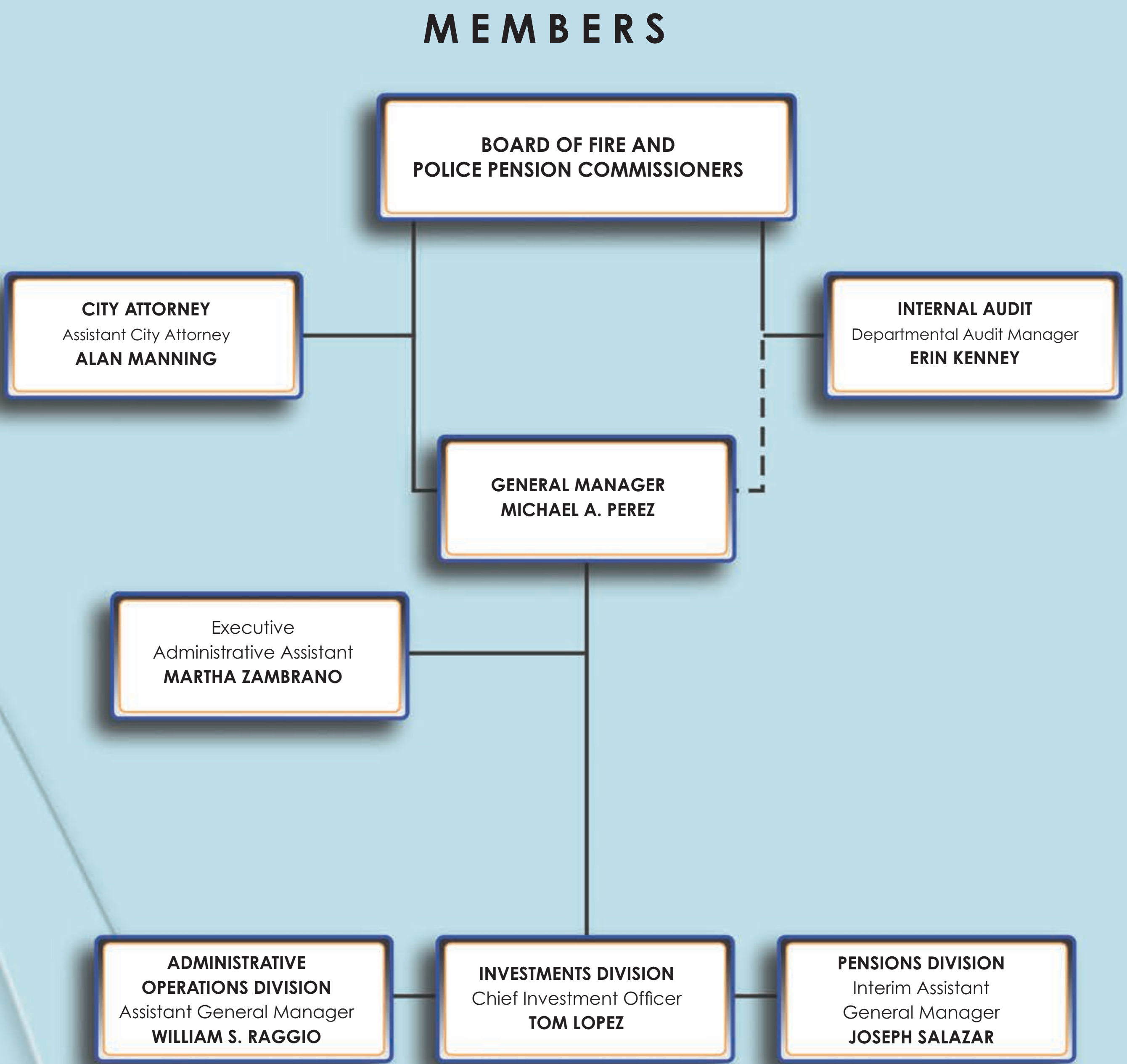
RUBEN NAVARRO
Member
Elected by Active Fire Members

RAÚL PÉREZ
Member
Appointed by the Mayor

ADLAI WERTMAN
Member
Appointed by the Mayor

ORGANIZATION CHART

as of June 30, 2011



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Financial

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

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INDEPENDENT AUDITOR'S REPORT

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

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, 2011 and 2010, 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 *Government 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 referred to above present fairly, in all material respects, the System's net assets as of June 30, 2011 and 2010, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedules of Funding Progress on page 41, and the Schedules of Employer Contributions on page 42, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012 on our consideration of the System's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Simpson & Simpson

Los Angeles, California
January 20, 2012

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Fire and Police Pension System (the System or the Plan) for the years ended June 30, 2011 and 2010.

FINANCIAL HIGHLIGHTS

- Net assets at the close of the fiscal year ended June 30, 2011 were $13.5 billion and $881.2 million for the Pension Plan and Health Subsidy Plan, respectively. All of the net assets are available to meet the System's obligations to members and their beneficiaries.

- Net assets increased by $2.1 billion or 18.6% and $178.2 million or 25.4% for the Pension Plan and Health Subsidy Plan, respectively.

- As of June 30, 2011, the date of the latest actuarial valuations, the funding ratios of the Pension Plan and Health Subsidy Plan were 86.3% and 34.5%, respectively.

- Additions to the Pension Plan's net assets increased by $1.1 billion or 61.7% from $1.8 billion to $2.9 billion, due primarily to the net appreciation in the fair value of investments in 2011.

- Deductions to the Pension Plan's net assets increased by $18.8 million or 2.4% over the prior year from $783.9 million to $802.7 million.

- Additions to the Health Subsidy Plan's net assets increased by $78.2 million or 41.2% from $190.0 million to $268.2 million, due to the net appreciation in the fair value of investments in 2011.

- Deductions from the Health Subsidy Plan's net assets increased by $6.4 million or 7.7% over the prior year from $83.6 million to $90.0 million in 2011.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the financial statements of the System, which are:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the amount of assets available for payment to retirees, beneficiaries, and any current liabilities owed at year end.

The Statement of Changes in Plan Net Assets reports additions to and deductions from the plan net assets during the year.

The above statements are on a full accrual basis of accounting. Investment gains and losses are shown at trade date, and account balances are based on fair values recognizing both realized and unrealized gains and losses on investments.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 12 to 39 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the Pension Plan's and Health Subsidy Plan's progress in funding to provide pension and health benefits to members. The report also provides summary information on employer contributions. The required supplementary information is on pages 41 and 42 of this report.

FINANCIAL ANALYSIS

Pension Plan

Plan Net Assets

A summary of the Pension Plan's net assets and changes in net assets are presented below:

Condensed Statement of Plan Net Assets

	(In Thousands)			
	2011	2010	Change	% Change
Cash	$ 5,045	$ 4,992	$ 53	1.1%
Receivables	71,119	122,670	(51,551)	(42.0)%
Investments	13,980,134	11,675,080	2,305,054	19.7%
Total Assets	14,056,298	11,802,742	2,253,556	19.1%
Liabilities	532,110	398,792	133,318	33.4%
Net Assets	$ 13,524,188	$ 11,403,950	$ 2,120,238	18.6%

Net assets increased by $2.1 billion (or 18.6%) to $13.5 billion from the prior fiscal year. Investments assets increased by $2.3 billion when compared with the prior fiscal year, attributable to favorable capital markets.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Pension Plan (Continued)

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets

(In Thousands)

	2011	2010	Change	% Change
Additions				
Employer Contributions	$ 277,092	$ 250,517	$ 26,575	10.6%
Member Contributions	105,535	106,480	(945)	(0.9)%
Net Investment Income	2,538,155	1,449,498	1,088,657	75.1%
Other Income	2,124	1,545	579	37.5%
Total Additions	2,922,906	1,808,040	1,114,866	61.7%
Deductions				
Benefits Payment	786,861	768,114	18,747	2.4%
Refund of Contributions	3,145	2,946	199	6.8%
Administrative Expenses	12,662	12,824	(162)	(1.3)%
Total Deductions	802,668	783,884	18,784	2.4%
Net Increase	2,120,238	1,024,156	1,096,082	107.0%
Net Assets, Beginning of Year	11,403,950	10,379,794	1,024,156	9.9%
Net Assets, End of Year	$13,524,188	$ 11,403,950	$ 2,120,238	18.6%

Additions to Plan Net Assets

Additions needed to fund benefit payments are accumulated through employer and member contributions, and from income generated from the Plan's investing activities.

Contributions for fiscal year 2011 totaled $382.6 million, up by $25.6 million or 7.2% over fiscal year 2010. The increase in contributions was due to the net of: a) an increase in the actuarial determined contribution rate. The employer contribution rate for fiscal year 2011 was 20.6% of covered payroll compared to 18.5% of covered payroll for fiscal year 2010.

Pension Plan (Continued)

Net investment income amounted to $2.5 billion, an increase of $1.1 billion or 75.1% when compared with $1.4 billion from the prior fiscal year. Investment income increased in 2011 due to favorable capital markets.

Deductions from Plan Net Assets

Costs associated with the Pension Plan include benefit payments to members, refund of contributions due to termination and member death, and administrative expenses.

Deductions for the fiscal year ended June 30, 2011 totaled $802.7 million, an increase of $18.8 million over 2010. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of pensioners and beneficiaries.

Health Subsidy Plan

A summary of the Health Subsidy Plan's net assets and changes in net assets are presented below:

Plan Net Assets

Condensed Statement of Plan Net Assets

(In Thousands)

	2011	2010	Change	% Change
Cash	$ 329	$ 308	$ 21	6.82%
Receivables	4,359	7,324	(2,965)	(40.5)%
Investments	910,546	719,340	191,206	26.6%
Total Assets	915,234	726,972	188,262	25.9%
Liabilities	34,031	23,990	10,041	41.9%
Net Assets	$ 881,203	$ 702,982	$ 178,221	25.4%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Health Subsidy Plan (Continued)

Net assets increased by $178.2 million (or 25.4%) to $881.2 million when compared to $703.0 million of the prior fiscal year. Investments went up by $191.2 million when compared with the prior fiscal year, due to favorable capital markets.

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets

(In Thousands)

	2011	2010	Change	% Change
Additions				
Employer Contributions	$ 111,681	$ 106,648	$ 5,033	4.7%
Net Investment Income	156,461	83,310	73,151	87.8%
Other Income	131	89	42	47.2%
Total additions	268,273	190,047	78,226	41.2%
Deductions				
Benefits Payment	89,271	82,911	6,360	7.7%
Administrative Expenses	781	737	44	6.0%
Total Deductions	90,052	83,648	6,404	7.7%
Net Increase	178,221	106,399	71,822	67.5%
Net Assets, Beginning of Year	702,982	596,583	106,399	17.8%
Net assets, End of Year	$ 881,203	$ 702,982	$ 178,221	25.4%

Additions to Plan Net Assets

Total additions to net assets increased $78.2 million compared to fiscal year 2010. This is due primarily to an increase in net investment income by $73.2 million mostly attributed to favorable capital markets, and an increase in contributions of $5.0 million or 4.7% over fiscal year 2010. For fiscal year 2011, the employer contribution rate is 8.3% of covered payroll compared to 7.9% for fiscal year 2010.

Health Subsidy Plan (Continued)

<u>Deductions from Plan Net Assets</u>

Deductions represent medical and dental insurance premiums paid for the pensioners and beneficiaries and administrative expenses. Current year deductions were $6.4 million or 7.7% more than the total deductions of the prior year. This is due primarily to increase in the medical and dental insurance premiums and increase in the number of pensioners and beneficiaries.

REQUEST FOR INFORMATION

This financial report is designed to provide the Board of Fire and Police Pension Commissioners, members, investment managers and creditors with a general overview of the System's finances. Questions concerning any of the information provided in this report or requests or requests for additional information should be addressed to:

Michael A. Perez, General Manager
City of Los Angeles Fire and Police Pension System
360 E. Second Street, Suite 400
Los Angeles, CA 90012

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011			2010		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ASSETS						
Cash	$ 5,044,952	$ 328,585	$ 5,373,537	$ 4,991,814	$ 307,562	$ 5,299,376
Receivables						
Accrued Interest and Dividends	45,318,563	2,951,664	48,270,227	42,382,113	2,611,302	44,993,415
Contributions	4,196,667	-	4,196,667	3,805,162	-	3,805,162
Due from Brokers	21,603,670	1,407,078	23,010,748	76,483,072	4,712,375	81,195,447
Total Receivables	71,118,900	4,358,742	75,477,642	122,670,347	7,323,677	129,994,024
Investments at Fair Value						
Temporary	591,937,996	38,553,782	630,491,778	360,485,938	22,210,732	382,696,670
U.S. Government Obligations	1,729,429,603	112,640,264	1,842,069,867	1,177,378,205	72,542,170	1,249,920,375
Domestic Corporate Bonds	1,118,181,142	72,828,763	1,191,009,905	1,620,410,932	99,838,883	1,720,249,815
Foreign Bonds	17,726,891	1,154,578	18,881,469	9,704,355	597,918	10,302,273
Domestic Stocks	5,624,750,153	366,348,153	5,991,098,306	4,479,024,803	275,967,548	4,754,992,351
Foreign Stocks	2,283,651,627	148,737,550	2,432,389,177	1,767,160,679	108,880,621	1,876,041,300
Real Estate	1,054,001,972	68,648,681	1,122,650,653	945,965,238	58,284,050	1,004,249,288
Alternative Investments	1,560,454,311	101,634,657	1,662,088,968	1,314,950,301	81,018,442	1,395,968,743
Total Investments	13,980,133,695	910,546,428	14,890,680,123	11,675,080,451	719,340,364	12,394,420,815
TOTAL ASSETS	14,056,297,547	915,233,755	14,971,531,302	11,802,742,612	726,971,603	12,529,714,215
LIABILITIES						
Accounts Payable and Accrued Expenses	8,852,470	539,056	9,391,526	7,725,636	440,473	8,166,109
Benefits in Process of Payment	13,125,933	265,838	13,391,771	12,848,726	245,992	13,094,718
Due to Brokers	286,310,963	18,647,849	304,958,812	120,115,012	7,400,684	127,515,696
Mortgage Payable	223,820,378	14,577,747	238,398,125	258,102,899	15,902,574	274,005,473
TOTAL LIABILITIES	532,109,744	34,030,490	566,140,234	398,792,273	23,989,723	422,781,996
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068	$ 11,403,950,339	$ 702,981,880	$ 12,106,932,219

The notes are an integral part of these financial statements.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ADDITIONS						
Contributions						
Employer Contributions	$ 277,092,251	$ 111,681,208	$ 388,773,459	$ 250,516,858	$ 106,648,282	$ 357,165,140
Member Contributions	105,534,628	-	105,534,628	106,480,004	-	106,480,004
Total Contributions	382,626,879	111,681,208	494,308,087	356,996,862	106,648,282	463,645,144
Investment Income						
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	2,267,008,678	139,746,840	2,406,755,518	1,216,720,480	69,931,487	1,286,651,967
Interest	76,976,680	4,745,129	81,721,809	92,156,977	5,296,758	97,453,735
Dividends	185,389,183	11,428,078	196,817,261	149,342,164	8,583,500	157,925,664
Net Real Estate Income	36,921,244	2,275,963	39,197,207	20,103,644	1,155,465	21,259,109
Income from Alternative Investments	17,635,470	1,087,116	18,722,586	15,783,796	907,180	16,690,976
Securities Lending Income	2,367,899	145,966	2,513,865	4,220,749	242,589	4,463,338
Less: Securities Lending Expense	(259,291)	(15,984)	(275,275)	(644,168)	(37,024)	(681,192)
Other Income	4,471,989	275,670	4,747,659	3,374,581	193,956	3,568,537
Subtotal	2,590,511,852	159,688,778	2,750,200,630	1,501,058,223	86,273,911	1,587,332,134
Less: Investment Manager Expense	(52,357,054)	(3,227,483)	(55,584,537)	(51,559,868)	(2,963,424)	(54,523,292)
Net Investment Income	2,538,154,798	156,461,295	2,694,616,093	1,449,498,355	83,310,487	1,532,808,842
Other Income						
Miscellaneous	2,123,865	130,923	2,254,788	1,544,697	88,782	1,633,479
Total Other Income	2,123,865	130,923	2,254,788	1,544,697	88,782	1,633,479
TOTAL ADDITIONS	2,922,905,542	268,273,426	3,191,178,968	1,808,039,914	190,047,551	1,998,087,465
DEDUCTIONS						
Pension Benefits	786,860,516	-	786,860,516	768,113,512	-	768,113,512
Payment of Health Subsidy	-	81,401,095	81,401,095	-	75,414,438	75,414,438
Payment of Medicare Reimbursement	-	7,870,389	7,870,389	-	7,496,874	7,496,874
Refund of Contributions	3,145,172	-	3,145,172	2,945,586	-	2,945,586
Administrative Expenses	12,662,390	780,557	13,442,947	12,824,352	737,084	13,561,436
TOTAL DEDUCTIONS	802,668,078	90,052,041	892,720,119	783,883,450	83,648,396	867,531,846
NET INCREASE	2,120,237,464	178,221,385	2,298,458,849	1,024,156,464	106,399,155	1,130,555,619
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	11,403,950,339	702,981,880	12,106,932,219	10,379,793,875	596,582,725	10,976,376,600
End of Year	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068	$ 11,403,950,339	$ 702,981,880	$ 12,106,932,219

The notes are an integral part of these financial statements.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - DESCRIPTION OF THE PLANS

The City of Los Angeles Fire and Police Pension System (the System or the Plan) operates under the City of Los Angeles Charter and Administrative Code provisions, which provide that the funding requirements of the System will be satisfied by the City of Los Angeles. The funding requirements of the System are determined by the result of annual actuarial valuations.

Pension Plan

The System's Pension Plan is a defined benefit single-employer pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor port police officers of the City of Los Angeles. 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 ended June 30, 1983, or have since been hired. At June 30, 2011, the System is composed of five tiers. Effective on July 1, 2011, a new pension tier, Tier 6, is added. Benefits are based on the 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.

Tier 1 includes members hired on or before January 28, 1967. Tier 2 includes members hired from January 29, 1967 through December 7, 1980, and those Tier 1 members who transferred to Tier 2 during the enrollment period of January 29, 1967 to January 29, 1968. Tier 3 includes members hired from December 8, 1980 through June 30, 1997 and those Tier 4 members hired during the period of July 1, 1997 through December 31, 1997 who elected to transfer to Tier 3 by the enrollment deadline of June 30, 1998. Tier 4 includes members hired from July 1, 1997 through December 31, 2001 and those Tier 3 members who elected to transfer to Tier 4 by the enrollment deadline of June 30, 1998. Tier 5 includes all firefighters and police officers hired from January 1, 2002 through June 30, 2011. Active members of Tiers 2, 3, and 4 were allowed to transfer to Tier 5 during the enrollment period of January 2, 2002 through December 31, 2002. Tier 5 is also the tier for all Harbor port police officers hired from January 8, 2006 through June 30, 2011. Harbor port police officers hired before January 8, 2006 who were members of LACERS were allowed to transfer to Tier 5 during the enrollment period of January 8, 2006 to January 5, 2007. The new Tier 6 will include members hired on or after July 1, 2011. The City Council may by ordinance authorize members of other Tiers to voluntarily transfer to Tier 6, provided such transfers shall be actuarially cost neutral to the System.

Tier 1 members hired prior to January 17, 1927 with 20 years of service are entitled to annual pension benefits equal to 50%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 members hired on or after January 17, 1927 with 20 or more years of service are entitled to annual pension benefits equal to 40%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 has no minimum age requirement and provides for unlimited post-employment cost-of-living adjustments (COLA) based on the Consumer Price Index (CPI). Tier 1 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 plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

Tier 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 70% for 30 years. Tier 2 has no minimum age requirement and provides for unlimited post-employment COLAs based on the CPI. Tier 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 plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 3 members must be at age 50, with 10 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 20% of the monthly average of a member's salary during any 12 consecutive months of service as a Plan Member (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-employment COLAs based on the CPI to a maximum of 3% per year. The Los Angeles City Council (City Council) may grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 4 members 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-employment COLAs based on the CPI to a maximum of 3% per year. The City Council may grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment before they are eligible for pension benefits do not receive a refund of contributions.

Tier 5 members 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-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. On July 1, 2010 and 2009, eligible Tier 5 pensioners, including Tier 5 pensioners in DROP, had no COLA deposit in their COLA bank. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be age 50, with at least 20 years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year (or 24-month) final average compensation, increasing for each year of service over 20 years to a maximum of 90% for 33 years. Tier 6 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Health Subsidy Plan

Members of the System are entitled to post-employment health subsidy benefits under Sections 1330, 1428, 1518 and 1618 of the City Charter, Section 4.2018 of the Administrative Code, and related ordinances. Members who retire from the System with at least 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 on or after July 1, 1998, regular benefits begin at age 55.

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.

Administrative Code Section 4.1154 (e) provides that, on an annual basis beginning in 2006, the System's Board is authorized to make discretionary changes to the maximum monthly subsidy, so long as no increase exceeds the lesser of a 7% increase or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year. Effective July 1, 2010, the maximum subsidy amount is $1,025.62 per month. The maximum monthly subsidy for fiscal year 2010 was $958.52. The System also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

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, 2011 and 2010, total net assets in the amounts of $881,203,265 and $702,981,880, respectively, were available for the Health Subsidy Plan. Effective July 1, 2008, actual employer contributions and benefit payments relating to health subsidy benefits are separately accounted to comply with Internal Revenue Code Section 401 (h).

Health Insurance Premium Reimbursement Program

Effective January 1, 2001, members of the System are entitled to post-employment 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 at least ten years of sworn service and must meet 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 the maximum subsidy for health care. The maximum monthly subsidy for fiscal years 2011 and 2010 were $1,025.62 and $958.52, respectively. For members with Medicare Parts A and B, a different subsidy maximum is used. The System also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Dental Subsidy Plan

Effective January 1, 2002, members of the System are entitled to post-employment dental subsidy benefits under Section 4.1164 of the Administrative Code. Members who retire from the System with at least 10 years of service, are age 55 years or older, and 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 lower of the dental subsidy in effect for LACERS (civilian retirees) or active Safety Members. The maximum monthly subsidy amount was $36.16 for the period January 1, 2010 through June 30, 2011. 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, 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 DROP. Members who enroll continue to work and receive their active salary up to five 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 to their DROP accounts. DROP account balances 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 their DROP participation, plus applicable COLAs.

At June 30, 2011 and 2010, 1,201 and 1,089 pensioners, respectively, were enrolled in the DROP program, with total estimated values of the DROP accounts of approximately $224,699,403 and $214,000,000, respectively.

SINCE THE PLAN INCLUDES DETAILED PROVISIONS FOR EACH SITUATION, MEMBERS SHOULD REFER TO THE CITY CHARTER AND ADMINISTRATIVE CODE FOR MORE COMPLETE INFORMATION.

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Membership

The components of the System's membership at June 30, 2011 and 2010 are as follows:

	2011	2010
Active Nonvested:		
Tier 1	--	--
Tier 2	--	--
Tier 3	4	5
Tier 4	204	218
Tier 5	8,416	8,733
	8,624	8,956
Active Vested:		
Tier 1	--	--
Tier 2	115	140
Tier 3	933	949
Tier 4	193	204
Tier 5	3,567	3,405
	4,808	4,698
Pensioners and Beneficiaries:		
Tier 1	686	749
Tier 2	8,727	8,909
Tier 3	459	443
Tier 4	185	160
Tier 5	2,322	2,087
	12,379	12,348
	25,811	26,002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

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).

Investments and Method Used to Value 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. 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 A1 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 System's Statements of Changes in Plan Net Assets.

The category of alternative investments includes private equity and hedge funds. Private equity investments are comprised predominantly of limited partnerships that invest mainly in privately-owned companies. Hedge funds are pooled investment programs that invest in a wide variety of asset classes and use a wide variety of approaches. The use of leverage and short selling is a common characteristic. The Fund invests in hedge funds using what are known as fund of funds. The Fund hires a manager skilled in the selection of hedge funds that then builds a diversified portfolio of individual hedge funds.

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 Statements 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 recorded on ex-dividend date and interest income are accrued as earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Method Used to Value Investments (Continued)

Investments are carried at fair value. The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Investments for which market quotations are not readily available are valued at their fair value. The fair values of private equity 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. Hedge Fund of Fund investments are valued by the fund manager based upon the information it receives from individual hedge fund managers that it has invested the money with. 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 or based on audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The fair values of real estate investment funds are provided by the individual real estate fund managers.

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.

Use of 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 AND CONTRIBUTION INFORMATION

As a condition of participation, members are required to contribute a percentage of their salaries to the System. Tier 1 members were required by the City Charter to contribute 6% of salary. The System's actuary 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. Tiers 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of the Tier 5 required contribution rate contingent on the System remaining at least 100% actuarially funded for pension benefits. Since July 1, 2006, Tier 5 members have been required to contribute 9% of salary because the System has remained less than 100% actuarially funded for pension benefits as determined by the System's actuary. The new Tier 6 members will be required to contribute 11% (which includes 2% to support funding of retiree health benefits) of salary.

The City Charter 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" resulting from plan amendments 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 Subsidy Plan.

Accordingly, the City's contributions as determined by the System's actuary for items A, B, and C above, net of early payment discount, for the fiscal years ended June 30, 2011 and 2010 to be as follows ($ in millions):

Fiscal Year Ended June 30, 2011						Harbor
	Fire and Police					Police
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 5
Entry-Age Normal Cost Contribution	N/A	22.91%	16.76%	15.34%	18.51%	18.76%
Amortization of Unfunded Liability*	$17.6	$(25.2)	$21.0	$9.5	$252.3	$2.6
Health Subsidy Plan*	$ 2.1	$38.3	$ 6.6	$3.5	$ 60.7	$0.5

Fiscal Year Ended June 30, 2010						Harbor
	Fire and Police					Police
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 5
Entry-Age Normal Cost Contribution	N/A	23.32%	17.80%	16.21%	19.44%	19.72%
Amortization of Unfunded Liability*	$18.2	$(30.9)	$22.1	$9.6	$229.9	$1.6
Health Subsidy Plan*	$ 2.0	$39.2	$ 7.2	$3.6	$ 54.2	$0.4

*Stated as required dollar amount.

NOTE 3 - FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

During fiscal year 2011, total contributions of $494,308,087 ($388,773,459 from the employer and $105,534,628 from the members) were made, 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, 2009. For the Pension Plan, fiscal year 2011 employer contributions included $235.8 million for normal cost and $41.3 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2011 employer contributions consisted of $45.1 million for normal cost and $66.5 million for unfunded actuarial accrued liability annual amount.

During fiscal year 2010, total contributions of $463,645,144 ($357,165,140 from the employer and $106,480,004 from the members) were made, 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, 2008. For the Pension Plan, fiscal year 2010 employer contributions included $244.0 million for normal cost and $6.5 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2010 employer contributions consisted of $44.0 million for normal cost and $62.6 million for unfunded actuarial accrued liability annual amount.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS

The System engages an actuarial firm to conduct annual actuarial valuations of the Pension Plan and Health Subsidy Plan to monitor the System's funding status and funding integrity.

Pension Plan

The June 30, 2011 and 2010 annual valuations determined the funding status to be 86.3% and 91.6%, respectively. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 86.3% to 81.6%.

The funded status of the Pension Plan as of June 30, 2011, the most recent actuarial valuation date is as follows ($ in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) – (a)) / (c)
$14,337,669	$16,616,476	$2,278,807	86.3%	$1,343,963	169.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tier 2, level percent of payroll amortization is used ending on June 30, 2037 as a percent of total valuation payroll. Actuarial losses are amortized over the shorter of 15 years or the remaining amortization period ending June 30, 2037. For other Tiers, level percent of payroll with multiple layers. Actuarial gains/losses are amortized over 15 years (21 and 17 years for gains/losses emerging at the June 30, 2007 and June 30, 2008 valuations, respectively). Plan and assumption changes are amortized over 30 years.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Pension Plan (Continued)

Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Assumptions:	
Investment Return Rate	7.75%
Inflation Rate	3.50%
Real Across-the-board Salary Increase	0.75%
Projected Salary Increase	3.50% inflation per year; plus 0.75% "across the board" salary increase; plus Merit and Longevity increases ranging from 1% to 8% based on years of service.
Cost of Living Adjustments	3.50% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income.
Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality Table (separate for males and females) set back four years for members. RP-2000 Combined Health Mortality Table (separate for males and females) set back two years for beneficiaries.
Disabled	RP-2000 Combined Health Mortality Table (separate for males and females) set back two years.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan

The June 30, 2011 and 2010 annual valuations determined the funding status to be 34.5% and 32.2%, respectively. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 34.5% to 32.7%.

The funded status of the Health Subsidy Plan as of June 30, 2011, the most recent actuarial valuation date is as follows ($ in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) – (a)) / (c)
$ 882,890	$ 2,557,607	$1,674,717	34.5%	$ 1,343,963	124.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	30 years closed, level percent of pay (with the exception of Tier 1 that is amortized as a level dollar amount)
Remaining Amortization Period	25 years as of June 30, 2011
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Assumptions:	
Investment Return Rate	7.75%
Inflation rate	3.50%
Real Across-the-board Salary Increase	0.75%
Projected Salary Increase	4.25%

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Health care cost trend rate (To calculate following year's premium):

Medical	9% in 2011-2012 and 2012-2013, then decreasing by 0.5% for each year for eight years until it reaches an ultimate rate of 5%.
Dental	5%
Medical Part B Premium	The 2012-2013 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.
Medical Subsidy Trend	For employees not subject to freeze: For all non-Medicare retires, increase at lesser of 7% or medical trend. For Medicare retirees with single party premium, increase with medical trend. For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2011 (e.g. Fire Medical), increase with medical trend. For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2011 (e.g. Police Blue Cross), increase with lesser of 7% or medical trend.

The following assumptions were adopted by the System's Board based on the actuarial experience study and the economic assumptions study as of June 30, 2010:

Data	Detailed census data and financial data for post-employment benefits were provided by the System.
Actuarial Cost Method	Entry age normal, level percent of pay.
Administrative Expenses	No administrative expenses were valued separately from the claim costs.
Spouse Age Difference	Husbands are assumed to be 4 years older than wives.

Participation

Service Range (Years)	Assumption for Future Retirees Under 65 (Percentage)	Assumption for Future Retirees Over 65 (Percentage)
10-14	45	80
15-19	60	85
20-24	70	90
25 and over	95	95

Medicare Coverage	100% of future retirees are assumed to elect Medicare Parts A and B.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Dental Coverage	75% of future retirees are assumed to elect dental coverage.
Spousal Coverage	Of future retirees receiving a medical subsidy, 80% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date, spousal coverage is based on census data.
Implicit Subsidy	No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

Other actuarial assumptions on mortality rates, termination rates, retirement rates, net investment return, and future benefit accruals are the same as for pension plan benefits.

The per capita cost assumptions were based on premium, subsidy, and census data provided by the System and are summarized as follows:

For Participants under Age 65:

		Maximum Subsidies		
Plan	Assumed Election Percentage	Single	Married	Surviving Spouse
Fire Medical	75	$1,097.41	$1,097.41	$595.60
Fire Kaiser	15	1,097.41	1,097.41	595.60
Fire Blue Cross	5	1,097.41	1,097.41	595.60
Fire California Care	5	1,097.41	1,097.41	595.60
Police Blue Cross PPO	65	1,097.41	1,097.41	595.60
Police California Care	20	1,097.41	1,097.41	595.60
Police Kaiser	15	1,097.41	1,097.41	595.60
Dental	75	36.16	36.16	0.00

For Participants Age 65 and Over:

		Maximum Subsidies		
Plan	Assumed Election Percentage	Single	Married	Surviving Spouse
Fire Medical	90	$480.41	$735.50	$480.41
Fire Kaiser	10	480.41	750.12	480.41
Fire Blue Cross	0	480.41	841.12	480.41
Fire California Care	0	480.41	764.30	480.41
Police Blue Cross PPO	75	480.41	873.02	480.41
Police California Care	10	480.41	792.27	480.41
Police Kaiser	15	480.41	447.98	480.41
Dental	75	36.16	36.16	0.00
Medicare B	100	115.40	115.40	115.40

NOTE 5 - 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 fair value plus any accrued interest for U.S. securities lending and 105 percent of the fair value plus any accrued interest for non-U.S. securities lending. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

The borrower has all incidents of ownership with respect to borrowed securities and collateral including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify the System as a result of the custodian's failure to: (1) make a 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 fair 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 Statements of Plan Net Assets. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

As of June 30, 2011 and 2010, the fair value of securities lent were $393,761,554 and $492,575,205, respectively and the fair value of non-cash collateral received were $407,252,526 and $519,350,492, respectively. There was no cash collateral reported at the end of the fiscal years 2011 and 2010. Non-cash collateral, which the system does not have the ability to pledge or sell unless the borrower defaults, is not reported in the Statements of Plan Net Assets.

NOTE 5 - SECURITIES LENDING (Continued)

The following represents the balances relating to the security lending transactions as of June 30, 2011 and 2010.

Fair Value of loaned securities and collateral received as of June 30, 2011:

Securities	Securities Lent	Non-Cash Collateral
U. S. Government and Agency Securities	$199,097,441	$202,739,831
Domestic Corporate Fixed Income Securities	20,356,958	20,770,902
International Stocks	174,307,155	183,741,793
	$393,761,554	$407,252,526

Fair Value of loaned securities and collateral received as of June 30, 2010:

Securities	Securities Lent	Non-Cash Collateral
U. S. Government and Agency Securities	$ 50,193,707	$ 51,738,156
Domestic Corporate Fixed Income Securities	2,337,870	2,399,749
International Stocks	440,043,628	465,212,587
	$492,575,205	$519,350,492

For the fiscal years ended June 30, 2011 and 2010, securities lending income amounted to $2,513,865 and $4,463,338, respectively; while securities lending expenses amounted to $275,275 and $681,192, respectively.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS

The Board is responsible for adopting an investment policy using the "prudent person standard" per Article XI, Section 1106 (c) of the City Charter. Investments are made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with like aims.

The System considers investments purchased with a maturity of 12 months or less to be temporary investments. At June 30, 2011, cash and temporary investments consisted of $5,373,537 cash held by the City Treasurer's office and $630,491,778 in collective short-term investment funds (STIF). At June 30, 2010, cash and temporary investments consisted of $5,299,376 cash held by the City Treasurer's office and $382,696,670 in collective short-term investment funds (STIF). Cash held by the City Treasurer's office is pooled with funds of other City agencies and is not individually identifiable.

Credit Risk

Credit risk is the risk that an issuer or a counter party to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income securities in order to obtain the highest total return at an acceptable level of risk within this asset class.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Credit Risk (Continued)

As of June 30, 2011, the credit ratings of the System's fixed income investments in U.S. Government obligations, domestic corporate and foreign bonds are as follows:

Credit Rating	Fair Value	Percentage
AAA	$ 1,266,448,127	42.66%
AA	107,361,075	3.62%
A	205,927,728	6.94%
BBB	238,462,555	8.03%
BB	220,102,014	7.42%
B	221,462,650	7.46%
CCC	45,728,790	1.54%
CC	7,473,710	0.25%
C	1,738,536	0.06%
Not Rated	653,580,922	22.02%
Subtotal	2,968,286,107	100.00%
U. S. Government Issued or Guaranteed Securities	83,675,134	
Total Fixed Income Investments	$ 3,051,961,241	

As of June 30, 2010, the credit ratings of the System's fixed income investments in U.S. Government obligations, domestic corporate and foreign bonds are as follows:

Credit Rating	Fair Value	Percentage
AAA	$ 1,039,422,846	38.60%
AA	76,747,762	2.85%
A	202,777,131	7.53%
BBB	218,453,797	8.11%
BB	251,564,388	9.34%
B	201,379,029	7.48%
CCC	47,998,610	1.78%
CC	7,291,384	0.27%
C	896,506	0.04%
Not Rated	646,296,040	24.00%
Subtotal	2,692,827,493	100.00%
U. S. Government Issued or Guaranteed Securities	287,644,970	
Total Fixed Income Investments	$ 2,980,472,463	

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the System's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2011 and 2010, the System's exposure to custodial credit risk comprised of foreign currencies held outside the custodial bank amounted to $25,042,723 and $16,820,020, respectively.

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counter party, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the System's name, and held by the counter party. As of June 30, 2011 and 2010, the System's investments in publicly traded stocks and bonds were not exposed to custodial risk since they are all held by the custodian and are registered in the System's name. As of June 30, 2011 and 2010, the System’s investments in hedge fund of funds of $598,654,338 and $560,841,800, private equity of $1,063,434,630 and $835,126,943, and commingled real estate funds of $530,167,289 and $399,362,406, were exposed to custodial credit risk, respectively.

Concentration of Credit Risk

Concentration of credit risk exists when the System has investments in a single issuer totaling 5% or more of the total investment portfolio. As of June 30, 2011 and 2010, the System's investment portfolio contained no such concentrations. Securities issued or guaranteed by the U.S. Government are exempt from this limitation.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways the System manages its exposure to interest rate risk is by requiring a fixed income investment manager to maintain the effective duration of their portfolio within a specified range of (1) the Lehman Brothers Aggregate Index for core fixed income investments, (2) the Lehman Brothers Long Term Government/Corporate Index for long duration investments, and (3) the First Boston High Yield Index for high yield investments. The longer the duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the System's investments to interest rate fluctuations is provided in the following table that shows the weighted average effective duration of the System's fixed income investments by investment type.

Fiscal Year 2011

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 55,462,798	9.41
Commercial Mortgages	40,939,657	28.55
Corporate Bonds	1,054,353,868	15.09
Government Agencies Bonds	72,266,758	4.50
Government Bonds	602,859,784	22.18
Government Mortgage Backed Securities	535,420,207	22.56
Index Linked Government Bonds	664,552,438	9.62
Non-Government Backed Collateralized Mortgage Obligations	11,790,377	16.43
Bond Index Fund*	14,315,354	N/A
Total Fixed Income Investments	$ 3,051,961,241	

Fiscal Year 2010

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 57,367,884	7.95
Commercial Mortgages	53,301,499	33.26
Corporate Bonds	1,004,401,482	26.29
Government Agencies Bonds	53,269,857	3.40
Government Bonds	411,856,165	12.44
Government Mortgage Backed Securities	185,976,331	17.93
Index Linked Government Bonds	618,563,309	9.08
Non-Government Backed Collateralized Mortgage Obligations	18,560,389	20.71
Bond Index Fund*	577,175,547	N/A
Total Fixed Income Investments	$ 2,980,472,463	

* Shares are in commingled fixed income funds.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Investments that are highly sensitive to interest rate risk are as follows:

Fiscal Year 2011

Investment Type	Fair Value
Asset Backed Securities	$ 55,462,798
Commercial Mortgages	40,939,657
Government Agencies Bonds	72,266,758
Government Mortgage Backed Securities	535,420,207
Index Linked Government Bonds	664,552,438
Non-Government Backed Collateralized Mortgage Obligations	11,790,377
	$ 1,380,432,235

Fiscal Year 2010

Investment Type	Fair Value
Asset Backed Securities	$ 57,367,884
Commercial Mortgages	53,301,499
Government Agencies Bonds	53,269,857
Government Mortgage Backed Securities	185,976,331
Index Linked Government Bonds	618,563,309
Non-Government Backed Collateralized Mortgage Obligations	18,560,389
	$ 987,039,269

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of deposits or investments. The System's asset allocation policy sets a target of 18% of the total portfolio for non-U.S. investments in equities. The majority of the System's currency exposure comes from its holdings of foreign stocks.

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2011 are as follows:

Foreign Currency Type	Fair Value
Australian Dollar	$ 57,762,580
Brazilian Real	63,282,764
British Pound Sterling	389,017,167
Canadian Dollar	82,835,336
Chilean Peso	827,596
Czech Koruna	4,093,252
Danish Krone	25,392,173
Euro	701,079,354
Hong Kong Dollar	161,605,669
Hungarian Forint	1,760,103
Indian Rupee	41,758,680
Indonesian Rupiah	24,231,706
Japanese Yen	426,138,552
Malaysian Ringgit	15,364,162
Mexican Peso	24,912,869
New Taiwan Dollar	59,132,665
New Zealand Dollar	5,311,923
Norwegian Krone	9,099,974
Philippine Peso	10,066,007
Polish Zloty	11,231,543
Singapore Dollar	12,572,569
South African Rand	27,587,883
South Korean Won	100,381,466
Swedish Krona	54,978,194
Swiss Franc	127,197,560
Thai Baht	7,754,620
Turkish Lira	5,894,279
	$ 2,451,270,646

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS (Continued)

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2010 are as follows:

Foreign Currency Type	Fair Value
Australian Dollar	$ 40,970,220
Brazilian Real	54,934,742
British Pound Sterling	288,704,775
Canadian Dollar	53,090,873
Chilean Peso	1,482,826
Czech Koruna	4,642,175
Danish Krone	13,232,876
Egyptian Pound	342,803
Euro	525,280,946
Hong Kong Dollar	94,507,295
Hungarian Forint	2,410,474
Indian Rupee	21,796,234
Indonesian Rupiah	24,197,346
Japanese Yen	371,614,083
Malaysian Ringgit	9,923,171
Mexican Peso	19,640,446
New Taiwan Dollar	38,654,595
New Zealand Dollar	3,404,882
Norwegian Krone	8,981,240
Philippine Peso	1,652,585
Polish Zloty	10,785,474
Singapore Dollar	12,456,415
South African Rand	26,716,510
South Korean Won	67,716,883
Swedish Krona	43,471,411
Swiss Franc	131,947,672
Thai Baht	4,101,379
Turkish Lira	9,683,242
	$ 1,886,343,573

NOTE 7 - DERIVATIVE INSTRUMENTS

The System, through its outside investment managers, enters into futures and forward foreign currency contracts to manage portfolio risk or use them as substitutes for owning securities. Forward contracts are subject to credit risk if the counterparties to the contracts are unable to meet the terms of the contract. Futures contracts have little credit risk, as organized exchanges are the guarantors. Due to the level of risk associated with derivative investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amount reported in the financial statements.

The fair value values of the futures that are traded on various exchanges are determined by the price on that exchange. Fair values for the currency forward contracts are determined by the exchange rate of the reference currency on the last day of the reporting period.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows ($ in thousands):

	Changes in Fair Value		Fair Value at June 30, 2011		Notional
Type	Classification	Amount	Classification	Amount	Amount
Investment Derivatives:					
Futures – Shorts	Investment Income	$ --	Investment	$ --	$(11,387)
Futures – Longs	Realized Loss	1,142	Investment	--	--
Forwards	Unrealized Loss	345	Investment	(248)	--
	Realized Loss	7,915			
Rights/Warrants	Unrealized Gain	1,160	Investment	1,241	--
	Realized Gain	645			

At June 30, 2011, the System held futures-shorts with a notional value of negative $11,387,023 and futures-longs with a realized loss of $1,141,783 for the fiscal year. The System held forwards with a fair value of negative $247,925 and rights and warrants with a fair value of $1,241,107. Losses of $8,260,107 for forwards and earnings of $1,805,252 for rights and warrants were reported for the fiscal year.

NOTE 7 - DERIVATIVE INSTRUMENTS (Continued)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows ($ in thousands):

	Changes in Fair Value		Fair Value at June 30, 2010		Notional
Type	Classification	Amount	Classification	Amount	Amount
Investment Derivatives:					
Futures – Shorts	Investment Income	$ --	Investment	$ --	$ 21,837
Futures – Longs	Realized Gain	337	Investment	--	6,467
Forwards	Unrealized Gain	1,452	Investment	97	--
	Realized Gain	3,498			
Rights/Warrants	Unrealized Loss	3,139	Investment	81	--
	Realized Gain	5,880			

At June 30, 2010, the System held futures-shorts with a notional value of $21,837,200 and futures-longs with the notional value of $6,467,091 with a realized gain of $336,910 for the fiscal year. The System held forwards with a fair value of $96,662 and rights and warrants with a fair value of $80,655. Earnings of $4,949,436 and $2,740,613 were reported for forwards and rights/warrants, respectively for the fiscal year.

NOTE 8 - MORTGAGES PAYABLE

Mortgages are secured by real estate. For fiscal year 2011, interest rates range from 4.03% to 7.50% per annum. The average monthly principal and interest payment ranges from $47,790 to $459,542. For fiscal year 2010, interest rates range from 4.59% to 7.50% per annum. The average monthly principal and interest payments range from $47,790 to $1,085,055. The mortgages maturity dates range from July 2012 to June 2031.

Principal and interest payments due under such mortgages are as follows:

Fiscal Year Ending	Principal	Interest	Total
2012	$ 1,638,288	$ 13,865,185	$ 15,503,473
2013	26,760,255	12,487,827	39,248,082
2014	12,294,062	11,811,412	24,105,474
2015	83,331,454	6,983,827	90,315,281
2016	36,443,470	6,063,729	42,507,199
2017 through 2021	52,815,987	14,086,804	66,902,791
2022 through 2026	20,200,800	3,133,439	23,334,239
2027 through 2031	4,913,809	772,354	5,686,163
	$ 238,398,125	$ 69,204,577	$ 307,602,702

NOTE 9 - OPERATING LEASE

The System leases office space under an operating lease that expires on April 14, 2014. The annual lease payments for the fiscal years ended June 30, 2011 and 2010 were $1,042,094 and $879,238, respectively.

The minimum lease commitments for the future fiscal years are as follows:

Fiscal Year Ending June 30	
2012	$ 780,000
2013	950,000
2014	760,000
	$ 2,490,000

NOTE 10 - CONTINGENCIES

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 were $1,417,834,360 and $1,352,236,494 as of June 30, 2011 and 2010, respectively.

The Charter and the Administrative Code of the City of Los Angeles provide that member contributions as of June 30 and December 31 of each year earn interest at a rate based on investment earnings, exclusive of gains and losses on principal resulting from sales of securities.

Investment Commitments

The System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $3,206,716,538 and $2,804,779,198 at June 30, 2011 and 2010, respectively. The System is in negotiation with the State of Arizona over the value received in a taking of property that was owned by the System and might result in an additional payment to the System for the property.

NOTE 11 - DONATIONS

From 1999 to 2002, the System received donations of non-voting common stock of non-public corporations, pursuant to repurchase agreements, between the System and the donors, structured entirely by the donors' tax advisers. Under the terms of the agreements, the System, although the owner of the donated common stock, acknowledged that: the non-voting common shares have not been registered under the Federal Securities Act of 1933 or qualified under the California Corporate Securities Law of 1968; that no public market exists with respect to the non-voting common shares; and, that the common shares are subject to a right of first refusal prohibiting the System from selling or otherwise disposing of any common shares without first offering to sell them to the donor. The shares are recorded at carry and market values of zero for the following reasons: (1) there is no public market for the shares, (2) the System does not have the right to sell or otherwise dispose of the shares until the agreed upon future date, and (3) the shares were received as a donation for no consideration. Donation income is only recorded if cash dividends are received from the stock while in the possession of the System or when the stock is sold.

As previously reported in fiscal year 2005, the System has been informed that the Internal Revenue Service is disputing the tax treatment claimed by the donors in connection with these donations of stock. There have been no allegations of inappropriate activity by the System. The last donation of private equity accepted by the System was in 2002. The System has sold or returned the majority of donation of private equity since August 2005. The System has received the following income from these donations: $2,685,000 in 2002; $2,918,066 in 2003; $14,402,308 in 2004; $7,791,262 in 2005; none in 2006; $864,281 in 2007; $67,568 in 2008; $50,676 in 2009; and no dividends were received in 2010.

NOTE 12 - PATIENT PROTECTION AND AFFORDABLE CARE ACT

The Patient Protection and Affordable Care Act (Act) was signed into law in March 2010. One key provision of the legislation is the assessment of a 40% excise tax on the cost of health plans for plans that exceed certain threshold. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are $11,850 for single coverage and $30,950 for family coverage. For all other retirees the thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. The impact of the Act was not reflected in the annual actuarial valuation as of June 30, 2011. The System's actuary estimates that the projected excise tax will increase the fiscal year 2013 annual required contribution (ARC) by approximately 0.66% of payroll. The increase in the UAAL is approximately $98.6 million and the decrease in the funded ratio is approximately 1.28%.

NOTE 13 - RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Plan Net Assets.

NOTE 14 - SUBSEQUENT EVENTS

Freeze in Medical Subsidies

Subsequent to June 30, 2011, the City adopted an ordinance to freeze the maximum monthly medical plan premium subsidies and medical plan premium reimbursements at the effective rate as of July 1, 2011 for Plan members who retire on or after July 15, 2011, or who enter the DROP on or after July 15, 2011. An active member may opt to make voluntary additional contributions by salary deduction at the rate of 2% of regular biweekly base salary for the vesting of retiree health benefit increases. The right to make the opt-in election shall be limited to 45 days.

Three-Year Phase-in of Actuarial Experience Study

On July 7, 2011, the Board adopted the actuarial experience study for the period July 1, 2007 through June 30, 2010. These adopted actuarial assumptions are used to determine the City's contribution rates for fiscal year 2013. On September 1, 2011, the Board elected to phase in the impact of the new actuarial assumptions on the City's contribution rates over a three-year period beginning fiscal year 2013. The before and after phase-in fiscal year 2013 contribution rates (assuming payment at the beginning of the year) are summarized below.

	Before Three-year Phase-in	After Three-year Phase-in
Pension Plan	31.33%	29.37%
Health Subsidy Plan	10.93%	10.38%
Total	42.26%	39.75%

The System's actuary estimates that the reduction in the funded ratios at the end of the three-year phase-in period to be approximately 0.24% and 0.53% for the Pension Plan and Health Subsidy Plan, respectively.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

SCHEDULE 1A

SCHEDULE OF FUNDING PROGRESS – PENSION PLAN
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL As a % of Payroll
June 30, 2006	$12,121,402,902	$12,811,383,737	$689,980,835	94.6%	$1,092,814,844	63.1%
June 30, 2007	13,215,668,458	13,324,089,628	108,421,170	99.2%	1,135,591,951	9.5%
June 30, 2008	14,153,296,122	14,279,115,742	125,819,620	99.1%	1,206,589,277	10.4%
June 30, 2009	14,256,610,416	14,817,145,691	560,535,275	96.2%	1,357,248,936	41.3%
June 30, 2010	14,219,580,662	15,520,624,313	1,301,043,651	91.6%	1,356,986,475	95.9%
June 30, 2011	14,337,669,409	16,616,476,266	2,278,806,857	86.3%	1,343,963,356	169.6%

SCHEDULE 1B

SCHEDULE OF FUNDING PROGRESS – HEALTH SUBSIDY PLAN
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL As a % of Payroll
June 30, 2006	$613,782,166	$1,631,187,439	$1,017,405,273	37.6%	$1,092,814,844	93.1%
June 30, 2007	687,096,380	1,656,653,149	969,556,769	41.5%	1,135,591,951	85.4%
June 30, 2008	767,647,562	1,836,840,337	1,069,192,775	41.8%	1,206,589,277	88.6%
June 30, 2009	809,676,978	2,038,658,698	1,228,981,720	39.7%	1,357,248,936	90.5%
June 30, 2010	817,275,977	2,537,825,016	1,720,549,039	32.2%	1,356,986,475	126.8%
June 30, 2011	882,890,188	2,557,606,524	1,674,716,336	34.5%	1,343,963,356	124.6%

See accompanying independent auditor's report.

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

SCHEDULE 2A

SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
(UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contributions	Percent Contributed
2006	$ 143,945,802	$ 143,945,802	100.00%
2007	224,946,082	224,946,082	100.00%
2008(1)	261,635,491	261,635,491	100.00%
2009	238,697,929	238,697,929	100.00%
2010	250,516,858	250,516,858	100.00%
2011	277,092,251	277,092,251	100.00%

(1) Figures include amounts transferred and contributed during the fiscal year that were related to the transfer of certain Harbor port police members from the Los Angeles City Employees' Retirement System (LACERS).

SCHEDULE 2B

SCHEDULE OF EMPLOYER CONTRIBUTIONS – HEALTH SUBSIDY PLAN
(UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contributions	Percent Contributed
2006	$ 31,413,281 (1)	$ 31,413,281	100.00%
2007	55,162,681 (1)	55,162,681	100.00%
2008	98,033,338 (2)	78,257,328	79.83%
2009	98,444,833 (3)	88,178,910	89.57%
2010	106,648,282	106,648,282	100.00%
2011	111,681,208	111,681,208	100.00%

(1) Payable at the beginning of the year. For years 2007 and prior, Annual Required Contribution may not have been determined in compliance with GASB 43 and 45 due to maximum amortization period and/or for the medical trend rate employed.

(2) Based on the beginning of year contribution rate of 8.15% of compensation calculated in the June 30, 2006 valuation before the phase-in, the Annual Required Contribution dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in as determined in the June 30, 2006 valuation to the actual contributions made during 2007-2008.

(3) Based on the beginning of year contribution rate of 7.89% of compensation calculated in the June 30, 2007 valuation before phase-in. The Annual Required Contribution has been approximated by applying the ratio of the contribution before phase-in to the contribution after the phase-in made during 2008-2009 as determined in the June 30, 2007 valuation to the actual contributions.

See accompanying independent auditor's report.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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, 2011 and 2010, and related statements of changes in plan net assets for the years ended, and have issued our report thereon dated January 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The result of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

S&S

We noted certain matters that we reported to management of the System in a separate letter dated January 20, 2012.

This report is intended solely for the information and use of the Board of Fire and Police Pension Commissioners, the System's audit committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

Los Angeles, California
January 20, 2012

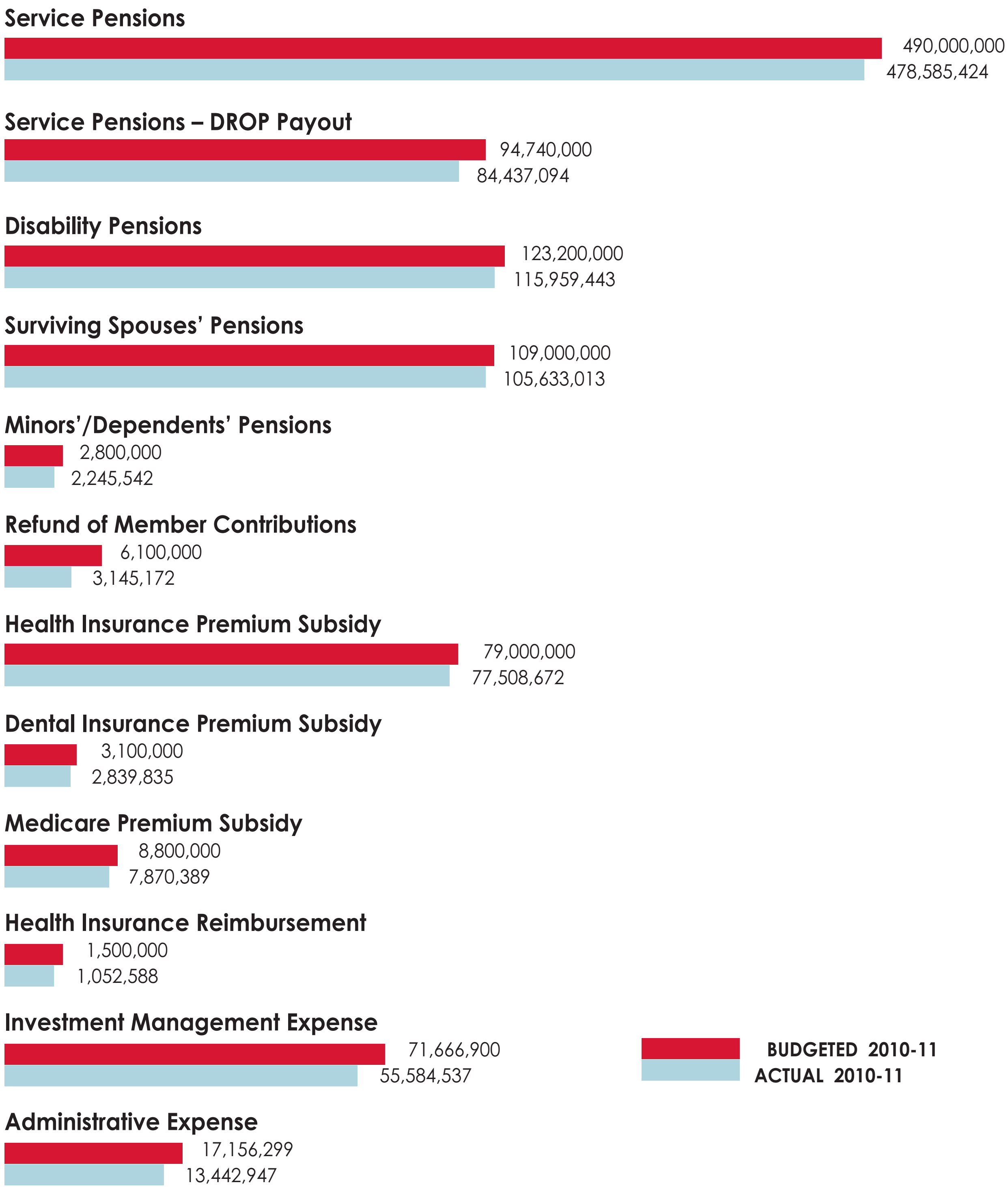
Department Budget

DEPARTMENT BUDGET

RECEIPTS	BUDGETED 2010-11	ACTUAL 2010-11
City Contribution	385,704,037	385,704,037
Special Fund (Harbor)	3,069,422	3,069,422
Excess Benefit Plan[1]	800,208	696,661
Member Contributions	114,321,668	105,534,628
Earnings on Investments	304,876,779	343,445,112
Gain (Loss) on Sale of Investments	—	2,406,755,518
Miscellaneous[2]	1,000,000	2,254,788
Total Receipts	**809,772,114**	**3,247,460,166**

[1] Represents the City of Los Angeles General Fund earmarked to pay excess benefits including associated administrative costs in compliance with IRC Section 415.
[2] Represents receipts from purchase of prior years' pension overpayment.

EXPENDITURES



	Budgeted	Actual
Total Expenditures	**1,007,063,199**	**948,304,656**
Increase (Decrease) in Fund Balance	(197,291,085)	2,299,155,510

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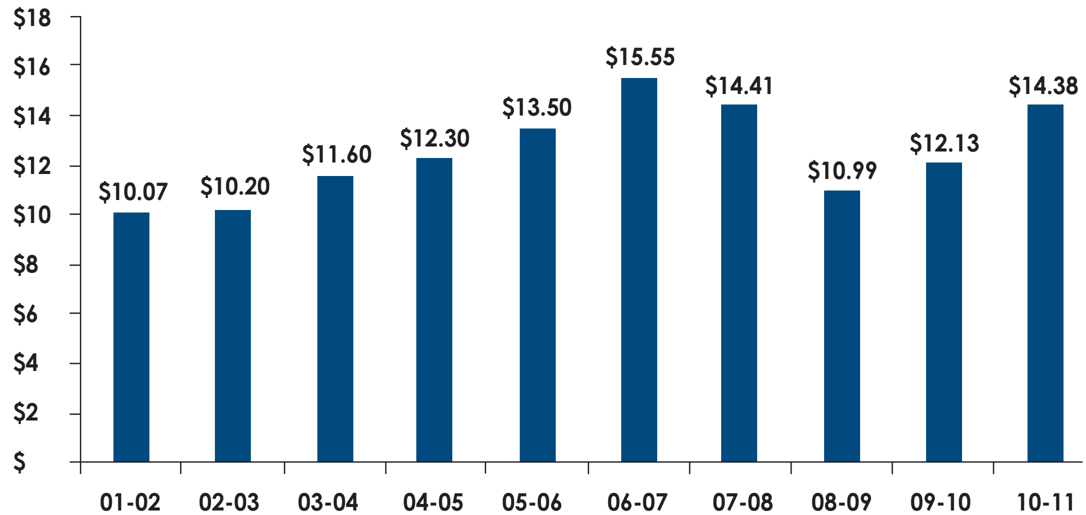
Investments

INVESTMENTS

INTRODUCTION

From July 1, 2006 to June 30, 2011, the System's assets decreased from $15.55 billion to $14.38 billion. The Fund increased by $2.25 billion for the year ending June 30, 2011.

MARKET VALUE GROWTH OF SYSTEM ASSETS
(IN BILLIONS)



INVESTMENT ENVIRONMENT

The bond market (Barclays US Universal Bond Index) produced a return of 4.78 percent for the year ending June 30, 2011. Large company stocks (S&P 500) returned 30.69 percent. Small stocks (Russell 2000 Index) returned 37.41 percent. International stocks (MSCI ACWI ex-U.S. Index) returned 30.27 percent. Real estate, as measured by the National Council of Real Estate Investment Fiduciaries Index (NCREIF Property Index), returned 16.70 percent.

INVESTMENT PERFORMANCE

The investment objective 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 assumed actuarial rate of return of 7.75 percent and investment performance above the median of a sampling of public funds.

For the past five years, the System's annualized return of 4.66 percent did not exceed the actuarial rate of return, and trailed the Northern Trust Public Funds' median return of 4.86 percent.

For the one- and three-year periods, the System's overall investment returns were 22.09 percent and 3.58 percent, respectively.

The Fund was ranked in the 40th percentile of the Northern Trust Public Fund Universe for the one-year period, the 80th percentile for the three-year period, the 62nd percentile for the five-year period and the 26th percentile for the seven-year period ending June 30, 2011. The System's top performers this year were its domestic and international equities portfolios, while the Real Estate composite and high yield fixed income investments underperformed their benchmarks during this time period.

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 the investment returns necessary to fund benefits.

The Board's asset class targets as of June 30, 2011 are:

Domestic Large Cap Equity	23.00%
Domestic Small Cap Equity	6.00%
International Equity	16.00%
Emerging Markets (Equity)	5.00%
Domestic Bonds	14.00%
High Yield Bonds	3.00%
TIPS	5.00%
Real Estate	9.00%
Alternative Investments	9.00%
Hedge Funds	4.00%
Commodities – Energy	5.00%
Cash Equivalents	1.00%

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, 2011, the net asset values are as follows:

ASSET CLASS	MARKET VALUE (IN MILLIONS)	PERCENT
Stocks	$ 8,386	58.3%
Bonds	3,140	21.8%
Real Estate	1,096	7.6%
Alternative Investments	1,066	7.4%
Hedge Funds	575	4.0%
Cash Equivalents	118	0.8%
Total*	$14,382	100.0%

*Figures may not total exactly due to rounding.

INVESTMENT ACTIVITIES

There were no manager changes for the year. The following investment managers were rehired during the year: two international emerging market equity managers, two bond managers and five domestic equity managers. In addition, the real estate consultant and the custodial bank were also rehired.

Most of the System's assets are managed by investment managers hired to outperform a market index. The System also has a large equity account that is a Standard & Poor's 500 Index fund, a smaller equity account that is a Russell 1000 Value Index fund and a fixed income account that is a Barclays Capital U.S. Aggregate Index fund, whose performances match their respective index. A list of our managers is at the end of this section.

In terms of individual properties, the System sold an apartment complex in Valencia, California.

PROXY VOTING

The System votes all domestic proxy ballots, while the international equities managers vote the proxies for their portfolios in accordance with the Board's proxy guidelines.

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 exceeded the returns of both the Standard & Poor's 500 Index and an appropriate peer group index; supports the nomination of and directs an affirmative vote for the appointment of independent directors to the Board of Directors. The System also votes affirmatively on measures that propose to place independent directors on compensation committees and directs an affirmative vote on shareholder proposals that request management to report on climate change.

CHANGES IN ASSET MIX: LAST TEN YEARS

FISCAL YEAR	STOCKS	BONDS	REAL ESTATE	ALTERNATIVE INVESTMENTS	HEDGE FUNDS	SHORT-TERM INVESTMENTS
2001-02	55.0%	27.7%	8.0%	3.5%		5.8%
2002-03	54.1%	31.4%	7.6%	3.5%		3.4%
2003-04	60.3%	28.0%	6.7%	3.5%		1.5%
2004-05	62.5%	28.1%	4.7%	3.2%		1.6%
2005-06	61.3%	26.5%	6.2%	3.7%		2.3%
2006-07	63.2%	23.5%	7.0%	3.4%	2.0%	0.9%
2007-08	60.6%	22.9%	8.4%	4.2%	3.2%	0.7%
2008-09	55.2%	25.7%	7.6%	5.5%	4.6%	1.4%
2009-10	54.2%	25.5%	7.4%	6.8%	4.4%	1.7%
2010-11	58.3%	21.8%	7.6%	7.4%	4.0%	0.8%

ANNUAL RATES OF RETURN

FISCAL YEAR	DOMESTIC EQUITIES	INTERNATIONAL EQUITIES	FIXED INCOME	REAL ESTATE	ALTERNATIVE INVESTMENTS	HEDGE FUNDS*	TOTAL FUND**	CPI***
2001-02	-17.64%	-6.57%	1.17%	1.10%	-17.05%		-7.97%	1.07%
2002-03	3.21%	-5.42%	15.29%	3.90%	-12.66%		5.47%	2.11%
2003-04	23.67%	35.82%	3.39%	6.50%	23.50%		16.92%	3.30%
2004-05	5.54%	15.68%	9.85%	9.58%	27.03%		10.07%	2.50%
2005-06	10.69%	29.35%	-0.91%	22.68%	27.24%		12.48%	4.32%
2006-07	20.05%	31.68%	6.52%	17.46%	17.35%	2.42%	18.50%	2.69%
2007-08	-11.93%	-7.50%	6.50%	-0.26%	10.17%	0.65%	-4.58%	5.02%
2008-09	-24.47%	-33.60%	4.20%	-31.98%	-21.22%	-13.02%	-19.97%	-1.43%
2009-10	16.58%	9.78%	15.11%	6.92%	25.54%	7.18%	13.91%	1.05%
2010-11	33.24%	29.92%	7.07%	16.20%	10.30%	7.00%	22.09%	3.56%

**For the 2006-07 Fiscal Year, the Hedge Funds return is for May and June only.*
***Total fund includes short-term investments.*
****CPI is for the U.S. for the year ending June 30.*

INVESTMENT ADVISORS

Stock Managers
AllianceBernstein
Attucks Asset Management
Chicago Equity Partners
Daruma Asset Management
Delta Asset Management
FIS Group
Frontier Capital Management
Los Angeles Capital Management
Research Affiliates
Robeco Boston Partners

International Stock Managers
Artio Global Investors
Brandes Investment Partners
Fisher Group
Marvin & Palmer Associates
McKinley Capital Management
Principal Global Investors

Bond Managers
Bridgewater Associates
LM Capital Group
Loomis Sayles & Company
MacKay Shields
Northern Trust Investments
Reams Asset Management
Western Asset Management

Separate Account Real Estate Managers
Heitman Capital Management
Sentinel Real Estate Corporation
Urdang Capital Management

REIT Managers
Morgan Stanley
Principal Global Investors

Private Equity Managers
Portfolio Advisors

Hedge Fund of Fund Managers
Aetos Capital
Dorchester Capital
GAM Fund Management
Grosvenor Capital Management
K2 Advisors

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Actuarial

ACTUARIAL

ACTUARIAL VALUATIONS

The purpose of an actuarial valuation is to determine the funding progress and the contribution requirements of a retirement plan at a specific moment in time. The System conducts two studies annually for the fiscal year ending June 30: one study evaluates the ratio of assets to liabilities of pension benefits for members and their beneficiaries; the other study evaluates the same ratio for health insurance premium subsidy benefits for qualifying members and their qualified survivors. The ratios establish the funding status of the System and determine the annual contribution requirements to fund the benefits.

FUNDING STATUS

The funded status of the System is examined over a span of several years to determine if progress is made. The funding progress of pension benefits had been quite stable until the 2008-09 market crash. Since that event, the System's gradual recognition of investment losses has steadily lowered the funding ratio, and will continue unless offset by future investment gains or other favorable experience. Details on the recognition of recent investment losses are available in Section 2, Chart 7 of the June 30, 2011 Actuarial Valuation and Review. Below is a history of the System's funded status for the last 10 years.

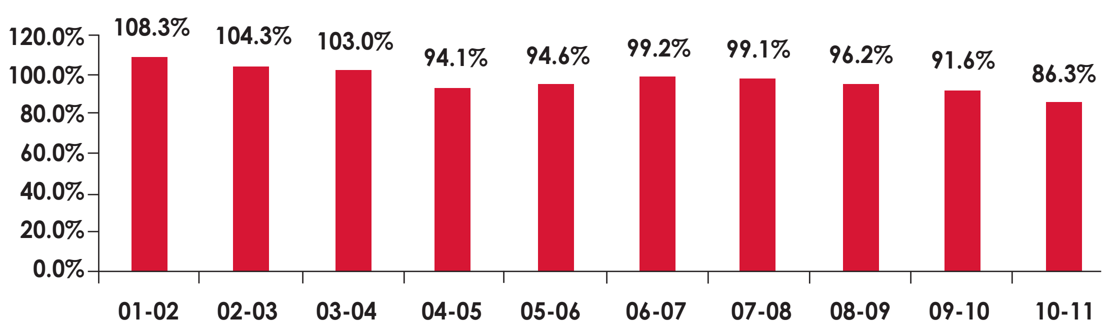
A pension plan whose assets equal or exceed its liabilities is funded at 100 percent or more and is considered fully funded. Any shortfall of assets results in an underfunded plan. Tier 5 provides for an employee contribution rate of eight percent if the Plan is at least 100 percent actuarially funded; and nine percent if not fully funded.

As of June 30, 2011, the Plan is 86.3 percent actuarially funded for pension benefits. Therefore, the employee pension contribution for Tier 5 members will remain at nine percent.

The System began pre-funding health insurance premium subsidy benefits in 1989. As of June 30, 2011, the actuarial funding status of these benefits has increased from 32.2 percent to 34.5 percent. Details on the factors that contributed to the increased funding status of health benefits are available in Section 2, Chart 2 of the June 30, 2011 Actuarial Valuation and Review of Other Postemployment Benefits.

Unlike the funding status of pension benefits, the funding status of health insurance premium subsidy benefits does not impact a Tier 5 member's contribution to the Plan.

FUNDED STATUS – PENSION BENEFITS



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 Tiers 1-5. An actuarial valuation examines the membership of the System as currently constituted and 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 actuarial investigations made of the actual experience of the membership of the System. An investigation is conducted at least every five years. Assumptions are recommended by the System's actuary and adopted by the Board of Fire and Police Pension Commissioners.

The last experience study covered the period of July 1, 2007 to June 30, 2010 and was adopted by the Board in July 2011. The adopted assumptions were used for this valuation period ending June 30, 2011 and will be used for subsequent valuations.
An example of projected mortality assumptions in effect are as follows:

Average Life Expectancy for Retirees

Service Retiree (Age = 65)……..…20.5 years*

Disabled Retiree (Age = 65)..……..18.8 years*

Surviving Spouse (Age = 65)……...21.2 years**

**The average is calculated based on a proportion of 95% male and 5% female in the current retiree population.*
***The average is calculated based on a proportion of 5% male and 95% female.*

Economic assumptions – investment return, inflation, salary increases – are also studied by the actuary and adopted by the Board. The last study was completed in September 2010 for use in the June 30, 2010 and subsequent valuations. Revisions to the salary increase assumption were adopted in July 2011 to better reflect past experience. As a result, the assumption's components are now based on years of service instead of age.

The following economic assumptions are in effect for the June 30, 2011 valuation:

Economic Assumptions

Annual Increase in the
Consumer Price Index……………………………3.50%*
Annual Individual Salary
Increase……………………varies by years of service

YEARS OF SERVICE	ANNUAL SALARY INCREASE**
0	8.75%
1	7.75%
2	5.25%
3	4.75%
4	4.25%
5	3.95%
6	3.50%
7	3.25%
8	3.00%
9	3.00%
10	2.75%
11 or more	1.75%

Annual Increases in
Total System Payroll……….............3.50%
Investment Rate of Return…………..... 7.75%

** Tiers 3, 4 and 5 are capped at 3%.*
*** Includes 0.75% "across the board" salary increase.*

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 investment rate of return assumption. Once the liabilities of the System are computed, the valuation study projects the member and City contributions expected to be received, which are also reduced to today's dollar terms using the investment rate of return assumption. The individual salary increase 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 benefit 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 Los Angeles Fire and Police Pensions. For purposes of determining the contributions to the System, any investment gains and losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40 percent of the market value of assets.

UNFUNDED ACTUARIAL ACCRUED LIABILITY

An unfunded actuarial accrued liability (UAAL) of a retirement system occurs when a system's actuarial liability is greater than the value of its assets, yielding a funded ratio less than 100 percent. As of June 30, 2011, the Actuarial Balance Sheet (see page 70) shows the UAAL for pension benefits for all tiers to be approximately $2.3 billion. The UAAL for health insurance premium subsidy benefits for all tiers is approximately $1.7 billion.

Numerous variables, including pension benefit increases and actuarial losses, generate or increase the UAAL. Actuarial gains or losses arise from differences between the actual experience of a pension system and the actuarial assumptions used to project the system's funding requirements. An example would be if combined members' salaries increased more than what was assumed.

The gains and losses reflected in the UAAL must be amortized over a period of time and are a key component of the City's required contribution to the System.

CONTRIBUTION REQUIREMENTS CALCULATION

The City contribution is composed 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 by the Board.

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, while Tier 2 is amortized as a level percent of the total payroll for all Plan members (Tiers 2, 3, 4 and 5 combined). Tiers 3, 4 and 5's amortization basis is also a level percentage of all Plan members' salaries, but it is for a continuous 15-year period. Each year's actuarial gain or loss is amortized over 15 years, and benefit and assumption changes are amortized over 30 years. With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements Recommended 2012-2013*
(as a percentage of Plan members' salaries)

Tier 1	0.0%
Tier 2	25.48%
Tier 3	17.41%
Tier 4	16.26%
Tier 5	19.58%
Harbor Port Police (Tier 5)	20.15%

**Contributions to be made on July 15, 2012. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the 3-year phase-in of the non-economic assumption changes adopted by the Board in September 2011.*

Unfunded Liability Contribution Requirements Recommended 2012-2013*
(as a percentage of Plan members' salaries)

Tier 1..$16,841,442
Tier 2 ....0.65% of total payroll of Tiers 2, 3, 4, 5
Tier 3.. 8.58% of Tier 3 payroll
Tier 4 ....12.71% of Tier 4 payroll
Tier 5 ....8.10% of Tier 5 payroll
Harbor Port Police
(Tier 5) ....6.63% of Harbor Tier 5 payroll

**Contributions to be made on July 15, 2012. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the 3-year phase-in of the non-economic assumption changes adopted by the Board in September 2011.*

HEALTH INSURANCE PREMIUM SUBSIDY VALUATION

The health insurance premium subsidy valuation utilizes the same actuarial assumptions as the valuation of 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, 2011 actuarial valuation included medical trend rate increases of 9 percent for pre-65 and post-65 premiums in Fiscal Years 2011-12 and 2012-13, then decreasing by 0.5 percent for each year for eight years until it reaches an ultimate rate of 5 percent. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health insurance premium subsidy benefits is shown on page 70.

The contributions suggested to fund the health insurance premium subsidy benefits are:

Health Insurance Premium Subsidy Contribution Rates Recommended 2012-2013*
(as a percentage of Plan members' salaries)

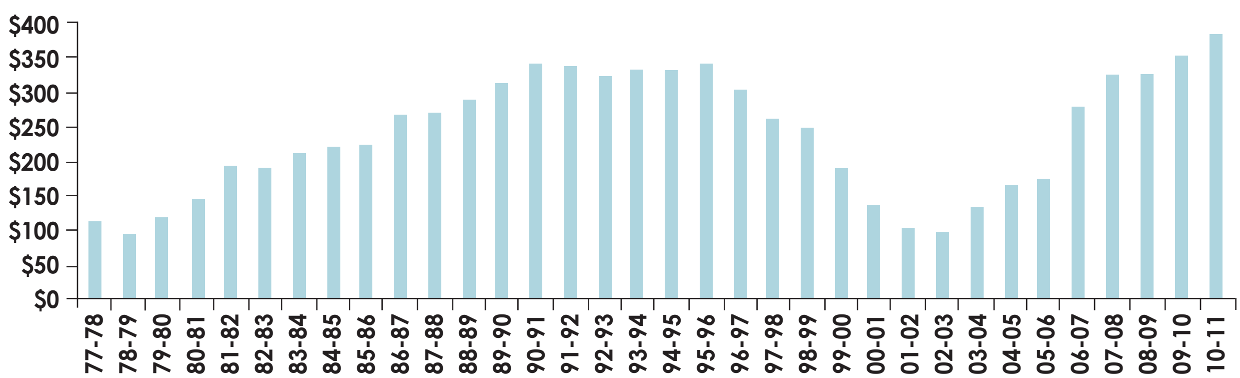
Tier 1..$2,131,647
Tier 2...7.06%
Tier 3...7.68%
Tier 4...9.83%
Tier 5...6.45%
Harbor Port Police (Tier 5) 5.52%

**Contributions to be made on July 15, 2012. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the 3-year phase-in of the non-economic assumption changes adopted by the Board in September 2011.*

CITY'S CONTRIBUTION TO THE SYSTEM

Over the last three decades, the City's contribution for pension and health benefits to the System has been fairly stable. However, there were periods when the contribution amount was significantly lower due to the System's well-funded status. The following chart is a historical look at the City's contribution dating back to the late 1970s.

CITY'S CONTRIBUTION TO THE SYSTEM
(IN MILLIONS)



ACTUARIAL BALANCE SHEET – JUNE 30, 2011

PRESENT RESOURCES AND EXPECTED FUTURE RESOURCES

ASSETS	RETIREMENT	HEALTH	TOTAL
1. Valuation value of assets	$14,337,669,409	$882,890,188	$15,220,559,597
2. Present value of future normal costs:			
Employee	1,180,538,407		1,180,538,407
Employer	2,972,324,784	512,392,141	3,484,716,925
Total	4,152,863,191	512,392,141	4,665,255,332
3. Unfunded actuarial accrued liability	2,278,806,857	1,674,716,336	3,953,523,193
4. Present value of current and future assets	$20,769,339,457	$3,069,998,665	$23,839,338,122

PRESENT VALUE OF EXPECTED FUTURE BENEFIT PAYMENTS AND RESERVE

LIABILITIES	RETIREMENT	HEALTH	TOTAL
5. Present value of future benefits:			
Retired members and beneficiaries	$ 9,334,083,084	$1,506,696,305	$10,840,779,389
Inactive members with vested rights	17,217,930		17,217,930
Active members	11,418,038,443	1,563,302,360	12,981,340,803
6. Total present value of expected future benefit payments	$20,769,339,457	$3,069,998,665	$23,839,338,122

Statistical

SIX FIRE AND POLICE PENSION PLANS

As of June 30, 2011, the System is composed of six 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.

Members hired pursuant to the provisions of Article XI 1/2 of the 1925 Charter are known as "fluctuators." Fluctuator pensioners receive 50 percent of the current salary received by the classification they retired from. Such beneficiaries are included in Tier 1 for purposes of our actuarial valuations.

Members hired on or before January 28, 1967 participate in Tier 1 (formerly Article XVII). Tier 2 (formerly Article XVIII) includes members hired from January 29, 1967 through December 7, 1980, and Tier 1 members who elected to transfer during an enrollment period.

Tier 3 (formerly Article XXXV, Plan 1) consists of members hired from December 8, 1980 to June 30, 1997. Members hired from July 1, 1997 to December 31, 2001 are in Tier 4 (formerly Article XXXV, Plan 2). Tier 4 also includes members who elected to transfer from Tier 3 during an enrollment period. Additionally, Tier 4 members hired from July 1, 1997 through December 31, 1997 were given the opportunity to transfer to Tier 3 during an enrollment period.

Tier 5 includes members hired from January 1, 2002 through June 30, 2011. Active members in Tiers 2, 3 and 4 were allowed to transfer to Tier 5 during an enrollment period.

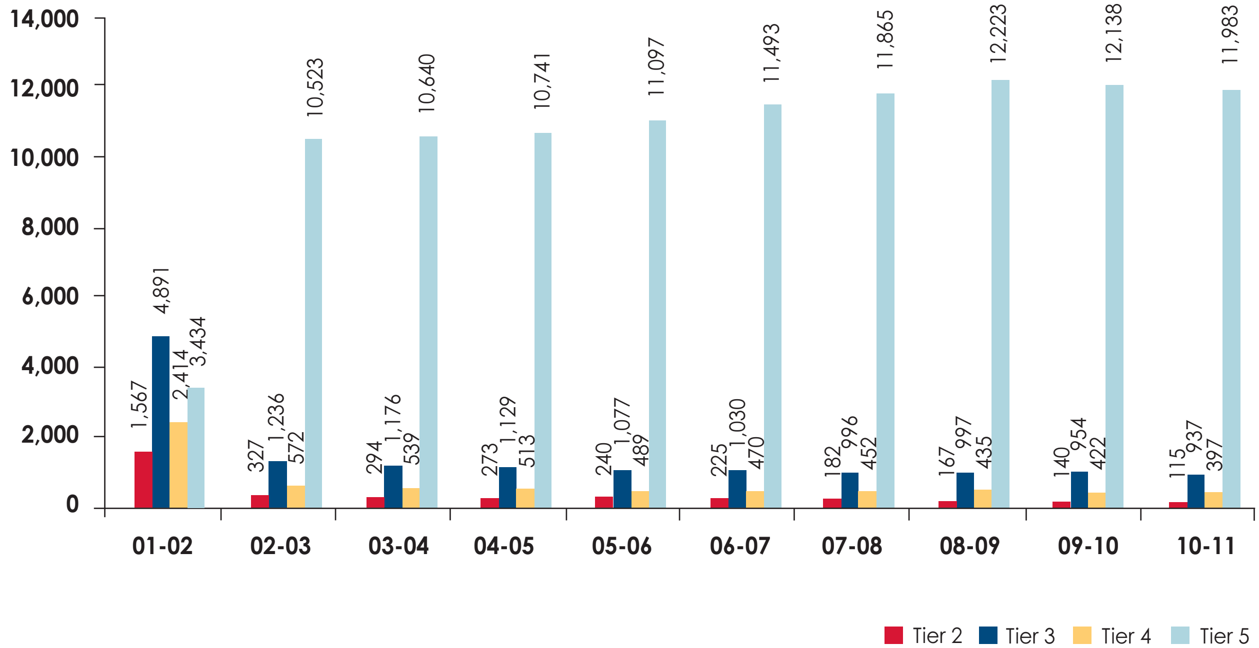
Additionally, all eligible sworn members of the Harbor Department hired on and after January 8, 2006 are automatically members of the Fire and Police Pension System. Members hired from January 8, 2006 through June 30, 2011 are in Tier 5. Those hired prior to January 8, 2006 were provided the option to transfer to Tier 5 from the Los Angeles City Employees' Retirement System (LACERS) from January 8, 2006 to January 5, 2007.

Effective May 1, 2002, the System began administering a Deferred Retirement Option Plan (DROP). DROP is a voluntary program whereby a member with a minimum of 25 years of service (members of Tiers 3 and 5 must also be at least age 50) 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 an interest bearing account (currently five percent per annum return), payable upon exiting DROP. Participation in DROP is currently limited to a maximum of five years.

All eligible members of the Fire and Police Pension System, except the Fire and Police Chiefs, can elect to participate in DROP. However, the intent of the program was to retain police officers and lengthen their careers due to significant challenges faced by the City in police retention and recruitment. In addition, DROP must be cost neutral to the City. As such, Administrative Code § 4.2100 requires the City to conduct an actuarial study at least every five years to determine whether the program is maintaining cost neutrality and/or meeting the City's goal of retaining sworn personnel. The System will administer any benefit changes that arise from the negotiations between the City and the labor organizations.

ACTIVE MEMBERSHIP

LAST TEN YEARS



MEMBERSHIP AS OF JUNE 30, 2011

TIER	FIRE	POLICE	HARBOR	TOTAL
Tier 2	56	59	0	115
Tier 3	30	907	0	937
Tier 4	59	338	0	397
Tier 5	3,318	8,554	111	11,983
Total	**3,463***	**9,858****	**111*****	**13,432**

*Includes 605 DROP participants.
**Includes 705 DROP participants.
***Includes 4 DROP participants.

REFUNDS OF MEMBER CONTRIBUTIONS

	06-07	07-08	08-09	09-10	10-11
FIRE:					
Tier 2	0	0	0	0	0
Tier 3	0	0	0	2	0
Tier 4*	0	0	1	0	0
Tier 5	6	10	6	7	10
POLICE:					
Tier 2	1	0	0	0	0
Tier 3	15	12	10	8	9
Tier 4*	0	0	1	1	2
Tier 5	97	69	68	60	51
HARBOR:					
Tier 5	1	0	0	0	1
Total	**120**	**91**	**86**	**78**	**73**

Refund of contributions paid to the member's beneficiary.

ACTIVE FIRE MEMBERSHIP – AGE AND YEARS OF SERVICE

	YEARS OF SERVICE							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
-25	34	0	0	0	0	0	0	34
25-29	321	59	0	0	0	0	0	380
30-34	174	292	55	0	0	0	0	521
35-39	54	217	160	20	0	0	0	451
40-44	23	115	133	88	108	0	0	467
45-49	2	25	42	87	323	71	8	558
50-54	1	9	7	12	198	173	288	688
55-59	1	0	0	1	35	55	214	306
60-64	0	0	0	0	3	2	50	55
65+	0	0	0	0	0	1	2	3
Total	610	717	397	208	667	302	562	**3,463**

ACTIVE POLICE MEMBERSHIP – AGE AND YEARS OF SERVICE

	YEARS OF SERVICE							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
-25	231	0	0	0	0	0	0	231
25-29	1,064	151	0	0	0	0	0	1,215
30-34	582	661	150	0	0	0	0	1,393
35-39	253	375	913	280	0	0	0	1,821
40-44	92	166	670	787	313	0	0	2,028
45-49	29	49	206	356	930	106	0	1,676
50-54	3	4	67	104	335	361	133	1,007
55-59	1	2	22	30	91	136	117	399
60-64	0	0	4	10	9	27	27	77
65+	0	0	2	1	2	4	2	11
Total	2,255	1,408	2,034	1,568	1,680	634	279	**9,858**

ACTIVE HARBOR MEMBERSHIP – AGE AND YEARS OF SERVICE

	YEARS OF SERVICE							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
-25	2	0	0	0	0	0	0	2
25-29	19	1	0	0	0	0	0	20
30-34	30	10	0	0	0	0	0	40
35-39	12	3	3	0	0	0	0	18
40-44	4	3	3	0	0	0	0	10
45-49	3	3	3	1	2	0	0	12
50-54	0	0	1	1	2	1	0	5
55-59	0	0	0	0	1	2	0	3
60-64	0	0	0	0	0	0	1	1
65+	0	0	0	0	0	0	0	0
Total	70	20	10	2	5	3	1	**111**

DEFERRED RETIREMENT OPTION PLAN (DROP) AND RETIRED MEMBERSHIP

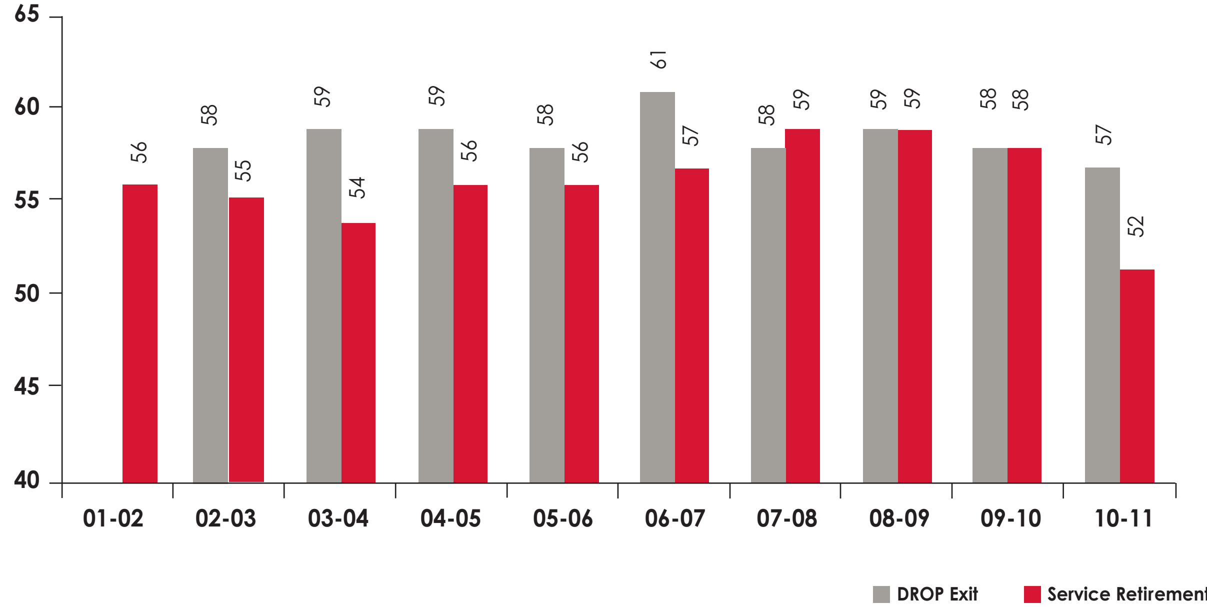
Note: Data for Harbor Port Police may not be reflected in all charts and tables since they did not become members of the Fire and Police Pension System until January 2006.

DROP PROGRAM SUMMARY OF PARTICIPATION

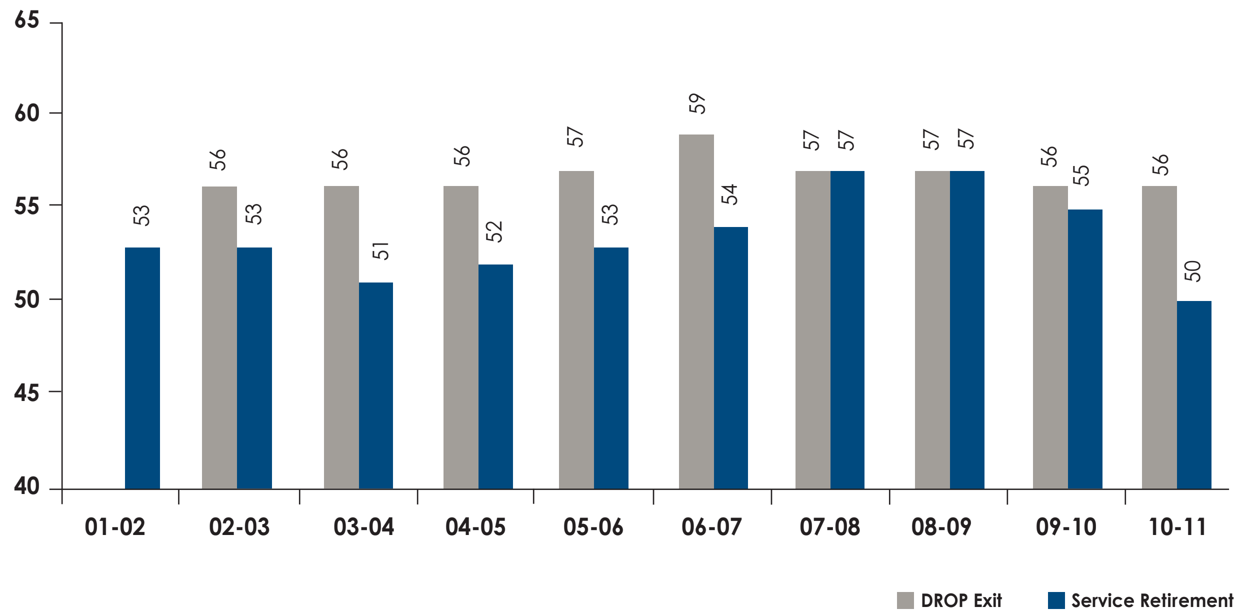
Fiscal Year	Average Participation per Month			Total Entries			Average Age at Entry			Average Years of Service at Entry			Total Exits		
	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD
01-02	146	257	0	153	261	0	57	56	0	32	32	0	0	0	0
02-03	257	439	0	167	274	0	55	54	0	30	30	0	29	30	0
03-04	401	641	0	188	241	0	55	53	0	29	29	0	43	52	0
04-05	451	721	0	111	135	0	54	53	0	29	28	0	57	86	0
05-06	499	744	0	85	144	0	52	53	0	27	28	0	63	128	0
06-07	543	738	0	142	157	0	53	52	0	27	27	0	122	233	0
07-08	524	627	1	100	125	1	53	52	57	29	27	31	112	199	0
08-09	479	574	3	65	122	2	53	52	54	29	27	26	116	168	0
09-10	481	552	5	131	159	1	53	52	52	29	27	28	99	129	0
10-11	502	578	4	180	166	1	53	53	55	29	28	25	105	123	2

DROP vs. SERVICE RETIREMENT

FIRE – AVERAGE AGE AT DROP EXIT vs. SERVICE RETIREMENT

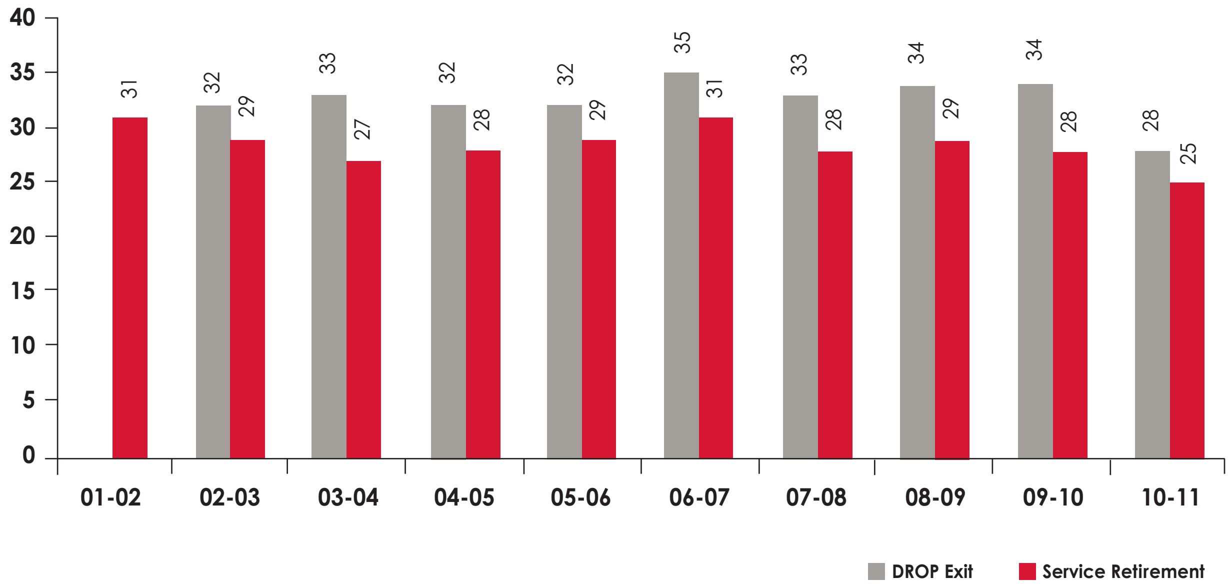


POLICE – AVERAGE AGE AT DROP EXIT vs. SERVICE RETIREMENT

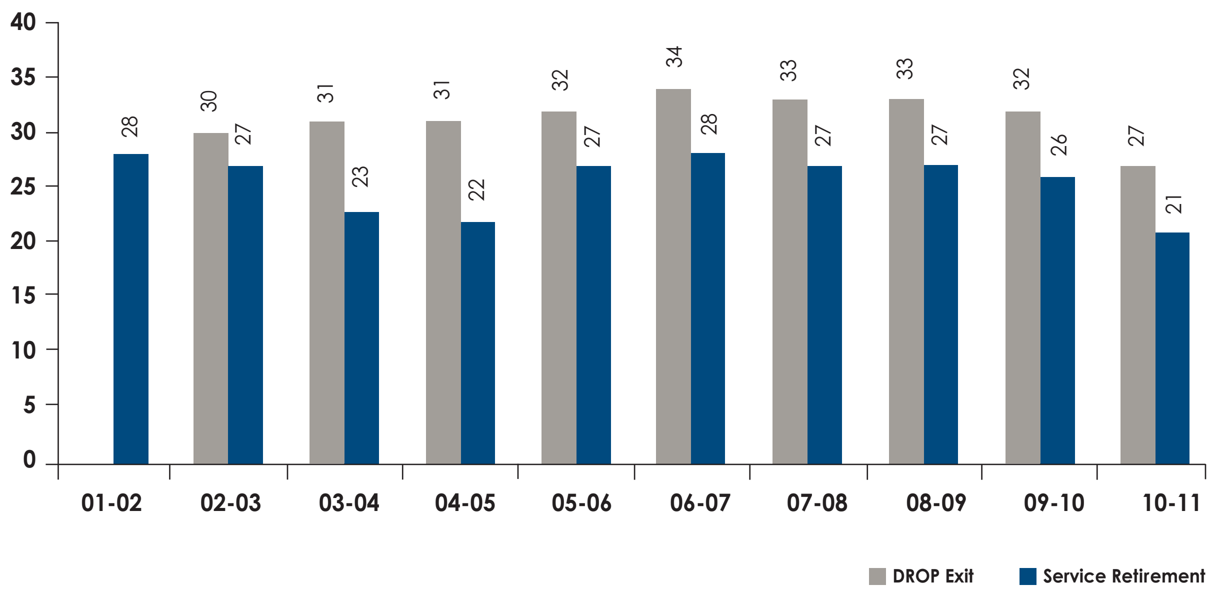


DROP vs. SERVICE RETIREMENT

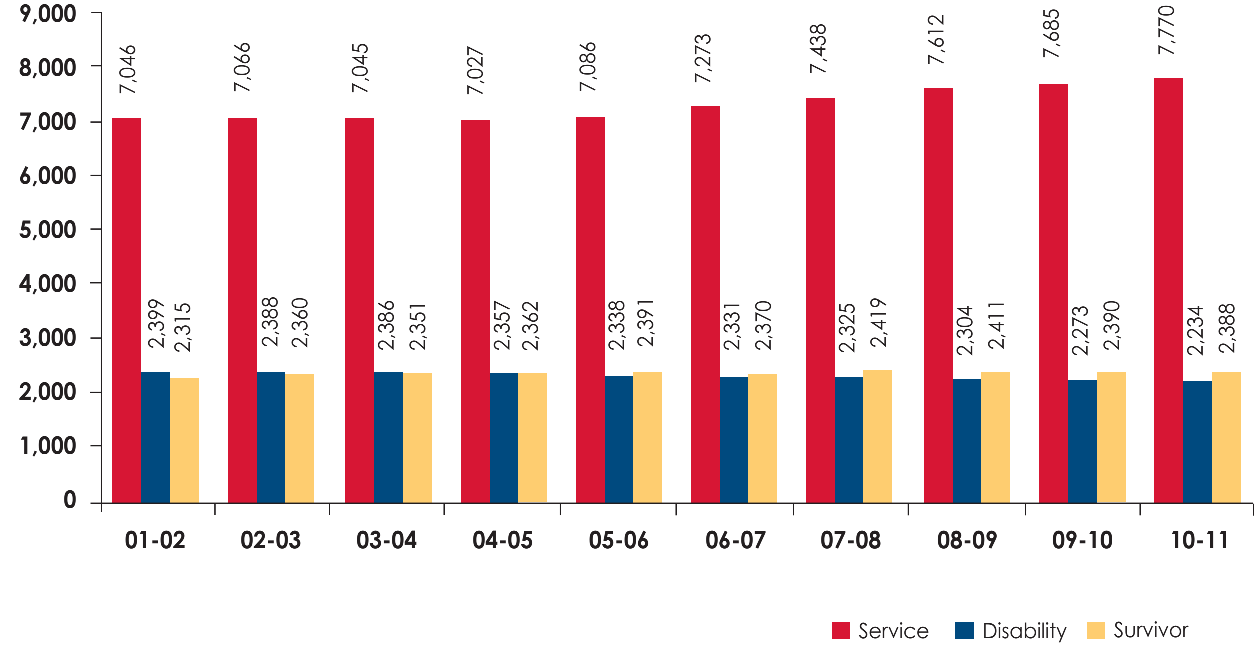
FIRE – AVERAGE YEARS OF SERVICE AT
DROP EXIT vs. SERVICE RETIREMENT



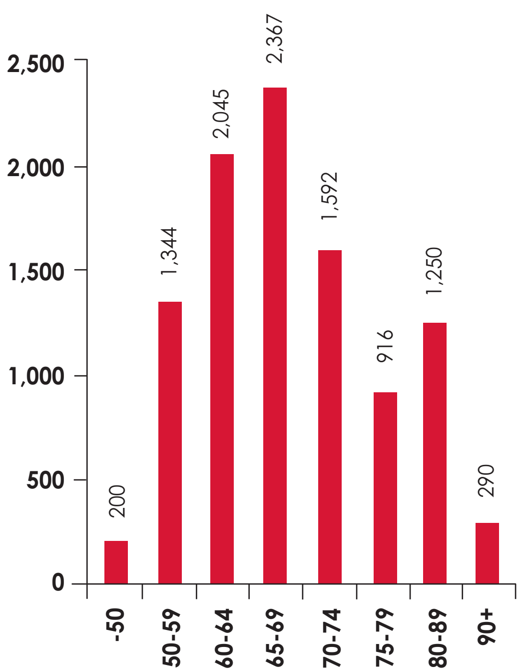
POLICE – AVERAGE YEARS OF SERVICE AT
DROP EXIT vs. SERVICE RETIREMENT



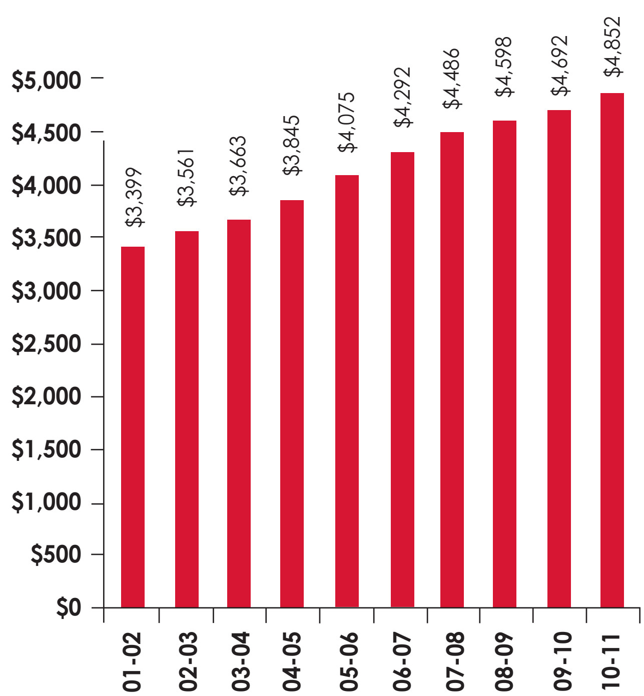
RETIRED MEMBERSHIP
LAST TEN YEARS



RETIRED MEMBERSHIP BY AGE
Excludes survivor pensioners.

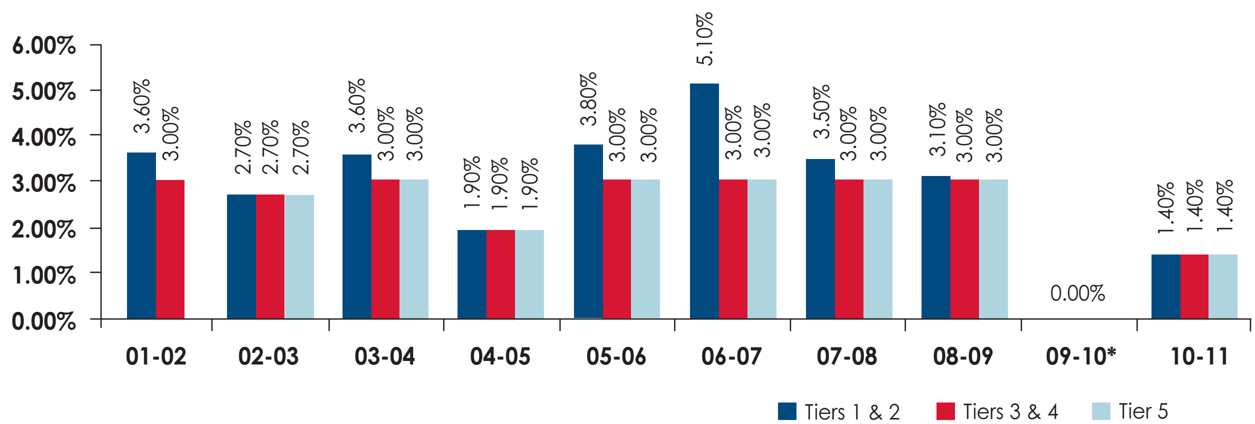


AVERAGE MONTHLY PENSION



COST-OF-LIVING ADJUSTMENTS - EFFECTIVE JULY 1

The size of any year's Cost-of-Living Adjustment (COLA) is based on the Los Angeles-Riverside-Orange County Area Consumer Price Index (CPI) for All Urban Consumers as published by the Bureau of Labor Statistics for the previous one-year March through February period. Tier 1 and 2 members have an uncapped COLA, while members in Tiers 3, 4 and 5 have a 3% maximum COLA. However, Tier 5 members have a COLA bank to "store" amounts above the 3% cap.

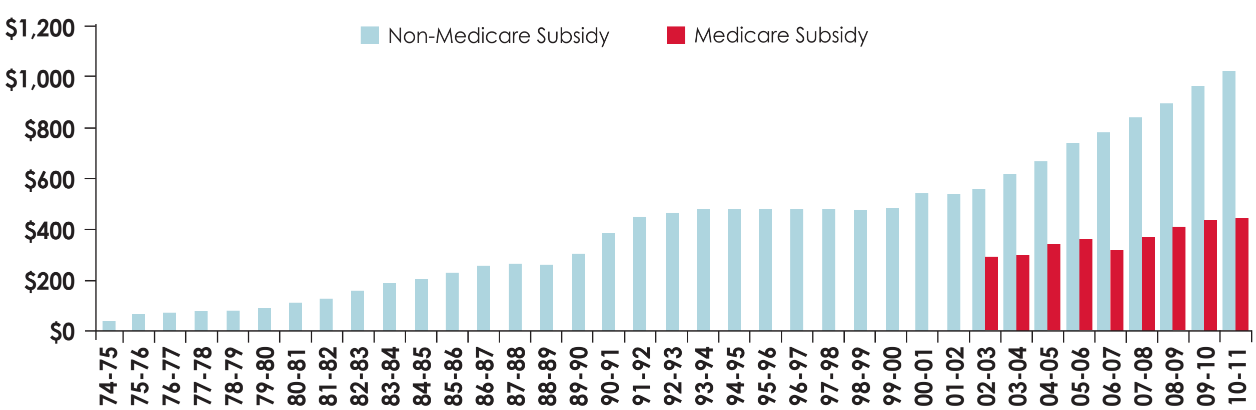


**The Consumer Price Index yielded a flat COLA for July 1, 2009. However, eligible Tier 5 pensioners, including Tier 5 DROP participants, received an increase of up to 3%, based on the accumulation in their COLA bank.*

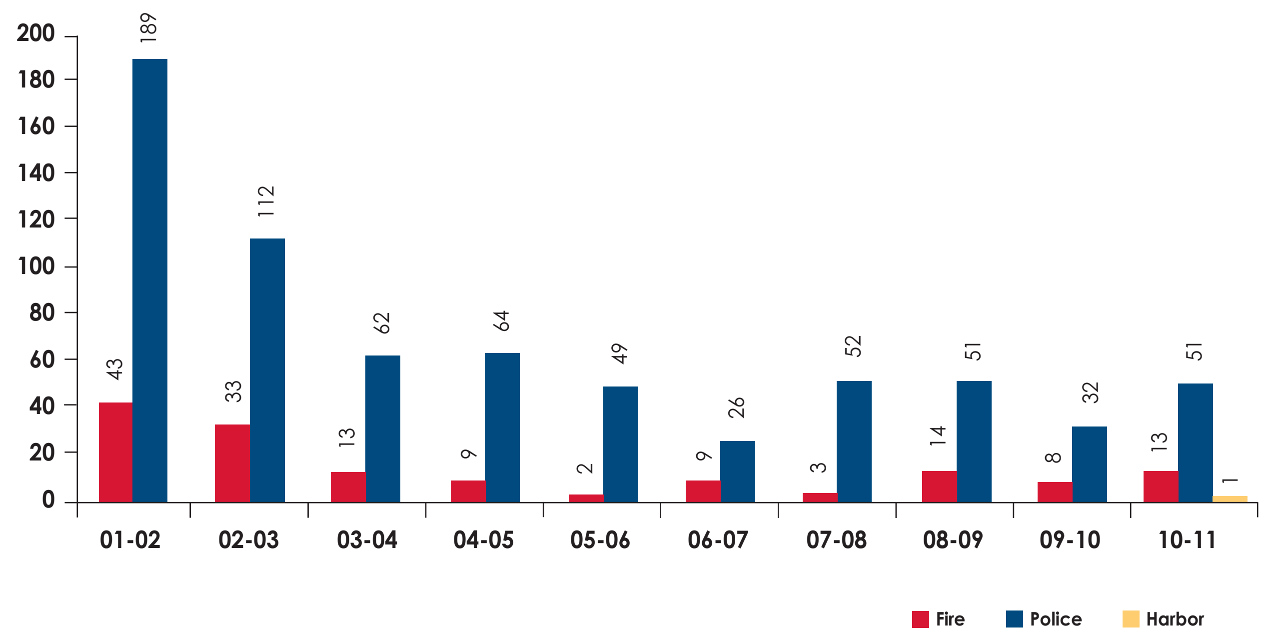
MAXIMUM HEALTH INSURANCE PREMIUM SUBSIDY BENEFIT FOR RETIRED MEMBERS

Effective July 1, 2005, the Los Angeles Administrative Code § 4.1154(e) grants the Board of Fire and Police Pension Commissioners the authority to raise the maximum non-Medicare health insurance premium subsidy for retired members on an annual basis. The Board may raise the subsidy by the lesser of 7% or the approved actuarially assumed rate for medical inflation for pre-65 health benefits for the fiscal year. Per the City Charter, the subsidy was previously linked to the subsidy for active members and retired civilians.

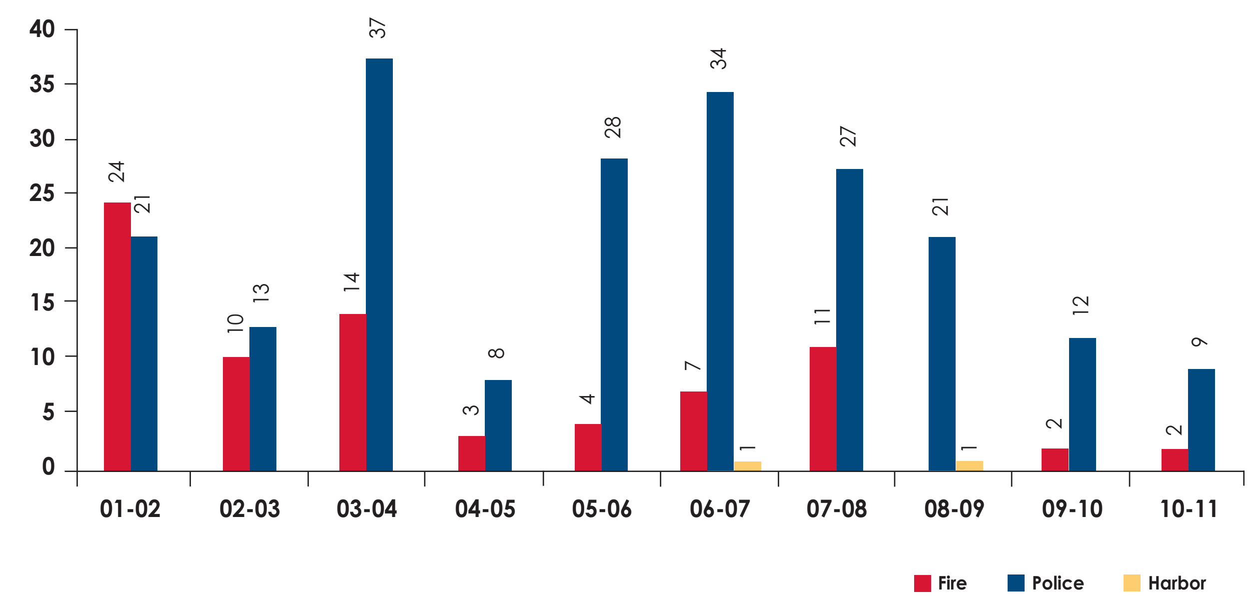
The maximum Medicare health insurance premium subsidy for retired members is equivalent to the highest single-party Medicare premium offered by the Los Angeles City Employees' Retirement System. Prior to FY 2002-03, the maximum Medicare subsidy varied based on the member's health plan and his/her years of service, and therefore cannot be easily illustrated.



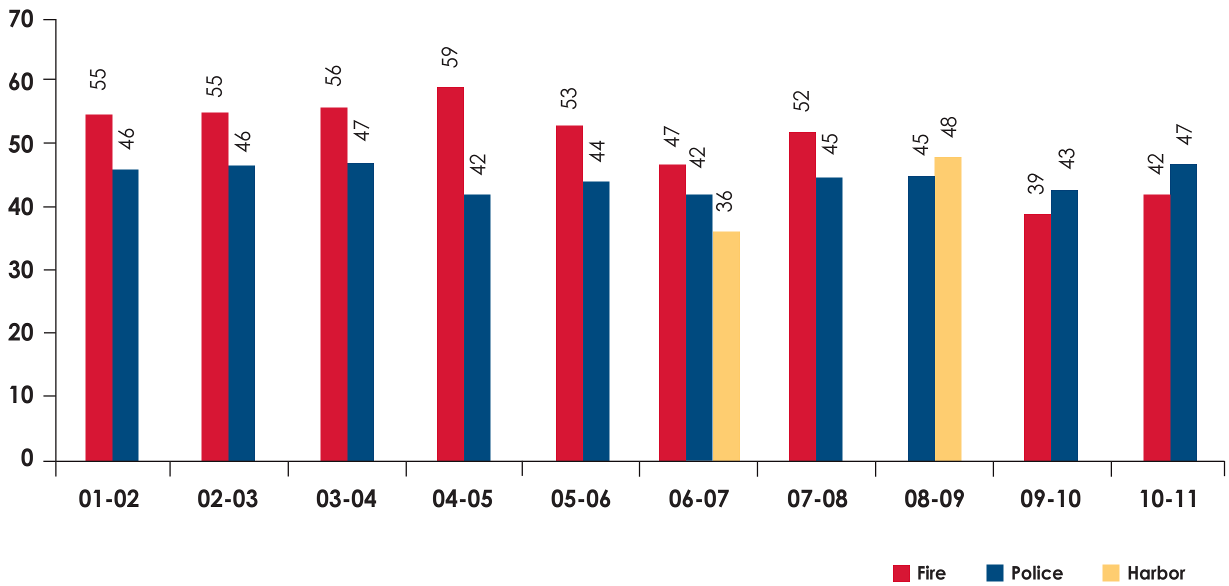
SERVICE PENSIONS GRANTED



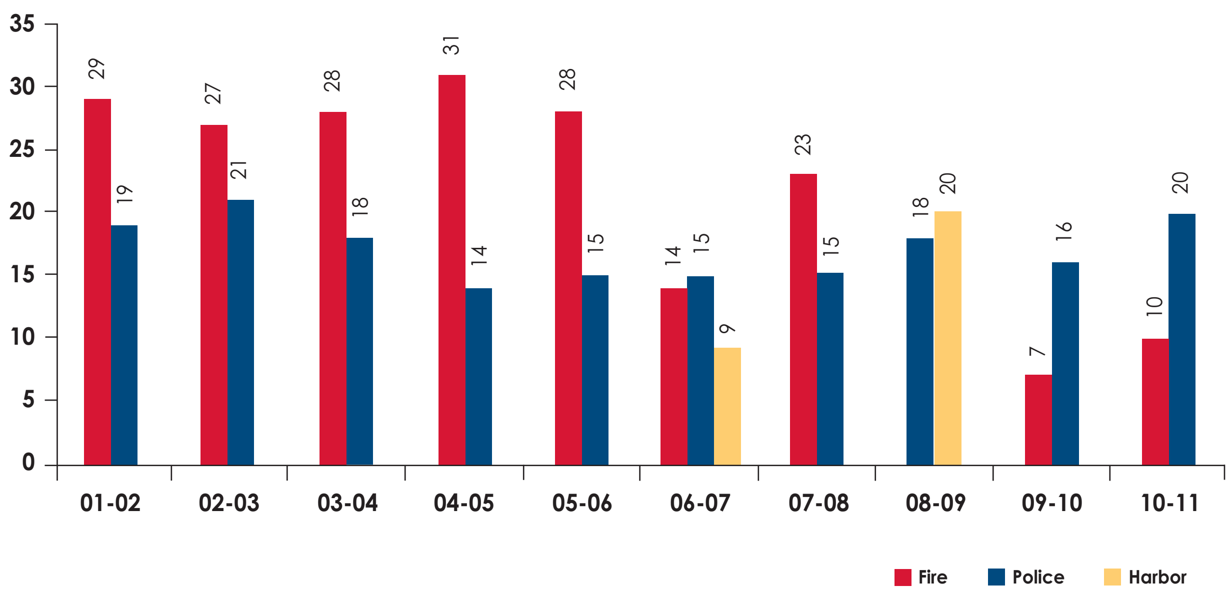
DISABILITY PENSIONS GRANTED



AVERAGE AGE AT DISABILITY RETIREMENT



AVERAGE YEARS OF SERVICE AT DISABILITY RETIREMENT



SERVICE-CONNECTED DISABILITY PENSIONS BY TYPE AND DEPARTMENT

DISABILITY PENSIONS GRANTED	FISCAL YEAR 2006-2007*			FISCAL YEAR 2007-2008			FISCAL YEAR 2008-2009*			FISCAL YEAR 2009-2010			FISCAL YEAR 2010-2011		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	5	27	32	11	23	34	0	23	23	4	32	36	1	4	5
Physical/Psychiatric	2	10	12	0	2	2	0	2	2	0	1	1	1	3	4
Psychiatric Only	0	3	3	0	0	0	0	1	1	0	0	0	0	0	0
Total	7	40	47	11	25	36	0	26	26	4	33	37	2	7	9

TYPES OF CLAIMS**	FISCAL YEAR 2006-2007*			FISCAL YEAR 2007-2008			FISCAL YEAR 2008-2009*			FISCAL YEAR 2009-2010			FISCAL YEAR 2010-2011		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	5	27	32	8	23	31	0	19	19	2	5	7	2	7	9
Neck	1	13	14	2	11	13	0	14	14	0	5	5	0	1	1
Knees	1	5	6	6	7	13	0	10	10	1	2	3	2	3	5
Other Orthopedic	6	19	25	6	14	20	0	15	15	1	9	10	0	6	6
Cardiovascular	0	5	5	3	7	10	0	5	5	0	1	1	0	4	4
Ulcer	0	4	4	1	6	7	0	3	3	0	1	1	2	0	2
Hypertension	0	8	8	3	5	8	0	4	4	0	1	1	0	5	5
Pulmonary	1	1	2	0	2	2	0	2	2	0	1	1	1	0	1
Cancer	0	1	1	0	2	2	0	1	1	0	1	1	0	0	0
Gun Shot Wound	0	1	1	0	1	1	0	1	1	0	0	0	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

SERVICE- AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS BY DEPARTMENT AND RANK

FIRE	06-07	07-08	08-09	09-10	10-11
Firefighter	4	3	0	2	2
Apparatus Operator	1	0	0	0	0
Engineer	1	3	0	0	0
Inspector	0	1	0	0	0
Captain	1	4	0	0	0
Battalion Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
Deputy Chief	0	0	0	0	0
TOTAL	**7**	**11**	**0**	**2**	**2**

POLICE	06-07*	07-08	08-09*	09-10	10-11
Police Officer	25	22	14	3	5
Sergeant	6	4	7	4	2
Detective	10	4	4	3	1
Lieutenant	1	1	0	0	0
Captain	0	0	1	0	1
Commander	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	**42**	**31**	**26**	**10**	**9**

**Police totals for FY 06-07 and FY 08-09 each include one Harbor Port Police Officer, with service-connected injuries and/or illnesses.*
***Will not equal the total number of disability pensions granted due to multiple claimed disabilities.*

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Legal

L E G A L

FISCAL YEAR 2010-2011

Under City Attorney Carmen A. Trutanich, the Retirement Benefits Division of the Los Angeles City Attorney's Office, led by Managing Assistant City Attorney Alan L. Manning, along with Senior Assistant City Attorney Theresa Stamus, Deputy City Attorneys John C. Blair, Marie McTeague, and James Napier, and assisted by Legal Secretary Martha Egure, 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 wide range of subjects, from Brown Act issues and public record requests to Tier 5 and Deferred Retirement Option Plan (DROP) issues and compliance with new tax regulations, state and municipal ethics laws and regulations, legal review of investments, and disability retirement requests. The City Attorney's Office also represented the Department in Superior Court cases.

Additionally, the Division assisted members and their beneficiaries in understanding the effects of dissolution proceedings on pension and DROP benefits and provided representation for the Board and the Department in all legal matters.

The City Attorney's Office also provides legal counsel to the Boards of the Los Angeles City Employees' Retirement System and Water and Power Employees' Retirement Plan.

Summary
of plan provisions

SUMMARY OF PLAN PROVISIONS

FIRE AND POLICE PENSION PLAN

Tier 1 (Formerly Article XVII)
(1925 - January 28, 1967)

Tier 2 (Formerly Article XVIII)
(January 29, 1967 - December 7, 1980)

Tier 3 (Formerly Article XXXV, Plan 1)
(December 8, 1980 - June 30, 1997)

Tier 4 (Formerly Article XXXV, Plan 2)
(July 1, 1997 - December 31, 2001)

Tier 5 (January 1, 2002 – June 30, 2011)

		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

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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 pension equal to the greater of 30% or 2% per year of service	30% to 90% depending on severity of disability, with a minimum pension equal to the greater of 30% or 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	Non-Service Connected Pension 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)	Non-Service Connected Pension 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)	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
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 as noted for former Tier 2 members.*

		TIER 1	TIER 2	TIERS 3 and 4	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% of Normal Pension Base	50% of Normal Pension Base Uncapped COLA **OR** 55% of Normal Pension Base with 25 or more years of service Uncapped COLA	**SERVICE-CONNECTED DEATH** 75% of Final Average Salary if service-connected death while active 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 3% cap on COLA, no COLA Bank	**SERVICE-CONNECTED DEATH** ***Former Tier 2:*** 75% of Normal Pension Base if service-connected death while active 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 75% of Final Average Salary if service-connected death while active 3% cap on COLA, with COLA Bank **DEATH AFTER SERVICE-CONNECTED DISABILITY** ***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 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 3% cap on COLA, with COLA Bank

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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 or eligible children, 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 or eligible children, 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 or eligible children, 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

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.	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 as noted for former Tier 2 members.*

		TIER 1	TIER 2	TIERS 3 and 4	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	100% of accrued service retirement member would have received, not to exceed 50% of Normal Pension Base Uncapped COLA	100% of accrued service retirement member would have received, not to exceed 55% of Normal Pension Base Uncapped COLA	80% of service retirement member would have received, not to exceed 40% of Final Average Salary 3% cap on COLA, no COLA Bank	***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 40% of Final Average Salary 3% cap on COLA, with 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 or eligible children, 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 or eligible children, 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 or eligible children, 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

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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.	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 as noted for former Tier 2 members.*
c.	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 Normal Pension Base Uncapped COLA	Same as member's pension up to 55% of Normal Pension Base Uncapped COLA	60% of member's pension benefit 3% cap on COLA, no COLA Bank	***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 60% of member's pension benefit 3% cap on COLA, with 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 or eligible children, 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 or eligible children, 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 or eligible children, 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

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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.	Salary base	Nonservice-Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Nonservice-Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members.*
c.	Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of member's salary base	40% of member's Nonservice-Connected Pension Base Uncapped COLA	40% of member's Nonservice-Connected Pension Base Uncapped COLA	**NONSERVICE-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% cap on COLA, no COLA Bank **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** 60% of member's pension 3% cap on COLA, no COLA Bank	**NONSERVICE-CONNECTED DEATH** ***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 30% of Final Average Salary or, if eligible to retire based on years of service, 40% of Final Average Salary 3% cap on COLA, with COLA Bank **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** ***Former Tier 2:*** Same as Nonservice-Connected Death benefit. ***All Other Tier 5:*** 60% of member's pension 3% cap on COLA, with COLA Bank

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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 or eligible children, 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 or eligible children, 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 or eligible children, 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
8.	**COST-OF-LIVING (COLA)**				
a.	Generally applicable provisions	Full annual cost-of-living increase or decrease Cost-of-living adjustments compound, and are based upon the Consumer Price Index for local Urban Consumers	Full annual cost-of-living increase or decrease Cost-of-living adjustments compound, and are based upon the Consumer Price Index for local Urban Consumers	Annual cost-of-living increase or decrease not to exceed 3% Cost-of-living adjustments compound, and are based upon the Consumer Price Index for local Urban Consumers	Annual cost-of-living increase or decrease not to exceed 3% Amounts above 3% are banked to be credited during years when the Consumer Price Index is below 3% Cost-of-living adjustments compound, and are based upon the Consumer Price Index for local Urban Consumers

	TIER 1	TIER 2	TIERS 3 and 4	TIER 5
Section 8a. continued.	Survivors' pension includes the percentage of cost-of-living adjustments applied to the member's pension prior to death	Survivors' pension includes the percentage of cost-of-living adjustments applied to the member's pension prior to death	City Council may grant discretionary cost-of-living increases once every three years Survivors' pension includes the percentage of cost-of-living adjustments applied to the member's pension prior to death Pro rata adjustment in the first year of retirement	City Council may grant discretionary cost-of-living increases once every three years – member's COLA Bank is reduced Survivors' pension includes the percentage of cost-of-living adjustments 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 adjustments				
i. Service retirement	Annual adjustments commence on July 1 following the later of the effective date or the date the member would have been age 55	Annual adjustments 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 adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
ii. Service-connected disability, service-connected death	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
iii. Nonservice-connected disability	Annual adjustments 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 adjustments commence on the July 1 following the date the member would have completed 25 years of service or 5 years after the effective date of the member's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
iv. Nonservice-connected death, death while eligible for service retirement	Annual adjustments 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 adjustments commence on the July 1 following the date the member would have completed 26 years of service or 5 years after the effective date of the survivor's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
v.	Death after nonservice-connected disability, death after service-connected disability	Annual adjustments 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 adjustments commence on the July 1 following the date the member would have completed 26 years of service or 5 years after the effective date of the member's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date

9. MEMBER'S CONTRIBUTION AS A PERCENTAGE OF ANNUAL PAY

	TIER 1	TIER 2	TIERS 3 and 4	TIER 5
	6% No member contributions required after 30 years of service	6% plus ½ 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 Surviving Domestic Partner (QSDP) eligibility requirements

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
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 domestic partner at least one year prior to date of nonservice-connected death and as of date of death	Married or registered domestic partner at least one year prior to date of nonservice-connected death and as of date of death	Married or registered 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 domestic partner as of the date of service-connected death	Married or registered domestic partner as of the date of service-connected death	Married or registered domestic partner as of the date of service-connected death
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 domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death	Married or registered domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death	Married or registered domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death
iv.	Death after nonservice-connected disability	Married at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death
v.	Death after service-connected disability	Dependent upon member's retirement status and cause of death	Married or registered domestic partner as of effective date of service-connected disability pension and as of date of death	Married or registered domestic partner as of effective date of service-connected disability pension and as of date of death	Married or registered domestic partner as of effective date of service-connected disability pension and as of date of death

		TIER 1	TIER 2	TIERS 3 and 4	TIER 5
b.	Minor child eligibility requirements	Legitimate or adopted child of a deceased member, until age 18 or marries, whichever occurs first	Legitimate or adopted child of a deceased member, until age 18 or marries, whichever occurs first	Child or adopted child of a deceased member, until age 18 (22 if in school full time) or marries, whichever occurs first	Child or adopted child of a deceased member, until age 18 (22 if in school full time) or marries, whichever occurs 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 is 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 is 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 is 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 is unable to pay necessary living expenses without the pension

MISCELLANEOUS PENSION PROVISIONS

11. BASIC DEATH BENEFIT

Applicable to Tiers 3, 4 and 5.
If member had at least one year of service:

1. Beneficiary receives a refund of contributions; and
2. Qualified Survivor receives a limited monthly pension – for every year of service, two monthly payments of one-half of the member's Final Average Salary, not to exceed 12 monthly payments for six or more years of service.

12. DEFERRED PENSION OPTION

Applicable to Tiers 3 and 5.
Tier 3: Upon termination, can elect deferred pension option if member has at least 10 years of service and leaves contributions in Fund. At age 50, member is entitled to receive a service pension.

Tier 5: Upon termination, can elect deferred pension option if member has at least 20 years of service and leaves contributions in Fund. At age 50, member is entitled to receive a service pension using the Tier 3 service pension percentages.

13. DEFERRED RETIREMENT OPTION PLAN (DROP)

Not applicable to Tier 1.
Tiers 2 and 4: At least 25 years of service
Tiers 3 and 5: At least 25 years of service and at least age 50

Member must be on an active duty/working status at the time of DROP entry.
While in DROP, the member's monthly pension is held with a guaranteed annual interest rate of 5%.
Member may participate for a maximum of five years, after which he/she is required to terminate sworn employment and exit DROP.

DEATH OF A DROP MEMBER
For the purpose of survivor benefits, DROP members are considered retired. Qualified survivors receive the benefits outlined in *Section 6 - Death After Service Retirement*, while the proceeds in the member's DROP account are paid to the named DROP beneficiary.

In the event of a service-connected death, the qualified surviving spouse/domestic partner has the option to forfeit the member's DROP account and collect a monthly benefit as outlined in *Section 4 - Service-Connected Death.*

14. OPTIONAL FORM OF BENEFIT FOR QUALIFIED SURVIVING SPOUSE (QSS) / QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)

Applicable to Tiers 3, 4 and 5.
At service or disability retirement, member may elect a higher QSS/QSDP benefit with a corresponding actuarial reduction in his/her retirement benefit.

15. PUBLIC SERVICE PURCHASE (PSP) PROGRAM

Not applicable to Tier 1.
Members may purchase service credit for time served in the military or with other public agencies, subject to requirements and limitations established by the City Council.

Purchased service must be for a minimum of six months, but no more than four years of full-time, uninterrupted service.
Purchased service will only count toward increasing a member's monthly pension allowance and any survivorship benefits.
Purchases must be initiated and finalized prior to entering DROP or retiring, whichever occurs first.

16. RETURN OF CONTRIBUTIONS WITH INTEREST

Tiers 1 and 2: On termination or death if no other benefits are payable
Tiers 3 and 5: On termination or death if no other benefits are payable, (except basic death benefit)
Tier 4: Upon death if no other benefits payable (except basic death benefit). No refund upon termination

17. SURVIVOR BENEFIT PURCHASE PROGRAM

A retired member may make a one-time, irrevocable election to purchase a survivor benefit for a spouse married in retirement or a domestic partner declared in retirement by taking an actuarial reduced retirement benefit.

18. VESTING OF SERVICE RETIREMENT

Tiers 1, 2 and 5: After 20 years of service
Tier 3: After 10 years of service
Tier 4: No vesting until retirement (minimum of 20 years)

HEALTH INSURANCE PREMIUM SUBSIDY

19.	MEDICAL SUBSIDY	MEMBER	QUALIFIED SURVIVING SPOUSE (QSS) / QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)
a.	Age	If retirement date is: 1. On or after 07/01/1998 -At least 55 years of age 2. Prior to 07/01/1998 -At least 60 years of age If member retired between 07/01/1988 and 07/01/1998 and had at least 20 years of service, member may be eligible for a Special MOU Subsidy prior to the age of 60	Member (retired sworn officer) must be at least 55 years of age, if he/she was still alive If member died in the line of duty, medical benefits are provided by the Personnel Department
b.	Years of service	At least 10 years of service (YOS)	Member (retired sworn officer) must have had at least 10 years of service (YOS)
c.	Pension type	Service or Disability	Qualified Surviving Spouse / Qualified Surviving Domestic Partner
d.	Eligible plans	Medical subsidies may be applied to one of the following: 1. A City-approved association plan: -United Firefighters of Los Angeles City -Los Angeles Fire Relief Association -Los Angeles Police Relief Association -LACERS plans offered to Tier 5 Port Police retirees 2. Health Insurance Premium Reimbursement Program – Only available to residents who live outside a City-approved HMO plan service area or outside the state of California	Medical subsidies may be applied to one of the following: 1. A City-approved association plan: -United Firefighters of Los Angeles City -Los Angeles Fire Relief Association -Los Angeles Police Relief Association -LACERS plans offered to Tier 5 Port Police retirees 2. Health Insurance Premium Reimbursement Program – Only available to residents who live outside a City-approved HMO plan service area or outside the state of California
e.	Medicare requirements	Most retirees qualify for Medicare at age 65; exceptions occur where eligibility is granted before age 65 Enrollment in: -Medicare Part A: Required only if retiree is eligible for Part A free of charge -Medicare Part B: Required	Most QSS/QSDPs qualify for Medicare at age 65; exceptions occur where eligibility is granted before age 65 Enrollment in: -Medicare Part A: Required only if QSS/QSDP is eligible for Part A free of charge -Medicare Part B: Required
f.	Non-Medicare, Medicare Part B only subsidy formula	4% per YOS, up to a maximum of 25 YOS Subsidy may not exceed premium of insurance plan	4% per YOS, up to a maximum of 25 YOS Subsidy may not exceed premium of insurance plan

g.	Medicare subsidy formula	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy may not exceed premium of insurance plan Dependent subsidy may apply Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse standard Medicare Part B premium	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy may not exceed premium of insurance plan Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse standard Medicare Part B premium
h.	Dependent coverage	The member subsidy may be used to cover spouses, domestic partners and children Children may be covered until age 19 or age 25 if in school full time	The QSS/QSDP subsidy may be used to cover spouses and dependents. However the subsidy may not exceed the single party premium

20.	**DENTAL SUBSIDY**	**MEMBER**	**QUALIFIED SURVIVING SPOUSE (QSS) / QUALIFIED SURVIVING DOMESTIC PARTNER (QSDP)**
a.	Age	At least 55 years of age	QSSs and QSDPs are not eligible to receive a Dental Subsidy
b.	Years of service	At least 10 years of (YOS)	N/A
c.	Pension type	Service or Disability	N/A
d.	Eligible plans	Dental subsidies may only be applied to one of the following City-approved association plans: -United Firefighters of Los Angeles City -Los Angeles Police Relief Association -Los Angeles Police Protective League -LACERS plans offered to Tier 5 Port Police retirees	Not eligible for a subsidy. However, QSS/QSDP may enroll in one the following City-approved association plans: -United Firefighters of Los Angeles City -Los Angeles Police Relief Association -Los Angeles Police Protective League -LACERS plans offered to Tier 5 Port Police retirees
e.	Dental subsidy formula	4% per YOS up to a maximum of 25 YOS Dental subsidy may not exceed the single party premium	N/A

Disclaimer
The "Summary of Plan Provisions" describes in informal language, the provisions of Tiers 1, 2, 3, 4 and 5. The intent is to summarize legal texts in a clear and concise manner. If there is a difference between this guide and the legal text outlined in the City Charter, the Los Angeles City Administrative Code, the Internal Revenue Code or other laws, the legal text prevails.

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LOS ANGELES FIRE DEPARTMENT

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 lowered 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 System began funding 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 percent for each year of service over 20 up to two-thirds of the salary of the rank held at retirement. The new City Charter that 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 percent of the average salary during the three years preceding retirement, plus 1-2/3 percent 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 percent of salary. Pensions for widows were made fixed amounts.

1933. The actuarial funding 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 percent of the average salary of the last three years of service with an additional 2 percent for each of the next five years of service and 1-1/3 percent 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 percent to 6 percent of salary. Effective June 16, 1947, a Charter amendment created a nonservice-connected disability pension of 40 percent 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 27, 1927.

1959. Effective May 6, 1959, the System was again funded 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 percent of fund assets in common stocks.

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

1967. Tier 1, (formerly Article XVII) was extensively amended, and a new Tier 2 pension plan, (formerly Article XVIII) was adopted effective January 29, 1967 provided:

1. a pension equal to 55 percent of annual salary at retirement with 25 years of service plus an additional 3 percent for each year of service over 25, up to a maximum pension of 70 percent of salary at retirement with 30 years of service;
2. a 2 percent cap on 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 liabilities to 70 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 Tiers 1 and 2.

1969. Amendments to Tiers 1 and 2 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 percent of fund assets.

1971. Tiers 1 and 2 were amended effective July 1, 1971 to remove the 2 percent 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. Tier 1 and 2 amendments enabled the City Council to adopt ordinances providing health insurance premium subsidy benefits and other programs for eligible pensioners.

1975. Amendments to Tiers 1 and 2 allowed cost-of-living adjustments for service-connected disability pensions on the July 1 following the date of retirement. Certain waiting periods for those eligible to receive this adjustment were eliminated.

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

1977. The mandatory retirement age provision of Tier 1 was eliminated effective April 15, 1977.

1980. A new Tier 3 Safety Members' pension plan, (formerly Article XXXV, Plan 1) 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 percent per year of service up to 20 years and 3 percent for each additional year up to a maximum pension of 70 percent of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60 percent of the member's pension.

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

1. the investment of up to 70 percent of fund assets in common stock and up to 25 percent of the 70 percent without dividend record and registration on a national securities exchange;
2. the investment of 35 percent 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 Tiers 1 and 2 provided a 3 percent 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 Tier 3.

1983. Tier 1 and 2 active members were no longer required to contribute to the pension system upon completion of 30 years of service.

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

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

1989. The System began pre-funding the health insurance premium subsidy benefits.

On April 26, 1989, in the case of the United Firefighters of Los Angeles City vs. the City of Los Angeles, the California Court of Appeals upheld the Los Angeles County Superior Court's judgment for the plaintiffs. As a result the 3 percent cap on cost-of-living increases instituted in 1982 for Tier 1 and 2 members was lifted.

1990. A series of measures were enacted that 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.

1993. The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25 percent to 50 percent. Retired Tier 2 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 Tier 3 under federal law.

1996. In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents. 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. A new Tier 4 pension plan, (formerly Article XXXV, Plan 2) was established effective July 1, 1997. All Tier 3 members hired between December 8, 1980 and June 30, 1997 were given until June 30, 1998 to make an irrevocable transfer to Tier 4. Tier 4 provides retirement benefits at any age after 20 years of service based on a formula of 2 percent per year of service up to 20 years and 3 percent for each additional year up to a maximum pension of 70 percent of Final Average Salary; member contributions are non-refundable; deferred retirement is not an option.

Tier 3 and 4 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 12-month period used to determine Final Average Salary for pension purposes.

The Charter was also amended to allow, at the discretion of the City Council, administrative expenses, which shall include investment management expenses, to be paid from fund assets.

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

1999. The 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.

A provision was established so that members hired July 1, 1997 through December 31, 1997 could irrevocably elect to transfer from Tier 4 to Tier 3. The provision allowed the Metropolitan Transportation Authority officers who merged into the Police Department to join either Tier 3 or Tier 4. A delay in the merger made it necessary to add this provision so that negotiated benefits could be provided.

2000. Effective January 17, 2000, domestic partners became eligible 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 became eligible to receive a health insurance premium subsidy at the time of the member's death, subject to eligibility requirements.

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

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 referred to as Tiers 1, 2, 3 and 4, respectively.
3. The Board of Commissioners was expanded from seven to nine members to include an elected retired fire member and an elected retired police member.
4. The Board selects the General Manager, subject to confirmation by the Mayor and Council, and may remove the General Manager, subject to confirmation by the Mayor.
5. Assistant General Manager positions are 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 California Constitution Article XVI, Section 17;
    b. the prudent person investment standard;
    c. sole and exclusive power to provide actuarial services;
    d. control over litigation and settlement of litigation that involves policies and funds under Board control; and
    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 the 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 the 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 from January 2, 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 percent of Final Average Salary, plus 3 percent for each additional year of service to a maximum of 90 percent of Final Average Salary for 33 or more years. The exception is year 30, in which 4 percent credit is given for that year of service. Members contribute 8 percent of salary; 9 percent if Plan assets fall below the 100 percent 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 (members of Tiers 3 and 5 must also be at least age 50) 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 percent per annum return, payable upon exiting DROP. Participation in DROP 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 percent 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. This plan is nonqualified under the Internal Revenue Code.

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 use funds from deferred compensation to purchase service credit.

2005. On January 20, 2005, an ordinance became operational allowing former Tier 2 members who transferred to Tier 5 and who had prior service as paramedics or civilian ambulance personnel under LACERS to purchase this period of service.

In the March 2005 election, the voters approved two Charter amendments. The first amendment authorized the Council to amend the Charter to transfer the Sworn Port Police Officers to Tier 5 of Fire and Police Pensions.

The second amendment provided the following:

1. Instituted return-to-duty provisions similar to those in Tier 2 to members in Tiers 3, 4 and 5.

2. Authorized the Council to allow a City Defrayal of Employee Contributions by Ordinance. This means the City may pay a portion of the employee contributions to Tiers 3, 4 and 5, not to exceed 2 percent of the required contributions in lieu of a salary increase or a portion of an increase. This provision is to be used during Memorandum of Understanding negotiations as part of a total economic package and the cost will be evaluated at that time.

3. Authorized the City Council to set sworn retiree health insurance premium subsidies by ordinance. Prior to this change, the Charter limited the maximum sworn retiree health insurance premium subsidy to the lesser of the maximum active sworn member health subsidy or the maximum civilian retiree health subsidy. The Council can delegate authority for setting sworn retiree subsidies to the Pension Board.

2006. An ordinance was effective January 4, 2006, which gave current Port Police Officers the choice of transferring to Tier 5 or remaining in LACERS, their current retirement system. Persons appointed on or after January 8, 2006 as specified in the ordinance become members of Tier 5 upon graduation from academy training required by the Harbor Department. The actuarial valuation of 2005 found the Plan less than fully funded for pension benefits. As required by Administrative Code Section 4.2014, Tier 5 member contributions were increased to 9 percent effective July 1, 2006.

2007. The election period for Sworn Port Police Officers to transfer to Tier 5 closed on January 5, 2007, with 40 Port Police Officers electing membership in Tier 5.

On February 1, 2007 the Board created an Audit Committee and an Internal Audit Division.

On March 6, 2007, voters passed a Charter amendment giving the City Council authority to establish by ordinance a voluntary Public Service Purchase Program. The program is to provide a means for Plan membership to purchase eligible full-time service with the military and/or with other public agencies for the purpose of increasing pension credits. The member must assume the full actuarial cost of the purchase.

The Deferred Retirement Option Plan (DROP) completed its fifth year on April 30, 2007. Participants who enrolled in DROP from its inception, May 1, 2002, were required to exit the plan by April 30, 2007. There were approximately 200 mandatory exits processed in April and May 2007.

The City Council approved an extension of DROP, commencing May 1, 2007 and ending April 30, 2012, and excluded participation by the Chief of Police and the Chief Engineer of the Fire Department.

In July 2007, the System began consultant-supported audits of the retiree medical and dental plans offered by the Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Protective League (LAPPL), Los Angeles Police Relief Association (LAPRA) and United Firefighters of Los Angeles City (UFLAC). The principal areas of the audits are an eligibility audit, a benefit audit, an administrative audit and a financial analysis.

On September 6, 2007, the Board voted to revise its proxy voting guidelines to vote "FOR" shareholder proposals that request management to report on climate change. This change was in light of survey results released by an advocacy group known as the Carbon Disclosure Project (CDP). The study determined that 80 percent of U.S. companies believe that climate change poses commercial risks for their businesses. As a result, investors are encouraging more environmental disclosure from companies. The Supreme Court had ruled in April 2007 that greenhouse gases are a pollutant that may be regulated by the Environmental Protection Agency.

The first management audit of the System was conducted by Independent Fiduciary Services and the results released on December 3, 2007. Charter Section 1112 requires that the City Controller, the Office of the Mayor and the Los Angeles City Council shall jointly cause, once every five years, a management audit to be conducted by an independent, qualified management auditing firm. The purpose of the audit was to examine whether the pension system is operating in the most efficient and economical manner. The audit found that the System was generally operating efficiently and in accordance with best industry practices, providing good investment returns overall, utilizing reasonable actuarial assumptions and methods and pre-funding health insurance premium subsidy benefits.

2008. The Public Service Purchase (PSP) ordinance was adopted by the City Council on April 8, 2008 and became effective April 22, 2008. On June 1, 2008 a PSP calculator was made available online to eligible members to perform cost estimates for the purchase of service. In addition, the program was implemented, with the first purchase completed in June.

The City Council adopted the following amendments to the Deferred Retirement Option Plan (DROP):

1. July 3, 2008 - A DROP member who is subsequently appointed Fire or Police Chief prior to exiting DROP shall be allowed to rescind his/her DROP election.
2. November 4, 2008 - A definitive ending date for the DROP Program was removed, and a member must be on active duty status at the time of entry into the program.

2009. On March 3, 2009, voters passed two Charter amendments:

1. The first measure established a Survivor Benefit Purchase Program that allows retired members of the Plan to purchase, at their own expense, a survivor benefit for a spouse or domestic partner. The retiree's monthly benefit is actuarially reduced to cover the cost of providing this survivor benefit.
2. The second measure modified the Dependent (Disabled) Children Survivor Benefits provided by the Plan. Dependent Children may now marry or be adopted without losing the right to Dependent Child benefits. Additional payment options, which did not increase the amount of benefits payable, were also authorized. The Board was granted the authority to pay Dependent Child benefits to a Special Needs Trust for the benefit of the disabled child.

On May 7, 2009, the Board terminated its contract with Aldus Equity Partners, the Board's private equity consultant. The termination was based in part on "pay-to-play" complaints filed against Aldus by the State of New York and the Securities Exchange Commission. One of the founders of Aldus Equity later pleaded guilty to felony securities fraud in the New York attorney general's pension fund corruption probe. Two appointed members of our Board also resigned from the Fire and Police Pension Board on this day.

On July 23, 2009, the Board adopted a "Contractor Disclosure Policy" to regulate the System's contractors and fine or terminate those who violate the policy. The policy complies with the provisions of Assembly Bill 1584 (later enacted into law on October 11, 2009), requiring the disclosure of gifts, campaign contributions and meetings with LAFPP investment managers, consultants and other contractors to provide transparency and help avoid conflicts and the appearance of conflicts.

2010. On April 1, 2010, the Board retained Northern Trust Benefit Payment Services as the issuer for monthly pension payments. The Northern Trust Benefit Payment Passport system replaced the outdated mainframe-based Retirement and Pension Payment (RAP) System operated and maintained by the City of Los Angeles Office of the Controller and Information Technology Agency. In October 2010, the Department issued pension payments utilizing the new benefit payment system for the first time. As a result of this transition, pensioners received 13 rather than the usual 12 pension checks for Tax Year 2010.

2011. On March 8, 2011, voters approved Charter Amendment G which:

1. Established a Tier 6 for new members effective July 1, 2011. As a result of pension reform, Tier 6 participants will be required to contribute 2 percent more than the maximum 9 percent Tier 5 member contribution for a total of 11 percent. The additional 2 percent will be contributed in exchange for retiree health benefits provided members in the other Fire and Police Pension Tiers.
2. Removed the amortization policies for each Tier in the Fire and Police Pension System from the Charter and the Administrative Code. These policies shall instead be adopted by the Board of Fire and Police Pension Commissioners upon the advice of its consulting actuary.

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