

Los Angeles Fire and Police Pension System

*Actuarial Valuation and Review of Pension and
Other Postemployment Benefits (OPEB) as of June
30, 2006*

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December 12, 2006

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Re: June 30, 2006 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2006 actuarial valuations for the retirement and the health programs.

As requested by the System, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the two programs.
- Exhibit B - History of computed contribution rates for the two programs.

We look forward to discussing the reports and the enclosed schedules with you and the Board.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Angelo".

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary

MYM/dvb
Enclosure

4002071v2/07916.002



Exhibit A

City of Los Angeles Fire and Police Pension Plan Summary of Significant Valuation Results

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Percent Change</u>
I. Total Membership			
A. Current Active Members	12,903	12,656	1.95%
B. Current Retirees, Beneficiaries, and Dependents	11,815	11,746	0.59%
II. Valuation Salary			
A. Total Annual Payroll	\$1,092,814,844	\$1,037,444,701	5.34%
B. Average Monthly Salary	7,058	6,831	3.32%
III. Benefits to Current Retirees and Beneficiaries*			
A. Total Annual Benefits	\$577,804,152	\$542,021,844	6.60%
B. Average Monthly Benefit Amount	4,075	3,845	5.98%
IV. Total System Assets**			
A. Actuarial Value	\$12,735,185,068	\$12,231,312,791	4.12%
B. Market Value	13,503,160,876	12,380,173,624	9.07%
V. Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	\$689,980,835	\$723,410,784	-4.62%
B. Health Subsidy Benefits	1,017,405,273	660,305,546	54.08%

* Includes July COLA.

** Includes assets for Retirement and Health Benefits.

Exhibit A (continued)

**City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results**

VI. Budget Items	<u>FY 2007-2008</u>		<u>FY 2006-2007</u>		<u>Change</u>	
	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	17.86%		15.87%		12.54%	
2. Amortization of UAAL	<u>3.45%</u>		<u>3.97%</u>		<u>-13.10%</u>	
3. Total Retirement Contribution	21.31%	22.17%	19.83%	20.56%	7.46%	7.83%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.20%		2.60%		23.08%	
2. Amortization of UAAL	<u>4.95%</u>		<u>2.23%</u>		<u>121.97%</u>	
3. Total Retirement Contribution	8.15%	8.48%	4.83%	5.03%	68.74%	68.59%
C. Total Contribution (A+B)						
VII Funded Ratio (Based on Valuation Value of Assets)		<u>June 30, 2006</u>		<u>June 30, 2005</u>		<u>Change</u>
A. Retirement Benefits		94.6%		94.1%		0.53%
B. Healthy Subsidy Benefits		37.6%		47.5%		-20.84%
C. Total		88.2%		89.8%		-1.78%

Exhibit B

**City of Los Angeles Fire and Police Pension Plan
Computed Contribution Rates* – Historical Comparison**

<u>Valuation Date</u>	<u>Retirement</u>	<u>Health</u>	<u>Total</u>	<u>Valuation Payroll (thousands)</u>
06/30/2000	8.68%	3.60%	12.29%	\$845,426
06/30/2001	3.74%	3.32%	7.06%	882,758
06/30/2002	11.00%	2.98%	13.98%	946,037
06/30/2003	13.79%	3.09%	16.88%	970,727
06/30/2004	12.86%	2.83%	15.69%	1,001,004
06/30/2005	20.56%	5.03%	25.59%	1,037,445
06/30/2006	22.17%	8.48%	30.65%	1,092,815

* Contributions are assumed to be made at the end of the pay period.

City of Los Angeles Fire and Police Pension Plan

*Actuarial Valuation and Review
as of June 30, 2006*

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December 11, 2006

*Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007/2008 and analyzes the preceding year's experience.

The census information on which our calculations were based and the financial information were provided by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Theodore J. Shively, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Commissioners are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

*Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary*

*Theodore J. Shively, ASA, MAAA, EA
Vice President and Actuary*

JQW/dvb:hy

SECTION 1

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SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Los Angeles Fire and Police Pension Plan as of June 30, 2006. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Commissioners;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2006, provided by LAFPP;
- The assets of the Plan as of June 30, 2006, provided by LAFPP;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 94.1% to 94.6%. The unfunded actuarial accrued liability has decreased from \$723 million to \$690 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- The aggregate employer rate calculated in this valuation has increased from 20.56% of payroll to 22.17% of payroll. The increase was due to: (i) changes in actuarial assumptions, (ii) lower than expected return on the valuation value of assets, and (iii) other actuarial experience.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment gain as of June 30, 2006 is \$767,975,808 for the assets for Retirement and Health Subsidy Benefits. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment gains on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year (i.e., the City will prepay its contributions) or (2) throughout the year (i.e., the City will pay contributions at the end of every pay period).
- In this valuation, we have reduced the interest rate assumption from 8.50% to 8.00%, the inflation assumption from 5.00% to 3.75%, and updated the salary increase assumption, as adopted by the Board. All other assumptions used in this valuation are the same as those used in the June 30, 2005 valuation.
- The actuarial valuation report as of June 30, 2006 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Summary of Key Valuation Results

	2006	2005
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of year	21.31%	19.83%
At the end of each pay period	22.17%	20.56%
Funding elements for plan year beginning July 1:		
Normal cost	\$286,705,749	\$247,000,965
Market value of assets ⁽¹⁾	13,503,160,876	12,380,173,624
Actuarial value of assets ⁽¹⁾	12,735,185,068	12,231,312,791
Valuation value of retirement assets	12,121,402,902	11,634,113,683
Actuarial accrued liability	12,811,383,737	12,357,524,467
Unfunded actuarial accrued liability	689,980,835	723,410,784
Funded ratio	94.6%	94.1%
GASB 25/27 for fiscal year ending June 30:		
Annual required contributions	\$143,817,150	\$135,853,688
Actual contributions	143,817,150	135,853,688
Percentage contributed	100.0%	100.0%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	11,815	11,746
Number of vested former members	59	0
Number of active members	12,903	12,656
Projected total payroll	\$1,092,814,844	\$1,037,444,701
Projected average payroll	84,695	81,973

⁽¹⁾Includes all assets for Retirement and Health Subsidy Benefits.

Actuarial Certification

December 11, 2006

This is to certify that The Segal Company has conducted an actuarial valuation of the City of Los Angeles Fire and Police Pension Plan retirement program as of June 30, 2006, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2005. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

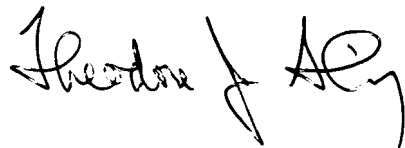
The actuarial valuation is based on the plan of benefits summarized in Exhibit VI and on participant and financial data provided by LAFPP.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

- 1) Schedule of funding progress
- 2) Schedule of employer contributions
- 3) Supplementary Information Required by the GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information.



Theodore J. Shively, ASA, MAAA, EA
Vice President and Actuary

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, non-vested members (entitled to a refund of member contributions) and vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past three valuations can be seen in this chart.

CHART 1
Member Population: 2004 – 2006

Year Ended June 30	Active Members⁽¹⁾	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	12,649	0	11,782	0.93
2005	12,656	0	11,746	0.93
2006	12,903	59	11,815	0.92

⁽¹⁾ Includes 928, 1,178 and 1,206 DROP members for years ended June 30, 2004, 2005 and 2006, respectively.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Active Members (Including DROP)

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 12,903 active members with an average age of 40.8 average years of service of 14.1 years and average payroll of \$84,695. The 12,656 active members in the prior valuation had an average age of 40.8, average service of 14.1 years and average payroll of \$81,973.

Inactive Members

In this year's valuation, there were a total of 59 members with a vested right to a deferred or immediate vested benefit versus none in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members (Including DROP) by Age as of June 30, 2006

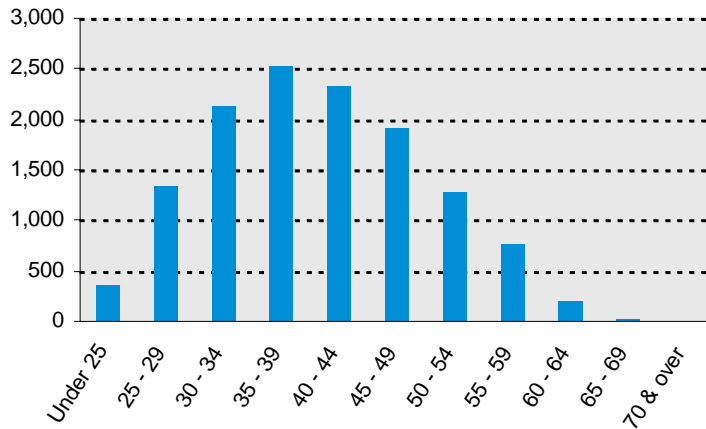
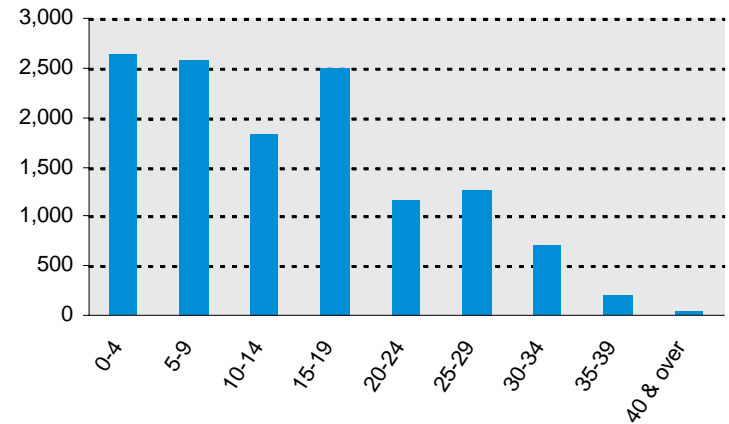


CHART 3
Distribution of Active Members (Including DROP) by Years of Service as of June 30, 2006



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Retired Members and Beneficiaries

As of June 30, 2006, 9,424 retired members and 2,391 beneficiaries were receiving total monthly benefits of \$48,150,346. For comparison, in the previous valuation, there were 9,384 retired members and 2,362 beneficiaries receiving monthly benefits of \$45,168,487.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2006

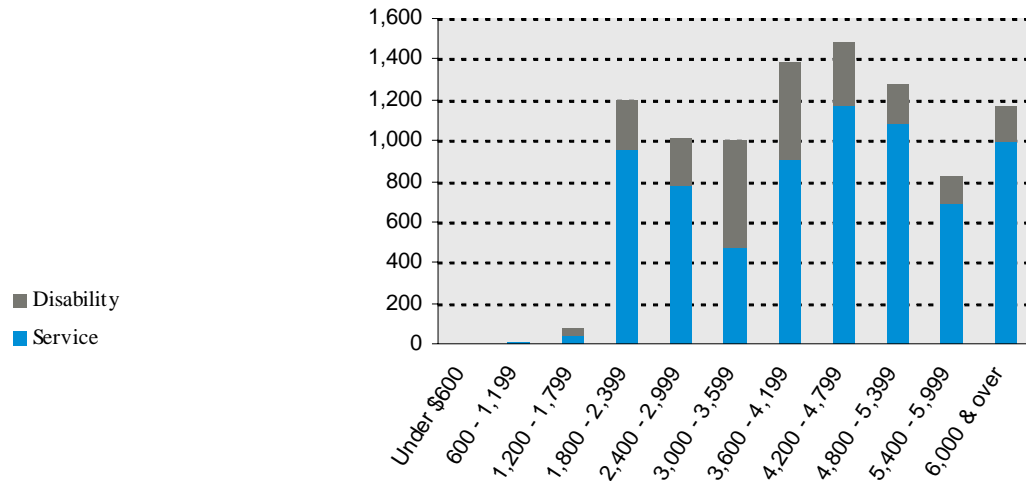
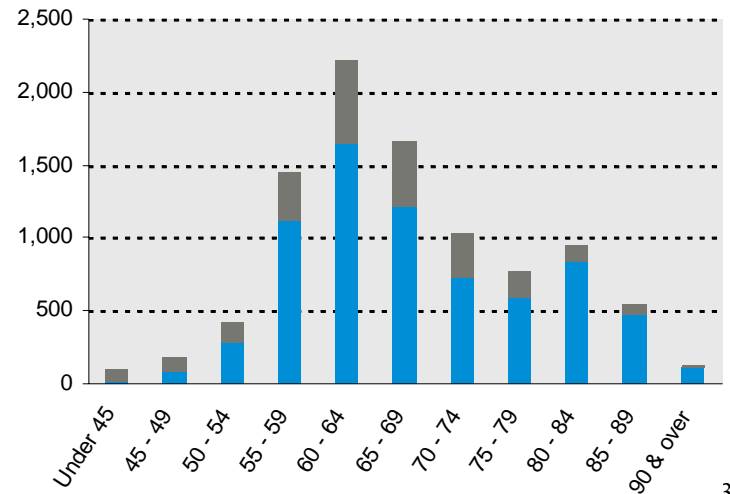


CHART 5
Distribution of Retired Members and by Type and by Age as of June 30, 2006



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

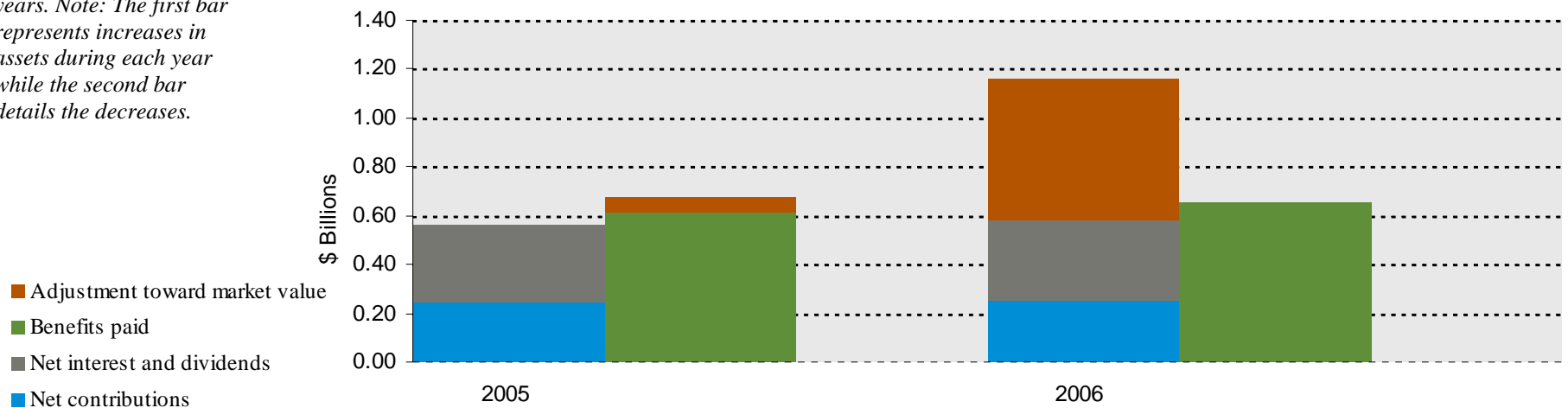
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last two years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2005 – 2006



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7
Determination of Actuarial Value of Assets for Year Ended June 30, 2006

1. Market value of assets			\$13,503,160,876
	Original	Percent Not	Amount Not
2. Calculation of unrecognized return*	<u>Amount</u>	<u>Recognized</u>	<u>Recognized</u>
(a) Year ended June 30, 2006	\$477,862,344	80%	\$382,289,875
(b) Year ended June 30, 2005	161,741,566	60%	97,044,939
(c) Year ended June 30, 2004	875,162,380	40%	350,064,952
(d) Year ended June 30, 2003	-307,119,792	20%	-61,423,958
(e) Total unrecognized return			767,975,808
3. Preliminary actuarial value: (1) - (2e)			12,735,285,068
4. Adjustment to be within 20% corridor			0
5. Final actuarial value of assets: (3) + (4)			<u>\$12,735,285,068</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)			94.3%
7. Valuation value of retirement assets			\$12,121,402,902

**Total return minus expected return on a market value basis*

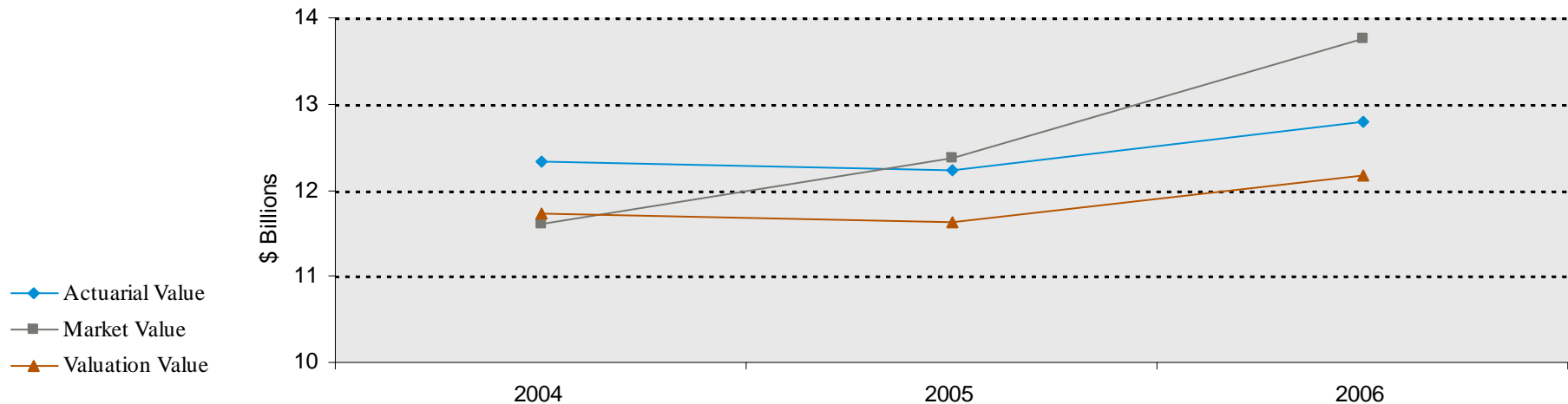
SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

The actuarial value, market value and valuation value of assets are representations of LAFPP's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LAFPP's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past three years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2004 – 2006



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year’s experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total net loss of \$103,908,875 was due mainly to a contribution loss of \$75,346,322 offset by slight gains from all other sources. The net experience variation from all sources was 0.8% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

**CHART 9
Actuarial Experience for Year Ended June 30, 2006**

1. Net gain/(loss) from investments ⁽¹⁾	-\$122,401,510
2. Net gain/(loss) from other experience ⁽²⁾	93,838,957
3. Net loss from contributions less than anticipated due to one-year lag for new rate	<u>-75,346,322</u>
4. Net experience gain/(loss): (1) + (2) + (3)	-\$103,908,875

⁽¹⁾ Details in Chart 10.

⁽²⁾ Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2005 through June 30, 2006, compared to the projected experience predicted by the actuarial assumptions as of June 30, 2005.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LAFPP’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.50% (based on the June 30, 2005 valuation). The actual rate of return on the valuation value of assets basis for the 2006 plan year was 7.44%.

Since the actual return for the year was lower than the assumed return, LAFPP experienced an actuarial loss during the year ended June 30, 2006 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Actuarial Value Investment Experience for Year Ended June 30, 2006

	All Assets ⁽¹⁾	Assets for Retirement Only
1. Actual return	\$901,268,460	\$856,598,931
2. Average value of assets	12,116,093,182	11,517,652,240
3. Actual rate of return: (1) ÷ (2)	7.44%	7.44%
4. Assumed rate of return	8.50%	8.50%
5. Expected return: (2) x (4)	\$1,029,867,920	\$979,000,440
6. Actuarial gain/(loss): (1) – (5)	<u>-\$128,599,461</u>	<u>-\$122,401,510</u>

⁽¹⁾Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for all Retirement and Health Subsidy Benefits assets.

Based on the assumptions adopted by the Board for the June 30, 2006 valuation, we have decreased the investment return assumption from 8.50% to 8.00%.

CHART 11
Investment Return – Actuarial Value vs. Market Value: 2005 - 2006

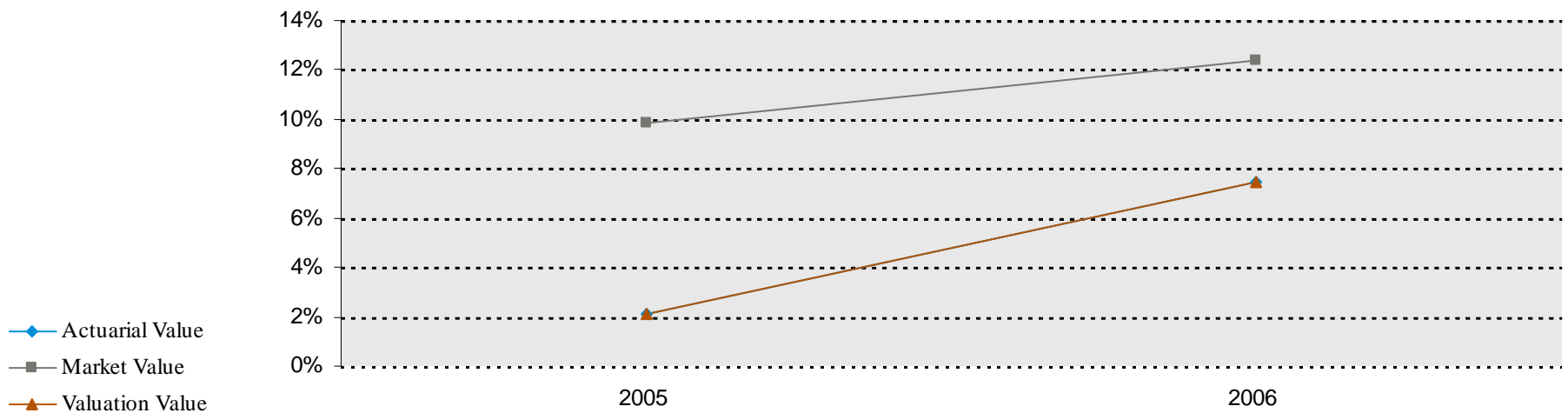
Year Ended June 30	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2005	\$259,388,778	2.12%	\$1,131,871,641	9.83%
2006	901,268,460	7.44%	1,520,383,435	12.40%

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2005 - 2006 .

CHART 12
Market and Actuarial Rates of Return for Years Ended June 30, 2005 - 2006



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2006 amounted to \$93,838,957, which is 0.7% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LAFPP for the year ended June 30, 2006 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2006

1. Gain due to lower than expected salary increases for continuing actives	\$50,033,908
2. Miscellaneous gains	<u>43,805,049</u>
3. Net gain/(loss)	\$93,838,957

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability, separately for each Tier. The total amount is then divided by the projected payroll for active members to determine the funding rate of 22.17% of payroll.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14

Recommended Contribution

The chart compares this valuation's recommended contribution with the prior valuation.

	Year Beginning July 1			
	2006		2005	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 1 Members				
1. Total normal cost	\$ 0	N/A	\$ 0	N/A
2. Expected employee contributions	0	N/A	0	N/A
3. Employer normal cost: (1) + (2)	0	N/A	0	N/A
4. Actuarial accrued liability	206,485,139		233,430,007	
5. Valuation value of assets	-22,213,724		-17,260,731	
6. Unfunded actuarial accrued liability	228,698,863		250,690,738	
7. Amortization of unfunded accrued liability	18,657,440	N/A	21,197,223	N/A
8. Total recommended contribution, not adjusted for timing	18,657,440	N/A	21,197,223	N/A
9. Total recommended contribution, adjusted for timing ⁽²⁾	19,413,314	N/A	22,108,279	N/A
10. Projected payroll used for developing normal cost rate	0		0	
Tier 2 Members				
1. Total normal cost	\$6,074,887	24.70%	\$6,343,196	25.80%
2. Expected employee contributions	-1,253,377	-5.10%	-738,909	-3.00%
3. Employer normal cost: (1) + (2)	4,821,510	19.61%	5,604,287	22.79%
4. Actuarial accrued liability	6,171,837,838		6,609,266,510	
5. Valuation value of assets	6,298,169,078		6,293,684,770	
6. Unfunded actuarial accrued liability	-126,331,240		315,581,740	
7. Amortization of unfunded accrued liability	-6,589,956	-0.60% ⁽³⁾	16,495,275	1.51% ⁽³⁾
8. Total recommended contribution, not adjusted for timing	-1,768,446	N/A	22,099,561	N/A
9. Total recommended contribution, adjusted for timing ⁽²⁾	-1,840,092	N/A	23,049,400	N/A
10. Projected payroll used for developing normal cost rate	24,590,161		26,831,167	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2006.

⁽²⁾ Contributions are assumed to be paid at the end of every pay period.

⁽³⁾ Percent of TOTAL payroll.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14

Recommended Contribution (Continued)

	Year Beginning July 1			
	2006		2005	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 3 Members				
1. Total normal cost	\$22,434,530	24.84%	\$20,049,267	22.20%
2. Expected employee contributions	-7,218,480	-7.99%	-6,676,050	-7.39%
3. Employer normal cost: (1) + (2)	15,216,050	16.85%	13,373,216	14.81%
4. Actuarial accrued liability	529,567,755		447,125,001	
5. Valuation value of assets	408,470,793		374,691,288	
6. Unfunded actuarial accrued liability	121,096,962		72,433,713	
7. Amortization of unfunded accrued liability	3,137,221	3.47%	2,927,308	3.24%
8. Total recommended contribution, not adjusted for timing	18,353,271	20.32%	16,300,525	18.05%
9. Total recommended contribution, adjusted for timing ⁽²⁾	19,096,822	21.15%	16,969,557	18.79%
10. Projected payroll used for developing normal cost rate	90,311,641		90,254,548	
Tier 4 Members				
1. Total normal cost	\$9,170,378	21.53%	\$8,245,787	19.36%
2. Expected employee contributions	-3,407,647	-8.00%	-2,997,463	-7.04%
3. Employer normal cost: (1) + (2)	5,762,731	13.53%	5,248,325	12.32%
4. Actuarial accrued liability	259,607,452		219,869,439	
5. Valuation value of assets	207,853,664		190,359,164	
6. Unfunded actuarial accrued liability	51,753,788		29,510,275	
7. Amortization of unfunded accrued liability	1,001,058	2.35%	813,811	1.91%
8. Total recommended contribution, not adjusted for timing	6,763,789	15.88%	6,062,136	14.23%
9. Total recommended contribution, adjusted for timing ⁽²⁾	7,037,812	16.52%	6,304,148	14.80%
10. Projected payroll used for developing normal cost rate	42,595,593		42,481,523	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2006.

⁽²⁾ Contributions are assumed to be paid at the end of every pay period.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14

Recommended Contribution (Continued)

	Year Beginning July 1			
	2006		2005	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 5 Members				
1. Total normal cost	\$249,025,954	26.62%	\$225,636,067	24.12%
2. Expected employee contributions	-79,665,600	-8.52%	-76,503,933	-8.18%
3. Employer normal cost: (1) + (2)	169,360,354	18.11%	149,132,134	15.94%
4. Actuarial accrued liability	5,643,885,553		4,847,833,510	
5. Valuation value of assets	5,229,123,091		4,792,639,192	
6. Unfunded actuarial accrued liability	414,762,462		55,194,318	
7. Amortization of unfunded accrued liability	21,510,130	2.30%	528,735	0.06%
8. Total recommended contribution, not adjusted for timing	190,870,484	20.41%	149,660,870	16.00%
9. Total recommended contribution, adjusted for timing ⁽²⁾	198,603,273	21.23%	156,010,950	16.68%
10. Projected payroll used for developing normal cost rate	935,317,449		877,877,464	
All Tiers Combined				
1. Total normal cost	\$286,705,749	26.24%	\$260,071,780	23.80%
2. Expected employee contributions	-91,545,104	-8.38%	-86,687,626	-7.93%
3. Employer normal cost: (1) + (2)	195,160,645	17.86%	173,384,154	15.87%
4. Actuarial accrued liability	12,811,383,737		12,357,524,467	
5. Valuation value of assets	12,121,402,902		11,634,113,683	
6. Unfunded actuarial accrued liability	689,980,835		723,410,784	
7. Amortization of unfunded accrued liability	37,715,893	3.45%	43,338,437	3.97%
8. Total recommended contribution, not adjusted for timing	232,876,538	21.31%	216,722,591	19.83%
9. Total recommended contribution, adjusted for timing ⁽²⁾	242,311,129	22.17%	224,682,732	20.56%
10. Projected payroll used for developing normal cost rate	1,092,814,844		1,037,444,701	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2006.

⁽²⁾ Contributions are assumed to be paid at the end of every pay period.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

If paid by the City at the beginning of the year, the calculated normal cost is 17.86% payroll. The remaining 3.45% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of 28.5 years.

The contribution rates as of June 30, 2006 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2005 to June 30, 2006

Recommended Contribution as of June 30, 2005	\$216,722,591*
Increase on prior year amortization amounts	\$12,422,439
Effect of contributions (more)/less than recommended contribution	5,663,961
Effect of investment (gain)/loss	8,096,958
Effect of other gains and losses on accrued liability	-22,375,352
Effect of change in actuarial assumptions	-7,252,433
Increase in employer cost, due to payroll and demographic changes	<u>19,598,374</u>
Total change	<u>\$16,153,947</u>
Recommended Contribution as of June 30, 2006	<u>\$232,876,538</u>

* Revised using payroll as of June 30, 2006

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

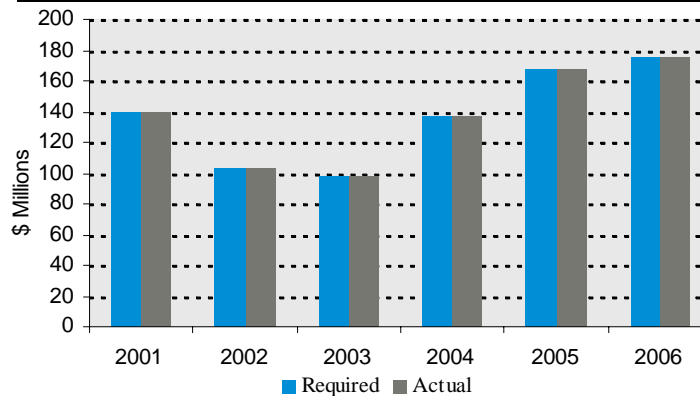
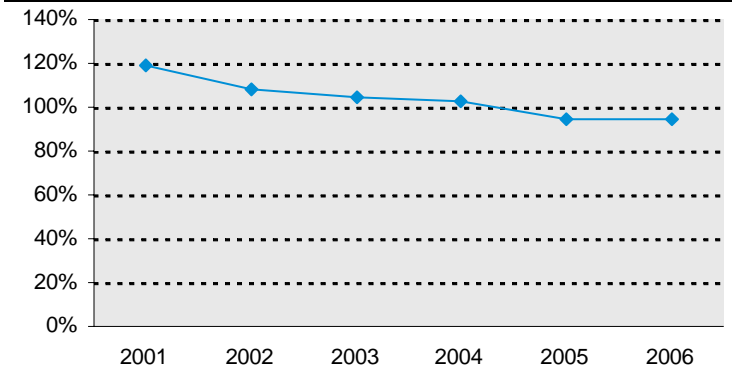


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

Total

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	12,903	12,656	2.0%
Average age	40.8	40.8	N/A
Average service	14.1	14.1	N/A
Projected total payroll	\$1,092,814,844	\$1,037,444,701	5.3%
Projected average payroll	\$84,695	\$81,973	3.3%
Account balances	\$1,214,198,084	\$1,132,860,818	7.2%
Total active vested members	4,044	3,938	2.7%
Vested terminated members:			
Number	59	0	N/A
Average age	44.7	N/A	N/A
Average monthly benefit	\$1,631	N/A	N/A
Retired members:			
Number in pay status	7,086	7,027	0.8%
Average age at retirement	51.1	51.0	N/A
Average age	68.4	68.1	N/A
Average monthly benefit (includes July COLA)	\$4,391	\$4,134	6.2%
Disabled members:			
Number in pay status	2,338	2,357	-0.8%
Average age at retirement	44.2	44.1	N/A
Average age	64.5	64.0	N/A
Average monthly benefit (includes July COLA)	\$3,932	\$3,738	5.2%
Beneficiaries:			
Number in pay status	2,391	2,362	1.2%
Average age	75.9	75.5	N/A
Average monthly benefit (includes July COLA)	\$3,281	\$3,095	6.0%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average service	N/A	N/A	N/A
Projected total payroll	N/A	N/A	N/A
Projected average payroll	N/A	N/A	N/A
Account balances	N/A	N/A	N/A
Total active vested members	N/A	N/A	N/A
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	194	221	-12.2%
Average age at retirement	46.3	46.4	N/A
Average age	82.5	82.0	N/A
Average monthly benefit (includes July COLA)	\$2,045	\$1,936	5.6%
Disabled members:			
Number in pay status	201	220	-8.6%
Average age at retirement	37.8	37.6	N/A
Average age	78.0	77.3	N/A
Average monthly benefit (includes July COLA)	\$2,441	\$2,308	5.8%
Beneficiaries:			
Number in pay status	601	636	-5.5%
Average age	82.9	82.8	N/A
Average monthly benefit (includes July COLA)	\$2,285	\$2,188	4.4%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

ii. Tier 2

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	240	273	-12.1%
Average age	51.7	50.8	N/A
Average service	28.5	27.5	N/A
Projected total payroll	\$24,590,161	\$26,831,167	-8.4%
Projected average payroll	\$102,459	\$98,283	4.2%
Account balances	\$45,752,147	\$48,123,579	-4.9%
Total active vested members	240	272	-11.8%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	5,981	6,115	-2.2%
Average age at retirement	50.7	50.7	N/A
Average age	69.4	68.8	N/A
Average monthly benefit (includes July COLA)	\$4,249	\$4,040	5.2%
Disabled members:			
Number in pay status	1,868	1,891	-1.2%
Average age at retirement	45.4	45.4	N/A
Average age	65.4	64.5	N/A
Average monthly benefit (includes July COLA)	\$4,207	\$4,003	5.1%
Beneficiaries:			
Number in pay status	1,693	1,641	3.2%
Average age	75.0	74.3	N/A
Average monthly benefit (includes July COLA)	\$3,588	\$3,402	5.5%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iii. Tier 3

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	1,077	1,129	-4.6%
Average age	40.7	39.9	N/A
Average service	12.3	11.3	N/A
Projected total payroll	\$90,311,641	\$90,254,548	0.1%
Projected average payroll	\$83,855	\$79,942	4.9%
Account balances	\$79,013,165	\$72,298,450	9.3%
Total active vested members	717	554	29.4%
Vested terminated members:			
Number	56	0	N/A
Average age	44.6	N/A	N/A
Average monthly benefit	\$1,549	N/A	N/A
Retired members:			
Number in pay status	72	63	14.3%
Average age at retirement	52.7	52.4	N/A
Average age	58.9	58.5	N/A
Average monthly benefit (includes July COLA)	\$2,621	\$2,650	-1.1%
Disabled members:			
Number in pay status	219	208	5.3%
Average age at retirement	39.2	38.9	N/A
Average age	48.6	47.8	N/A
Average monthly benefit (includes July COLA)	\$2,934	\$2,814	4.3%
Beneficiaries:			
Number in pay status	66	63	4.8%
Average age	45.0	41.9	N/A
Average monthly benefit (includes July COLA)	\$3,562	\$3,543	0.5%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iv. Tier 4

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	489	513	-4.7%
Average age	38.8	38.0	N/A
Average service	14.3	13.5	N/A
Projected total payroll	\$42,595,593	\$42,481,523	0.3%
Projected average payroll	\$87,108	\$82,810	5.2%
Account balances	\$46,160,498	\$43,746,649	5.5%
Total active vested members	135	130	3.8%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	69	56	23.2%
Average age at retirement	44.6	44.4	N/A
Average age	47.3	46.7	N/A
Average monthly benefit (includes July COLA)	\$3,344	\$3,150	6.2%
Disabled members:			
Number in pay status	30	25	20.0%
Average age at retirement	42.7	42.8	N/A
Average age	46.0	45.4	N/A
Average monthly benefit (includes July COLA)	\$3,924	\$3,717	5.6%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	43.6	42.5	N/A
Average monthly benefit (includes July COLA)	\$6,683	\$6,622	0.9%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

v. Tier 5

Category	Year Ended June 30		Change From Prior Year
	2006	2005	
Active members in valuation:			
Number	11,097	10,741	3.3%
Average age	40.7	40.8	N/A
Average service	13.9	14.1	N/A
Projected total payroll	\$935,317,449	\$877,877,464	6.5%
Projected average payroll	\$84,286	\$81,731	3.1%
Account balances	\$1,043,272,275	\$968,692,140	7.7%
Total active vested members	2,952	2,982	-1.0%
Vested terminated members:			
Number	3	0	N/A
Average age	46.4	N/A	N/A
Average monthly benefit	\$3,153	N/A	N/A
Retired members:			
Number in pay status	770	572	34.6%
Average age at retirement	55.7	55.9	N/A
Average age	59.1	58.5	N/A
Average monthly benefit (includes July COLA)	\$6,339	\$6,248	1.5%
Disabled members:			
Number in pay status	20	13	53.8%
Average age at retirement	44.6	45.5	N/A
Average age	46.9	47.2	N/A
Average monthly benefit (includes July COLA)	\$4,113	\$4,211	-2.3%
Beneficiaries:			
Number in pay status	28	19	47.4%
Average age	53.1	50.8	N/A
Average monthly benefit (includes July COLA)	\$5,133	\$4,919	4.4%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

**Members in Active Service as of June 30, 2006
By Age, Years of Service, and Average Payroll
Total**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	346	346	--	--	--	--	--	--	--	--
	\$54,963	\$54,963	--	--	--	--	--	--	--	--
25 - 29	1,344	1,137	207	--	--	--	--	--	--	--
	64,268	62,131	\$76,002	--	--	--	--	--	--	--
30 - 34	2,139	707	1,132	300	--	--	--	--	--	--
	75,296	66,066	78,541	\$84,804	--	--	--	--	--	--
35 - 39	2,530	334	852	889	455	--	--	--	--	--
	82,596	67,134	79,805	86,370	\$91,802	--	--	--	--	--
40 - 44	2,328	94	265	462	1,295	202	10	--	--	--
	89,059	65,967	80,512	86,248	92,129	\$97,051	\$103,479	--	--	--
45 - 49	1,923	15	80	127	580	654	465	2	--	--
	95,163	74,294	81,132	86,199	92,321	96,966	101,648	\$109,293	--	--
50 - 54	1,279	2	25	37	155	244	588	228	--	--
	98,624	76,245	83,576	84,303	92,358	95,440	101,033	104,251	--	--
55 - 59	776	--	8	9	18	54	192	399	96	--
	99,225	--	91,043	83,799	92,118	94,640	97,465	101,246	\$100,382	--
60 - 64	204	--	4	2	2	7	12	74	88	15
	100,586	--	89,467	99,927	91,787	87,908	95,648	99,266	102,954	\$107,301
65 - 69	25	--	1	--	1	--	--	2	10	11
	98,725	--	81,051	--	80,634	--	--	84,732	104,426	99,337
70 & over	9	--	--	--	--	--	1	--	1	7
	104,495	--	--	--	--	--	95,766	--	95,317	107,053
Total	12,903	2,635	2,574	1,826	2,506	1,161	1,268	705	195	33
	\$84,695	\$63,097	\$79,144	\$86,030	\$92,123	\$96,497	\$100,682	\$101,986	\$101,724	\$104,594

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service as of June 30, 2006

By Age, Years of Service, and Average Payroll

i. Tier 1

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service as of June 30, 2006

By Age, Years of Service, and Average Payroll

iii. Tier 3

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	200	1	133	66	--	--	--	--	--	--
35 - 39	\$79,736	\$60,006	\$78,115	\$83,301	--	--	--	--	--	--
40 - 44	367	--	127	188	52	--	--	--	--	--
45 - 49	83,044	--	78,870	84,187	\$89,103	--	--	--	--	--
50 - 54	289	2	48	89	138	12	--	--	--	--
55 - 59	85,353	58,588	80,334	84,473	87,649	\$90,008	--	--	--	--
60 - 64	129	--	23	39	53	14	--	--	--	--
65 - 69	86,349	--	85,028	84,674	86,940	90,952	--	--	--	--
70 & over	66	--	14	21	24	6	1	--	--	--
Total	87,124	--	86,097	83,010	90,902	87,470	\$95,174	--	--	--
	17	--	7	6	3	1	--	--	--	--
	90,079	--	92,470	83,077	96,754	95,317	--	--	--	--
	7	--	4	2	--	1	--	--	--	--
	91,167	--	89,467	99,927	--	80,446	--	--	--	--
	2	--	1	--	1	--	--	--	--	--
	80,842	--	81,051	--	80,634	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	1,077	3	357	411	271	34	1	--	--	--
	\$83,855	\$59,060	\$79,857	\$84,153	\$88,152	\$89,824	\$95,174	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service as of June 30, 2006

By Age, Years of Service, and Average Payroll

iv. Tier 4

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	48	14	34	--	--	--	--	--	--	--
30 - 34	117	15	97	5	--	--	--	--	--	--
35 - 39	93	7	18	11	57	--	--	--	--	--
40 - 44	133	2	7	4	79	41	--	--	--	--
45 - 49	95	2	1	--	1	72	19	--	--	--
50 - 54	3	--	--	--	--	3	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	489	40	157	20	137	116	19	--	--	--
	\$87,108	\$74,053	\$75,934	\$88,567	\$93,459	\$96,495	\$102,276	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

**Members in Active Service as of June 30, 2006
By Age, Years of Service, and Average Payroll
v. Tier 5**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	346	346	--	--	--	--	--	--	--	--
	\$54,963	\$54,963	--	--	--	--	--	--	--	--
25 - 29	1,296	1,123	173	--	--	--	--	--	--	--
	63,907	62,011	\$76,217	--	--	--	--	--	--	--
30 - 34	1,822	691	902	229	--	--	--	--	--	--
	74,729	65,909	78,845	\$85,132	--	--	--	--	--	--
35 - 39	2,070	327	707	690	346	--	--	--	--	--
	82,247	66,910	80,066	86,932	\$91,859	--	--	--	--	--
40 - 44	1,906	90	210	369	1,078	149	10	--	--	--
	89,395	65,873	80,701	86,661	92,641	\$98,191	\$103,479	--	--	--
45 - 49	1,600	13	56	88	526	568	348	1	--	--
	95,273	73,965	79,720	86,876	92,836	97,079	101,321	\$133,415	--	--
50 - 54	1,117	2	11	16	131	235	519	203	--	--
	99,054	76,245	80,368	86,002	92,624	95,593	101,015	104,464	--	--
55 - 59	717	--	1	3	15	53	172	377	96	--
	99,074	--	81,051	85,243	91,191	94,627	96,681	100,930	\$100,382	--
60 - 64	191	--	--	--	2	6	12	71	85	15
	101,147	--	--	--	91,787	89,152	95,648	99,551	103,238	\$107,301
65 - 69	23	--	--	--	--	--	--	2	10	11
	100,280	--	--	--	--	--	--	84,732	104,426	99,337
70 & over	9	--	--	--	--	--	1	--	1	7
	104,495	--	--	--	--	--	95,766	--	95,317	107,053
Total	11,097	2,592	2,060	1,395	2,098	1,011	1,062	654	192	33
	\$84,286	\$62,933	\$79,265	\$86,547	\$92,549	\$96,722	\$100,371	\$101,877	\$101,831	\$104,594

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2005	12,656	0	2,357	7,027	2,362	24,402
New members	730	N/A	N/A	N/A	N/A	703
Terminations – with vested rights	-10	10	0	0	0	0
Retirements	-242	0	N/A	242	N/A	0
New disabilities	-30	0	32	-2	N/A	0
Died with or without beneficiary	-20	0	-51	-186	29	-228
Refund of member contributions	-182	0	0	0	0	-182
Rehired	1	0	0	-1	N/A	0
Data adjustments	<u>0</u>	<u>49</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>55</u>
Number as of June 30, 2006	12,903	59	2,338	7,086	2,391	24,777

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30, 2006

Contribution income:

Employer contributions	\$175,359,083	
Employee contributions	<u>79,402,694</u>	
Net contribution income		\$254,761,777

Investment income:

Interest, dividends and other income	\$380,882,179	
Recognition of capital appreciation	572,893,465	
Less investment and administrative fees	<u>-52,507,184</u>	
Net investment income		<u>901,268,460</u>

Total income available for benefits \$1,157,713,070

Less benefit payments -\$652,157,960

Change in reserve for future benefits \$503,872,277

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT E

Table of Financial Information for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2006
Cash equivalents	\$712,400
Accounts receivable:	
Accrued interest and dividends	\$48,570,637
Contributions	5,640,840
Due from brokers	<u>339,017,755</u>
Total accounts receivable	393,229,232
Investments:	
Equities	\$8,731,050,622
Fixed income investments	4,180,897,607
Real estate	1,034,390,568
Securities lending collateral	<u>2,492,659,412</u>
Total investments at market value	<u>16,438,998,209</u>
Total assets	\$16,832,939,841
Less accounts payable:	
Accounts payable and benefits in process	-\$21,778,255
Due to brokers	-505,682,310
Mortgage payable	-309,658,988
Securities lending collateral	<u>-2,492,659,412</u>
Total accounts payable	<u>-\$3,329,778,965</u>
Net assets at market value	<u>\$13,503,160,876</u>
Net assets at actuarial value	<u>\$12,735,185,068</u>
Net assets at valuation value (retirement benefits)	<u>\$12,121,402,902</u>

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT F

Development of the Fund Through June 30, 2006 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return⁽¹⁾	Benefit Payments	Actuarial Value of Assets at End of Year
2001	\$138,933,173	\$58,165,860	\$1,184,458,701	\$477,341,383	\$12,409,393,129
2002	103,447,209	60,805,614	5,617,283	500,387,023	12,078,876,212
2003	98,529,049	73,270,752	563,234,852	530,621,472	12,283,289,393
2004	136,202,866	76,608,611	411,364,871	565,770,657	12,341,695,084
2005	167,364,751	75,652,949	251,274,616	604,674,609	12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068

⁽¹⁾ Net of investment fees and administrative expenses

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2006

1. Unfunded actuarial accrued liability at beginning of year	\$723,410,784
2. Normal cost at beginning of year	247,000,965
3. Total contributions	-223,219,844
4. Interest	<u>55,683,544</u>
5. Expected unfunded actuarial accrued liability	\$802,875,449
6. Changes due to experience gain ⁽¹⁾	-28,562,553
7. Changes in actuarial assumptions	<u>-84,332,061</u>
8. Unfunded actuarial accrued liability at end of year	<u>\$689,980,835</u>

⁽¹⁾ Excludes loss from contributions less than anticipated due to one-year lag of new rates. That loss is already included in the development of item 5.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases

Tier 1

Type	Date Established	Annual Payment⁽¹⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2006	\$18,657,440	31	\$228,698,863
Total		\$18,657,440		\$228,698,863

Tier 2

Type	Date Established	Annual Payment⁽²⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2006	-\$6,589,956	31	-\$126,331,240
Total		-\$6,589,956		-\$126,331,240

⁽¹⁾ *Level dollar amortization*

⁽²⁾ *Level percentage of payroll amortization*

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment⁽²⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$1,490,995	13	-\$15,816,976
Plan Amendment	07/01/1990	24,750	14	278,185
Assumption Change	07/01/1990	-555,976	14	-6,249,162
Experience Gain	07/01/1992	-1,571,272	1	-1,571,272
Assumption Change	07/01/1992	197,964	16	2,462,330
Experience Gain	07/01/1993	-2,205,919	2	-4,335,244
Experience Loss	07/01/1994	428,045	3	1,240,062
Experience Gain	07/01/1995	-515,145	4	-1,955,720
Assumption Change	07/01/1995	-1,461,087	19	-20,578,113
Experience Gain	07/01/1996	-33,331	5	-155,475
Plan Change	07/01/1996	196,910	20	2,873,916
Asset Method Change	07/01/1996	-1,272,882	20	-18,577,826
Experience Gain	07/01/1997	-2,228,507	6	-12,262,716
Experience Gain	07/01/1998	-3,413,994	7	-21,547,751
Plan Change	07/01/1998	360,755	22	5,614,934
Assumption Change	07/01/1998	606,750	22	9,443,701
Experience Gain	07/01/1999	-5,178,613	8	-36,729,016
Experience Gain	07/01/2000	-5,940,100	9	-46,607,075
Plan Change	07/01/2000	58,976	24	971,187
Experience Gain	07/01/2001	-4,514,226	10	-38,703,807
Assumption Change	07/01/2001	-1,766,589	25	-29,847,933
Experience Loss	07/01/2002	11,592,105	11	107,528,847
Experience Loss	07/01/2003	14,996,850	12	149,277,995
Experience Loss	07/01/2004	942,913	13	10,002,734
Assumption Change	07/01/2004	-494,214	28	-8,941,948

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

Experience Loss	07/01/2005	1,912,451	14	21,495,929
Assumption Change	07/01/2005	1,518,915	29	28,046,796
Experience Loss	07/01/2006	1,384,022	15	16,400,257
Assumption Change	07/01/2006	1,558,665	30	29,340,123
Total		\$3,137,221		\$121,096,962

Tier 4

Type	Date Established	Annual Payment ⁽²⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$584,385	13	-\$6,199,348
Plan Amendment	07/01/1990	9,701	14	109,034
Assumption Change	07/01/1990	-217,911	14	-2,449,312
Experience Gain	07/01/1992	-615,849	1	-615,849
Assumption Change	07/01/1992	77,591	16	965,092
Experience Gain	07/01/1993	-864,594	2	-1,699,167
Experience Loss	07/01/1994	167,769	3	486,034
Experience Gain	07/01/1995	-201,907	4	-766,530
Assumption Change	07/01/1995	-572,662	19	-8,065,440
Experience Gain	07/01/1996	-13,063	5	-60,936
Plan Change	07/01/1996	77,177	20	1,126,410
Asset Method Change	07/01/1996	-498,897	20	-7,281,443
Experience Gain	07/01/1997	-873,447	6	-4,806,282
Experience Gain	07/01/1998	-1,338,090	7	-8,445,483
Plan Change	07/01/1998	141,395	22	2,200,732
Assumption Change	07/01/1998	237,811	22	3,701,391
Experience Gain	07/01/1999	-2,029,719	8	-14,395,668
Experience Gain	07/01/2000	-2,328,179	9	-18,267,302
Plan Change	07/01/2000	22,981	24	378,434
Experience Gain	07/01/2001	-1,043,768	10	-8,948,999
Assumption Change	07/01/2001	-295,682	25	-4,995,781
Experience Loss	07/01/2002	1,953,146	11	18,117,459
Experience Loss	07/01/2003	5,901,623	12	58,744,501
Experience Loss	07/01/2004	946,917	13	10,045,206

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

Assumption Change	07/01/2004	-296,627	28	-5,366,955
Experience Loss	07/01/2005	1,172,333	14	13,177,011
Assumption Change	07/01/2005	782,107	29	14,441,633
Experience Loss	07/01/2006	511,709	15	6,063,600
Assumption Change	07/01/2006	773,578	30	14,561,746
Total		\$1,001,058		\$51,753,788

Tier 5

Type	Date Established	Annual Payment⁽²⁾	Years Remaining	Outstanding Balance
Original Base	07/01/2002	-\$9,334,331	26	-\$161,569,244
Experience Loss	07/01/2003	-31,090,795	12	-309,476,429
Experience Loss	07/01/2004	9,938,195	13	105,427,685
Assumption Change	07/01/2004	-13,757,516	28	-248,918,370
Experience Loss	07/01/2005	21,407,800	14	240,623,426
Assumption Change	07/01/2005	23,463,867	29	433,260,899
Experience Loss	07/01/2006	5,403,208	15	64,026,458
Assumption Change	07/01/2006	15,479,702	30	291,388,037
Total		\$21,510,130		\$414,762,462

⁽¹⁾ Level dollar amortization

⁽²⁾ Level percentage of payroll amortization

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$175,000 for 2006 and \$180,000 for 2007. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

SECTION 3: Supplemental Information for Los Angeles City Employees' Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the cost of benefits allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for Los Angeles City Employees' Retirement System

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 2,391 beneficiaries in pay status)		11,815
2. Members inactive during year ended June 30, 2006 with vested rights		59
3. Members active during the year ended June 30, 2006		12,903
Fully vested	4,044	
Not vested	8,859	

The actuarial factors as of the valuation date are as follows:

Assets

1. Valuation value of retirement assets (\$13,503,160,876 at market value ⁽¹⁾ and \$12,735,185,068 at actuarial value ⁽¹⁾ as reported by LAFPP)		\$12,121,402,902
2. Present value of future normal costs		
Employee	\$ 845,200,781	
Employer	<u>1,931,551,309</u>	
Total		\$2,776,752,090
3. Unfunded actuarial accrued liability		<u>689,980,835</u>
4. Present value of current and future assets		\$15,588,135,827

Liabilities

5. Present value of future benefits		
Retired members and beneficiaries	\$7,324,492,795	
Inactive members with vested rights	13,494,539	
Active members	<u>8,250,148,493</u>	
Total		\$15,588,135,827

⁽¹⁾Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$286,705,749
2. Expected employee contributions	<u>-91,545,104</u>
3. Employer normal cost: (1) + (2)	\$195,160,645
4. Payment on projected unfunded actuarial accrued liability	37,715,893
5. Total recommended contribution: (3) + (4), not adjusted for timing	<u>232,876,538</u>
6. Total recommended contribution: (3) + (4), adjusted for timing	<u>\$242,311,129</u>
7. Projected payroll	\$1,092,814,844
8. Total recommended contribution as a percentage of projected payroll: (5) ÷ (7)	21.31%
9. Total recommended contribution as a percentage of projected payroll, adjusted for timing: (6) ÷ (7)	22.17%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Retirement Benefits

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2001	\$113,849,004	\$113,849,004	100.00%
2002	73,120,666	73,120,666	100.00%
2003	64,634,125	64,634,125	100.00%
2004	97,465,612	97,465,612	100.00%
2005	135,853,688	135,853,688	100.00%
2006	143,817,150	143,817,150	100.00%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress (Dollar Amounts in Thousands)

Retirement Benefits

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2001	11,835,579	9,954,056	(1,881,492)	118.9%	882,758	(213.1)%
06/30/2002	11,491,922	10,606,825	(885,097)	108.3%	946,037	(93.6)%
06/30/2003	11,690,750	11,203,558	(487,192)	104.3%	970,727	(50.2)%
06/30/2004	11,735,696	11,389,981	(345,715)	103.0%	1,001,004	(34.5)%
06/30/2005	11,634,114	12,357,524	723,411	94.1%	1,037,445	69.7%
06/30/2006	12,121,403	12,811,384	689,981	94.6%	1,092,815	63.1%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2006
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll. 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.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. Tiers 1 and 2 UAAL are amortized over a 31 year closed (declining) period.
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.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases*	Ranges from 4.90% to 9.50% based on age.
Cost of living adjustments	3.75% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, and 5 retirement income.
Plan membership:	
Retired members and beneficiaries receiving benefits	11,815
Terminated members entitled to, but not yet receiving benefits	59
Active members	<u>12,903</u>
Total	24,777

* See Exhibit V for these increases.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2004 and the Economics Assumptions Study as of June 30, 2006 on November 17, 2006.

Mortality Rates:

After Service Retirement: 1994 Uninsured Pensioner Mortality Table for males set back two years for members.
 1994 Uninsured Pensioner Mortality Table for males set back four years for spouses.

After Disability Retirement 1994 Uninsured Pensioner Mortality Table for males set forward two years for members.

Termination Rates before Retirement:

Pre-Retirement Mortality:

Age	Rate (%) Mortality					
	Fire			Police		
	Ordinary	Service	Other*	Ordinary	Service	Other*
20	0.00	0.01	0.00	0.06	0.01	0.03
25	0.00	0.02	0.00	0.06	0.02	0.02
30	0.01	0.02	0.02	0.06	0.02	0.02
35	0.01	0.03	0.02	0.06	0.03	0.03
40	0.02	0.03	0.04	0.08	0.03	0.04
45	0.02	0.04	0.04	0.08	0.04	0.05
50	0.03	0.04	0.04	0.09	0.04	0.05
55	0.04	0.05	0.06	0.12	0.05	0.07
60	0.05	0.05	0.08	0.15	0.05	0.08

* Death while eligible for service and disability retirement

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates before Retirement (Continued):

Age	Rate (%) Disability			
	Fire		Police	
	Ordinary	Service	Ordinary	Service
20	0.00	0.02	0.00	0.02
25	0.00	0.02	0.00	0.02
30	0.00	0.02	0.02	0.03
35	0.02	0.05	0.02	0.07
40	0.02	0.11	0.03	0.20
45	0.03	0.27	0.03	0.37
50	0.03	0.60	0.03	0.53
55	0.04	2.00	0.03	1.07
60	0.05	4.67	0.03	1.33

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates before Retirement (Continued):

Age	Rate (%)	
	Withdrawal (< 5 Years of Service)	
	Fire	Police
20	5.50	8.40
25	5.50	6.22
30	5.50	5.50
35	5.50	5.50
40	5.50	5.50
45	5.50	5.50
50	5.50	5.50
55	5.50	5.50
60	5.50	5.50

Age	Rate (%)	
	Withdrawal (5+ Years of Service) *	
	Fire	Police
20	7.75	8.40
25	3.78	6.22
30	1.99	4.24
35	1.11	2.65
40	0.54	1.69
45	0.26	1.50
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

*No withdrawal is assumed after a member is eligible for retirement.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Rates:

Age	Rate(%)			
	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00	0.00	6.00	0.00
42	1.00	0.00	6.00	0.00
43	1.00	0.00	6.00	0.00
44	1.10	0.00	6.00	0.00
45	1.15	0.00	6.00	0.00
46	1.20	0.00	7.16	0.00
47	1.25	0.00	8.32	0.00
48	1.40	0.00	9.47	0.00
49	1.60	0.00	10.63	0.00
50	2.00	20.00	11.79	25.00
51	2.75	18.00	12.95	22.50
52	3.60	16.00	14.11	20.00
53	4.70	14.00	15.26	18.00
54	5.75	12.00	16.42	16.00
55	7.30	10.00	17.58	15.42
56	8.86	8.86	18.74	16.11
57	9.85	9.85	19.89	16.84
58	10.94	10.94	21.05	17.60
59	12.16	12.16	22.21	18.40
60	13.52	13.52	23.37	19.23
61	15.03	15.03	24.53	20.10
62	16.70	16.70	25.68	21.01
63	18.56	18.56	26.84	21.96
64	20.63	20.63	28.00	22.95
65	100.00	100.00	100.00	100.00

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Age and Benefit for Inactive Vested Participants:	For deferred vested members, retirement assumption is age 50. We assume that all deferred vested members receive a deferred vested benefit.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Exclusion of Inactive Vested:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Percent Married/Domestic Partner:	86%
Age of Spouse:	Wives are 3 years younger than their husbands.
Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Member Contribution and Matching Account Crediting Rate:	5.00%
Net Investment Return:	8.00%, net of investment and administrative expenses

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

<u>Annual Rate of Compensation Increase</u>	
Inflation: 3.75% per year; plus 0.50% “across the board” salary increases; plus the following Merit and Longevity increases based on age.	
<u>Age</u>	<u>Additional Salary Increase</u>
20	5.25%
25	4.25%
30	3.25%
35	2.25%
40	1.25%
45	1.00%
50	0.75%
55	0.75%
60	0.75%

DROP Program:

For this valuation, in the final numbers presented in this report, we continue to assume the DROP plan is cost neutral. DROP members are treated as active employees until the end of their DROP period. This approach is unchanged from previous valuations.

Actuarial Value of Assets:

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets can not be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Vesting Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Any change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate fifteen year periods as a level percentage of payroll. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate thirty year periods as a level percentage of payroll. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. For Tier 1, the Unfunded Actuarial Accrued Liability is amortized using level dollar amortization ending on June 30, 2037. For Tier 2, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll amortization ending on June 30, 2037 as a percent of total valuation payroll.
Changes in Assumptions:	Based on the June 30, 2006 review of economic assumptions, several assumptions were changed. Previously, those assumptions were as follows:
Net Investment Return:	8.50%
Consumer Price Index:	Increase of 5.00% per year.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 5.00% per year; plus no “across the board” salary increases; plus the following Merit and Longevity increases based on age.

<u>Age</u>	<u>Additional Salary Increase</u>
20	5.00%
25	4.00%
30	3.00%
35	2.00%
40	1.00%
45	0.75%
50	0.50%
55	0.50%
60	0.50%
65	0.00%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the City of Los Angeles Fire & Police Pension Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. For Tiers 1 through 4, the section codes are from the Los Angeles Charter. For Tier 5, the section codes are from the Los Angeles Administrative Code.

Plan Year: July 1 through June 30
Census Date: June 30

Service Retirement Benefit:

Tier 1 (§ 1304)

Age & Service Requirement 20 years of service
Amount

<u>Years of Service</u>	<u>Benefit</u>
20	40% of Normal Pension Base
20 to 25	Additional 2% for each year over 20 and under 25
25	50% of Normal Pension Base
25 to 35	Additional 1 2/3% for each year over 25 and under 35
35+	66 2/3% of Normal Pension Base

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 2 (§ 1408)

Age & Service Requirement 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 25	2% of Normal Pension Base per year of service
25+	55% plus 3% per year over 25 to a maximum of 70% of Normal Pension Base

Tier 3 (§ 1504)

Age & Service Requirement Age 50 and 10 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 20	2% of Final Average Salary per year of service
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 4 (§ 1604)

Age & Service Requirement 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 20	2% of Final Average Salary per year of service
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 5 (§ 4.2004)

Age & Service Requirement Age 50 and 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
20	50% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20, except 30 th year where 4% is provided, to a maximum of 90% Final Average Salary

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Normal Pension Base:

Tier 1, 2 (§ 1302, § 1406) Final monthly salary rate

Final Average Salary:

Tier 3, 4, 5 (§1502, §1602, §4.2002) Monthly average salary actually received during any 12 consecutive months of service

Cost of Living Benefit:

Tier 1 (§ 1328) Based on changes to Los Angeles area consumer price index.
 Tier 2 (§ 1422) Based on changes to Los Angeles area consumer price index.
 Tier 3 (§ 1516) Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.
 Tier 4 (§ 1616) Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.
 Tier 5 (§ 4.2016) Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.

Death After Retirement:

Tier 1 (§ 1314, § 1316)
Service Retirement Pension equal to the same percentage of the Member’s Normal Pension Base to a maximum of 50%.
Service Connected Disability 50% of Member’s Normal Pension Base.
Nonservice Connected Disability 40% of highest monthly salary as of Member’s retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)
Service Retirement Pension equal to the same percentage of the Member’s Normal Pension Base to a maximum of 55%.
Service Connected Disability 50% of the Member’s Normal Pension Base, or 55% of the Member’s Normal Pension Base if Member had at least 25 years of service at the date of death.
Nonservice Connected Disability 40% of highest monthly salary as of Member’s retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 3, 4 (§ 1508, § 1608)

Service Retirement

Pension equal to 60% of the pension received by the deceased Member.

Service Connected Disability

If death occurs within three years of the Member's effective date of pension, then the eligible spouse or designated beneficiary shall receive 75% of the Final Average Salary.

Otherwise, a pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Nonservice Connected Disability

Pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Tier 5 (§ 4.2008, § 4.2008.5)

If former Tier 2 member, see Tier 2. Otherwise, see Tier 3.

Death Before Retirement:

Tier 1 (§ 1314, § 1316)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not to exceed 50% of Normal Pension Base.

Service Connected

Service Requirement

None.

Amount

50% of Member's Normal Pension Base.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

	to exceed 55% of Normal Pension Base.
<i>Service Connected</i>	
<i>Service Requirement</i>	None.
<i>Amount</i>	50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.
<i>Nonservice Connected</i>	
<i>Service Requirement</i>	5 years of service.
<i>Amount</i>	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).
Tier 3, 4 (§ 1508, § 1608)	
<i>Eligible for Service Retirement</i>	
<i>Service Requirement</i>	10 years of service for Tier 3, 20 years of service for Tier 4.
<i>Amount</i>	Higher of 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary.
<i>Service Connected</i>	
<i>Service Requirement</i>	None.
<i>Amount</i>	75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.
<i>Nonservice Connected</i>	
<i>Service Requirement</i>	5 years of service.
<i>Amount</i>	30% of the Member's Final Average Salary, or 80% of the service pension if the Member was eligible to retire to a maximum of 40% of the Member's Final Average Salary.
<i>Basic Death Benefit</i>	If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 5 (§ 4.2008, § 4.2008.5)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

For former Tier 2, 100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base. For former Tier 3, 4, or 5, per section 1508(2), if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary, not to exceed 40% of Final Average Salary.

Service Connected

Service Requirement

None.

Amount

75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.

Nonservice Connected

Service Requirement

5 years of service.

Amount

For former Tier 2, 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay. For former Tier 3, 4, or 5, if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary; not to exceed 40% of Final Average Salary.

Basic Death Benefit

If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Disability:

Tier 1 (§ 1310, § 1312)

Service Connected

Service Requirement

None.

Amount

50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1412)

Service Connected

Service Requirement

None.

Amount

50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 3, 4, 5 (§ 1506, § 1606, § 4.2006)

Service Connected

Service Requirement

None.

Amount

30% to 90% of Final Average Salary depending on severity of disability with a minimum of 2% of Final Average Salary per year of service.

Nonservice Connected

Service Requirement

5 years of service.

Amount

30% to 50% of Final Average Salary depending on severity of disability.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Deferred Withdrawal Retirement Benefit (Vested):

Tier 3 (§ 1504)	
<i>Age & Service Requirement</i>	Age 50 with 10 years of service.
<i>Amount</i>	See Tier 3 Service Retirement.
Tier 5 (§ 4.2004)	
<i>Age & Service Requirement</i>	Age 50 and 20 years of service.
<i>Amount</i>	See Tier 5 Service Retirement. Member is entitled to receive a service pension using Tier 3 retirement formula.

Member Normal Contributions: Members are exempt from making contributions if their continuous service exceeds 30 years for Tiers 1 through 4, and 33 years for Tier 5.

Tier 1 (§ 1324)	Normal contribution rate of 6%.
Tier 2 (§ 1420)	Normal contribution rate of 6% plus half of the cost of the cost of living benefit to a maximum of 1%.
Tier 3 (§ 1514)	Normal contribution rate of 8%.
Tier 4 (§ 1614)	Normal contribution rate of 8%.
Tier 5 (§ 4.2014)	Normal contribution rate of 9% with the City of Los Angeles paying 1% provided that the LAFPP is at least 100% actuarially funded for pension benefits.

Changes in Plan Provisions: There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

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Los Angeles Fire and Police Pension System

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2006
In accordance with GASB Statements No. 43 and No. 45*

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December 12, 2006

*Board of Fire and Police Pension Commissioners
Los Angeles Fire and Police Pension System
360 East Second Street, Suite 400
Los Angeles, CA 90012-4203*

Dear Board Members:


We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits for the year ending June 30, 2006 under GASB Statements Number 43 and 45. It establishes the liabilities of the other postemployment benefits in accordance with GASB for the current year. It also summarizes the actuarial data used in this valuation.

This report is based on information received from the Fire and Police Pension System. The actuarial projections were based on the assumptions and methods described in Exhibit V and on the plan of benefits as summarized in Exhibit VI.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

By: 
*Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary*

TXB/hy

SECTION 1

INTRODUCTION

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PURPOSE

This report presents the results of our actuarial valuation of Los Angeles Fire and Police Pension System post retirement medical and dental benefits as of June 30, 2006. The results are in accordance with the Governmental Accounting Standards, which prescribes an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

Actuarial computations under GASB are for purposes of fulfilling certain welfare fund accounting requirements. The calculations reported in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that Los Angeles Fire and Police Pension System is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Under this statement, all plans of state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statement includes postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby, recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnovers, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

SECTION 2: Valuation Results for Los Angeles Fire and Police Pension System

HIGHLIGHTS OF THE VALUATION

- The recommended contribution has increased from \$52.2 million (5.03% of payroll) to \$92.7 million (8.48% of payroll), assuming contributions made by the City at the beginning of the plan year.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions) or (2) throughout the year (i.e. the City will pay contributions at the end of every pay period).
- The Board adopted a phase-in policy for recognizing the contribution increases due to changes in assumptions from the prior valuation. These phase-in results will be shown in a separate report.
- Los Angeles Fire and Police Pension System is required to comply with GASB 43 effective with fiscal year 2006/2007. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The annual required contribution (ARC) for fiscal year 2006/2007 is \$52.2 million. Once the actual contributions for 2006/2007 are known, the disclosure information in Chart 5 can be completed.
- The assumption for the discount rate is 8.00%, and is based on the assumption that 100% of benefits will be paid from the trust.
- The funding method used to develop the actuarial required contribution (ARC) is Entry Age Normal, with the normal cost developed as a level percent of payroll. The contribution to amortize the unfunded actuarial accrued liability (UAAL) is developed as a level percent of payroll.
- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also change the ARC for future years.
- The Board has adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2006 over a fixed period of 30 years beginning June 30, 2006.

SECTION 2: Valuation Results for Los Angeles Fire and Police Pension System

SUMMARY OF VALUATION RESULTS

The key results for the current and prior years are shown.

	June 30,	
	2006	2005*
Actuarial Accrued Liability by Participant Category		
Current retirees, beneficiaries and dependents	\$973,704,591	\$726,991,930
Current active members	<u>657,482,848</u>	<u>530,512,724</u>
Total	\$1,631,187,439	\$1,257,504,654
Actuarial Value of Assets		
	\$613,782,166	\$597,199,108
Unfunded Actuarial Accrued Liability		
	\$1,017,405,273	\$660,305,546
Funded Ratio		
	37.6%	47.5%
Annual Required Contribution		
Normal cost	\$35,001,436	\$26,968,586
Amortization of the unfunded actuarial accrued liability	<u>54,048,654</u>	<u>23,129,146</u>
Total annual required contribution, beginning of the year	\$89,050,090	\$50,097,732
Adjustment for timing (payable throughout the year)	<u>3,607,711</u>	<u>2,085,736</u>
Total annual required contribution, including adjustment for timing	\$92,657,801	\$52,183,468

* Results for 2005 were based on the valuation prepared by GRS.

SECTION 2: Valuation Results for Los Angeles Fire and Police Pension System

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE YEAR ENDED JUNE 30, 2006

1.	Unfunded actuarial accrued liability at beginning of year	\$660,305,546
2.	Normal cost at beginning of year	26,968,586
3.	Total (contributions) made throughout year	(31,408,899)
4.	Interest	<u>57,083,423</u>
5.	Expected unfunded actuarial accrued liability	\$712,948,656
6.	Unfunded actuarial accrued liability before assumption changes	694,292,207
7.	Loss from investments	6,197,951
8.	Gain from demographic changes and premium changes	(24,854,400)
9.	Increase due to change in discount rate and salary scale assumptions	95,260,200
10.	Increase due to change in trend rates assumption	<u>227,852,866</u>
11.	Total change from expected actuarial accrued liability	<u>\$304,456,617</u>
12.	Unfunded actuarial accrued liability at end of year (5) + (10)	<u>\$1,017,405,273</u>

* Please refer to Section 4, Exhibit III for a detailed explanation of the experience (gain).

December 12, 2006

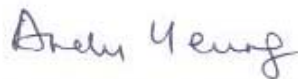
ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles Fire and Police Pension System other postemployment benefit programs as of June 30, 2006, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB for the determination of the liability for postemployment benefits other than pensions.

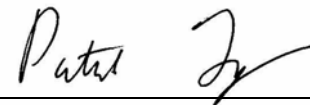
The actuarial valuation is based on the plan of benefits verified by the Los Angeles Fire and Police Pension System and on participant, claims and expense data provided by the Los Angeles Fire and Police Pension System.

The actuarial computations made are for purposes of funding plan benefits and fulfilling plan accounting requirements. Determinations for purposes other than funding plan benefits and meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purpose such as judging benefit security at termination.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB with respect to the benefit obligations addressed.



Andy Yeung, ASA, MAAA, EA
Associate Actuary



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 1

Table of Financial Information for Retirement and Health Benefits

	Year Ended June 30, 2006	
Cash equivalents		\$712,400
Accounts receivable:		
Accrued interest and dividends	\$48,570,637	
Contributions	5,640,840	
Due from brokers	<u>339,017,755</u>	
Total accounts receivable		393,229,232
Investments:		
Equities	\$8,731,050,622	
Fixed income investments	4,180,897,607	
Real estate	1,034,390,568	
Securities lending collateral	<u>2,492,659,412</u>	
Total investments at market value		<u>16,438,998,209</u>
Total assets		\$16,832,939,841
Less accounts payable:		
Accounts payable and benefits in process	-\$21,778,255	
Due to brokers	-505,682,310	
Mortgage payable	-309,658,988	
Securities lending collateral	<u>-2,492,659,412</u>	
Total accounts payable		-\$3,329,778,965
Net assets at market value		<u>\$13,503,160,876</u>
Net assets at actuarial value		<u>\$12,735,185,068</u>
Net assets at valuation value (health benefits)		<u>\$613,782,166</u>

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 2

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement and Health Benefits

	Year Ended June 30, 2006	Year Ended June 30, 2005
Contribution income:		
Employer contributions	\$175,359,083	\$167,395,621
Employee contributions	<u>79,402,694</u>	<u>75,785,506</u>
Net contribution income	\$254,761,777	\$243,181,127
Investment income:		
Interest, dividends and other income	\$380,882,179	\$364,319,547
Recognition of capital appreciation	574,576,298	-66,155,501
Less investment and administrative fees	<u>-52,507,184</u>	<u>-42,635,514</u>
Net investment income	<u>902,951,293</u>	<u>255,528,532</u>
Total income available for benefits	\$1,157,713,070	\$498,709,659
Less benefit payments:		
Pension benefits	-\$591,041,908	-\$552,436,651
Medicare reimbursement	-5,565,510	-4,721,424
Health subsidy	-53,120,341	-48,727,547
Refund of contributions	<u>-4,113,034</u>	<u>-3,206,330</u>
Net benefit payments	-\$653,840,793	-\$609,091,952
Change in reserve for future benefits	\$503,872,277	-\$110,382,293

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 3
Determination of Actuarial Value of Assets for Year Ended June 30, 2006

1. Market value of assets				\$13,503,160,876
2. Calculation of unrecognized return*	<u>Original</u>	Percent Not	Amount Not	
	<u>Amount</u>	<u>Recognized</u>	<u>Recognized</u>	
(a) Year ended June 30, 2006	\$477,862,344	80%	\$382,289,875	
(b) Year ended June 30, 2005	161,741,566	60%	97,044,939	
(c) Year ended June 30, 2004	875,162,380	40%	350,064,952	
(d) Year ended June 30, 2003	-307,119,792	20%	-61,423,958	
(e) Total unrecognized return				767,975,808
3. Preliminary actuarial value: (1) - (2e)				12,735,285,068
4. Adjustment to be within 20% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$12,735,285,068</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				94.3%
7. Valuation value of health plan assets				\$613,782,166

**Total return minus expected return on a market value basis*

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 4
Determination of Annual Required Contribution

Cost Element	Determined as of June 30			
	2006		2005	
	Amount	Percent of Compensation ⁽¹⁾	Amount	Percent of Compensation
1. Normal cost	\$35,001,436	3.20%	\$26,968,586	2.60%
2. Amortization of the unfunded actuarial accrued liability 30 years ⁽²⁾	<u>54,048,654</u>	<u>4.95%</u>	<u>23,129,146</u>	<u>2.23%</u>
3. Total annual required contribution, beginning of year	89,050,090	8.15%	50,097,732	4.83%
4. Adjustment for timing (payable throughout the year)	<u>3,607,711</u>	<u>0.33%</u>	<u>2,085,736</u>	<u>0.20%</u>
5. Total annual required contribution	<u>\$92,657,801</u>	<u>8.48%</u>	<u>\$52,183,468</u>	<u>5.03%</u>

⁽¹⁾ Estimated compensation for the 2006/2007 plan year of \$1,092,814,844 as reported by Los Angeles Fire and Police Pension System.

⁽²⁾ The unfunded actuarial accrued liability is being amortized as a level percent of pay with an amortization period of 30 years as of June 30, 2006.

Cost Element	Determined as of June 30, 2006				
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
1. Normal cost	\$0	\$601,781	\$3,559,605	\$1,216,049	\$29,624,001
2. Amortization of the unfunded actuarial accrued liability 30 years	\$1,299,737	\$34,695,322	\$2,557,491	\$1,496,067	\$14,000,037
3. Total annual required contribution, beginning of year	\$1,299,737	\$35,297,103	\$6,117,096	\$2,712,116	\$43,624,038
4. Percent of compensation	N/A	3.23%	6.71%	6.37%	4.66%
5. Adjustment for timing (payable throughout the year)	\$52,657	\$1,430,001	\$247,824	\$109,877	\$1,767,352
6. Total annual required contribution	\$1,352,394	\$36,727,104	\$6,364,920	\$2,821,993	\$45,391,390
7. Percent of compensation	N/A	3.36%	7.05%	6.63%	4.85%
8. Payroll	N/A	1,092,814,844 ⁽³⁾	90,311,641	42,595,593	935,317,449

⁽³⁾ Tier 2 normal cost rate based on total payroll.

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions⁽¹⁾	Actual Contributions	Percentage Contributed
2001	\$25,084,169	\$25,084,169	100.00%
2002	30,326,543	30,326,543	100.00%
2003	33,894,924	33,894,924	100.00%
2004	38,737,255	38,737,255	100.00%
2005	31,541,933	31,541,933	100.00%
2006	31,413,281	31,413,281	100.00%
2007	52,183,468 ⁽²⁾	Not made yet	N/A

⁽¹⁾ Payable throughout the plan year. For years 2007 and prior it appears that the ARC may not have been determined in compliance with GASB 43 and 45 due to the maximum amortization period and/or the medical trend rate employed. All results for 2007 and prior years were provided by the System based on valuations by the prior actuary.

⁽²⁾ Based on the rate of 5.03% of compensation adopted by the System. The actual dollar contribution should be based on the actual payroll for plan year 2006/2007.

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress (\$000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2001	\$573,844	\$840,288	\$266,444	68.3%	\$882,758	30.2%
June 30, 2002	586,954	884,371	297,417	66.4%	946,037	31.4%
June 30, 2003	592,539	926,761	334,222	63.9%	970,727	34.4%
June 30, 2004	605,999	1,009,062	403,064	60.1%	1,001,004	40.3%
June 30, 2005	597,199	1,257,505	660,306	47.5%	1,037,445	63.6%
June 30, 2006	613,782	1,631,187	1,017,405	37.6%	1,092,814 ⁽¹⁾	93.1%

⁽¹⁾ Estimated compensation for the 2006/2007 plan year of \$1,092,814,844 as reported by Los Angeles Fire and Police Pension System.
 Note: All numbers prior to June 30, 2006 provided by GRS.

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year Beginning	Annual Required Contribution⁽¹⁾ (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
July 1, 2007	\$92,657,801 ⁽²⁾	0	0	\$92,657,801	Not made yet	N/A	N/A

⁽¹⁾ Payable throughout the plan year.

⁽²⁾ Based on the rate of 8.48% of compensation calculated in the June 30, 2006 valuation. The actual dollar contribution should be based on the actual payroll for plan year 2007/2008.

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 8

Required Supplementary Information

Valuation date	June 30, 2006	
Actuarial cost method	Entry age normal, level percent of pay	
Amortization method	30 years, level percent of pay	
Remaining amortization period	30 years as of June 30, 2006	
Asset valuation method	<p>The actuarial value of assets is a five-year smoothed market value of assets. This method recognizes 20 percent of the year's investment earnings in excess of (or less than) expected investment earnings in the current year and each of the four prior years.</p> <p>The expected value of assets for the year is the market value of assets at the beginning of the prior year brought forward with interest at the assumed rate of return to the end of the current year plus contributions minus benefit disbursements, all adjusted with interest at the assumed rate of return to the end of the current year.</p>	
Actuarial assumptions:		
Discount rate	8.00%	
Inflation rate	3.75%	
Across-the-board pay increase	0.50%	
Projected payroll increases	4.25%	
Health care cost trend rate:		
• Medical	12% in 2007-2008, decreasing by 1% for each year for five years until it reaches an ultimate rate of 5%.	
• Dental	5%	
• Medicare Part B Premium	5.6% in 2006-2007 based on actual Medicare Part B premium increase, then 5% for all years.	
Plan membership:		
	June 30, 2006⁽¹⁾	June 30, 2005
Current retirees, beneficiaries, and dependents	11,815	11,746
Current active members	<u>12,903</u>	<u>12,656</u>
Total	24,718	24,402

⁽¹⁾ Includes all retirees and surviving spouses whether they are receiving a subsidy.

SECTION 3: Valuation Details for Los Angeles Fire and Police Pension System

CHART 9

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
<u>Tier 1</u>						
Combined Bases	06/30/2006	30	<u>\$24,466,082</u>	<u>\$1,299,737</u>	30	<u>\$24,466,082</u>
Total			\$24,466,082	\$1,299,737		\$24,466,082
<u>Tier 2</u>						
Combined Bases	06/30/2006	30	<u>\$653,100,516</u>	<u>\$34,695,322</u>	30	<u>\$653,100,516</u>
Total			\$653,100,516	\$34,695,322		\$653,100,516
<u>Tier 3</u>						
Combined Bases	06/30/2006	30	<u>\$48,141,902</u>	<u>\$2,557,491</u>	30	<u>\$48,141,902</u>
Total			\$48,141,902	\$2,557,491		\$48,141,902
<u>Tier 4</u>						
Combined Bases	06/30/2006	30	<u>\$28,161,779</u>	<u>\$1,496,067</u>	30	<u>\$28,161,779</u>
Total			\$28,161,779	\$1,496,067		\$28,161,779
<u>Tier 5</u>						
Combined Bases	06/30/2006	30	<u>\$263,534,994</u>	<u>\$14,000,037</u>	30	<u>\$263,534,994</u>
Total			\$263,534,994	\$14,000,037		\$263,534,994

* Restarted June 30, 2006 with a 30 year, level percent of pay payment schedule.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT I

Summary of Participant Data

This exhibit summarizes the participant data used for the current and prior valuations.

	June 30, 2006	June 30, 2005
Retirees		
Non-disabled	7,086	7,027
Disabled	<u>2,338</u>	<u>2,357</u>
Total	9,424	9,384
Average age	67.4	67.1
Beneficiaries and dependents		
Number	2,391	2,362
Average age	75.9	75.5
Active Participants		
Number	12,903	12,656
Average age	40.8	40.8
Average years of service	14.1	14.1

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT II

Actuarial Balance Sheet for Year Ended June 30, 2006

The actuarial balance sheet as of the valuation date is as follows:

Assets	
1. Valuation value of assets (\$13,503,160,876 at market value* and \$12,735,185,068 at actuarial value* as reported by LAFPP)	\$613,782,166
2. Present value of future normal costs	348,101,577
3. Unfunded actuarial accrued liability	<u>1,017,405,273</u>
4. Present value of current and future assets	\$1,979,289,016
Liabilities	
5. Present value of future benefits	
Retired members and beneficiaries	\$973,704,591
Active members	<u>1,005,584,425</u>
Total	\$1,979,289,016

* Includes assets for Retirement and Health Benefits.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT III

Actuarial Experience for Year Ended June 30, 2006

1. Net loss from investments	\$ 6,197,951
2. Net (gain) from demographic changes and premium changes*	<u>(24,854,400)</u>
3. Net experience (gain): (1) + (2)	\$ (18,656,449)

* *The net loss is attributed to actual liability experience from July 1, 2005 through June 30, 2006, compared to the actuarial assumptions as of June 30, 2005.*

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

The differences between the expected and the actual experience are provided in the table above. These include:

- Actual rate of return from investment, and
- Demographic experience (e.g., turnover, retirement, mortality, disability, etc.), relative to the prior assumptions and health care premium changes relative to the prior assumption,

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT IV

Reconciliation of Recommended Contribution (in millions)

Recommended Contributions as of June 30, 2005 (Contributions made at Beginning of Year)	\$ 50.1
Effect of new amortization schedule	10.9
Effect of investment gains	0.3
Effect of other gains on accrued liability	(1.3)
Effect of change in actuarial assumptions	26.1
Effect of change in composition of active population	<u>3.0</u>
Total change	\$ 39.0
Recommended Contributions as of June 30, 2006 (Contributions made at Beginning of Year)	\$ 89.1

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on November 17, 2006, based on the actuarial experience study as of June 30, 2004 and the Economic Assumptions Study of June 30, 2006.

<i>Data:</i>	Detailed census data and financial data for postemployment benefits were provided by Los Angeles Fire and Police Pension System.
<i>Actuarial Cost Method</i>	Entry age normal, level percent of pay.
<i>Administrative Expenses</i>	No administrative expenses were valued separately from the claim costs.
<i>Marital Status</i>	Actives at the time of retirement: 86% of employees are assumed to be married. Retirees at the time of retirement: Actual data included with census.
<i>Spouse Age Difference</i>	Husbands are assumed to be 3 years older than wives.
<i>Participation</i>	80% of all retirees are assumed to receive a subsidy for an approved health carrier.
Medicare Coverage	90% of retirees are assumed to elect Medicare Parts A & B.
Dental Coverage:	65% of retirees are assumed to elect dental coverage.
Spousal Coverage:	With regard to Members who are currently alive, 70% of eligible spouse or domestic partners are assumed to elect continued health coverage after the Member's death. With regard to deceased Members, 70% of the current eligible spouses and domestic partners are assumed to have elected benefits.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

The assumed costs on a composite basis (and other demographic factors such as sex and family status) are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical claims costs are reviewed, and adjusted for increases in the cost of health care services.

Plan

	Participation Ratio*	Maximum Monthly Subsidy			Utilization**
		Single	Married	Surviving Spouse	
<u>Future Retired Participants without Medicare Parts A & B</u>					
Fire Medical	0.129	\$713.79	\$782.44	\$439.45	0.75
Blue Cross PPO	0.546	642.56	782.44	439.45	0.75
California Care	0.165	321.04	672.46	321.04	0.75
Fire Kaiser	0.015	404.20	782.44	404.20	0.75
Police Kaiser	0.145	323.63	641.85	323.63	0.75
Dental	1.000	34.84	34.84	0.00	0.65
<u>Future Retired Participants with Medicare Parts A & B</u>					
Fire Medical	0.345	\$320.01	\$583.01	\$320.01	0.85
Fire Kaiser	0.051	320.01	698.25	320.01	0.85
Blue Cross PPO	0.428	320.01	649.21	320.01	0.85
California Care	0.042	287.65	586.77	287.65	0.85
Police Kaiser	0.134	177.30	495.52	177.30	0.85
Dental	1.000	34.84	34.84	0.00	0.65
Medicare Part B	1.000	88.50	88.50	0.00	1.00

* Participation ratio is the proportion of retirees electing to receive a subsidy that select that specific plan.

** Utilization ratio is the proportion of all retirees that elect to receive a subsidy.

For the valuation of current retirees, subsidies valued are based on actual subsidies based on data reported by client.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Measurement Date: June 30, 2006

Discount Rate: 8.00%

Post-Retirement Mortality Rates:

After Service Retirement: 1994 Uninsured Pensioners Mortality Basic Table with ages set back 2 years for members.

1994 Uninsured Pensioners Mortality Basic Table with ages set back 4 years for spouses.

After Disability Retirement 1994 Uninsured Pensioners Mortality Basic Table for males with ages set forward 2 years for members.

Termination Rates before Retirement:

Pre-Retirement Mortality:

Age	Rate (%) Mortality					
	Fire			Police		
	Ordinary	Service	Other*	Ordinary	Service	Other*
20	0.00	0.01	0.00	0.06	0.01	0.03
25	0.00	0.02	0.00	0.06	0.02	0.02
30	0.01	0.02	0.02	0.06	0.02	0.02
35	0.01	0.03	0.02	0.06	0.03	0.03
40	0.02	0.03	0.04	0.08	0.03	0.04
45	0.02	0.04	0.04	0.08	0.04	0.05
50	0.03	0.04	0.04	0.09	0.04	0.05
55	0.04	0.05	0.06	0.12	0.05	0.07
60	0.05	0.05	0.08	0.15	0.05	0.08

* Death while eligible for service or disability retirement

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates before Retirement (continued):

Age	Rate (%) Disability			
	Fire		Police	
	Ordinary	Service	Ordinary	Service
20	0.00	0.02	0.00	0.02
25	0.00	0.02	0.00	0.02
30	0.00	0.02	0.02	0.03
35	0.02	0.05	0.02	0.07
40	0.02	0.11	0.03	0.20
45	0.03	0.27	0.03	0.37
50	0.03	0.60	0.03	0.53
55	0.04	2.00	0.03	1.07
60	0.05	4.67	0.03	1.33

Age	Rate (%) Withdrawal (< 5 Years of Service)	
	Fire	Police
20	5.50	8.40
25	5.50	6.22
30	5.50	5.50
35	5.50	5.50
40	5.50	5.50
45	5.50	5.50
50	5.50	5.50
55	5.50	5.50
60	5.50	5.50

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates before Retirement (continued):

Age	Rate (%)	
	Withdrawal (5+ Years of Service) *	
	Fire	Police
20	7.75	8.40
25	3.78	6.22
30	1.99	4.24
35	1.11	2.65
40	0.54	1.69
45	0.26	1.50
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

**No withdrawal is assumed after a member is eligible for vested benefit under the retirement plan.*

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Retirement Rates:

Age	Rate(%)			
	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	0.0100	0.0000	0.0600	0.0000
42	0.0100	0.0000	0.0600	0.0000
43	0.0100	0.0000	0.0600	0.0000
44	0.0110	0.0000	0.0600	0.0000
45	0.0115	0.0000	0.0600	0.0000
46	0.0120	0.0000	0.0716	0.0000
47	0.0125	0.0000	0.0832	0.0000
48	0.0140	0.0000	0.0947	0.0000
49	0.0160	0.0000	0.1063	0.0000
50	0.0200	0.2000	0.1179	0.2500
51	0.0275	0.1800	0.1295	0.2250
52	0.0360	0.1600	0.1411	0.2000
53	0.0470	0.1400	0.1526	0.1800
54	0.0575	0.1200	0.1642	0.1600
55	0.0730	0.1000	0.1758	0.1542
56	0.0886	0.0886	0.1874	0.1611
57	0.0985	0.0985	0.1989	0.1684
58	0.1094	0.1094	0.2105	0.1760
59	0.1216	0.1216	0.2221	0.1840
60	0.1352	0.1352	0.2337	0.1923
61	0.1503	0.1503	0.2453	0.2010
62	0.1670	0.1670	0.2568	0.2101
63	0.1856	0.1856	0.2684	0.2196
64	0.2063	0.2063	0.2800	0.2295
65	1.0000	1.0000	1.0000	1.0000

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Percent Married/Domestic Partner:	86%
Age of Spouse:	Wives are 3 years younger than their husbands.
Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Net Investment Return:	8.00%, net of investment and administrative expenses

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Salary Increases:

Annual Rate of Compensation Increase	
Age	Additional Salary Increase
Inflation: 3.75% per year; plus 0.50% “across the board” salary increases; plus the following Merit and Longevity increases based on age.	
20	5.25%
25	4.25%
30	3.25%
35	2.25%
40	1.25%
45	1.00%
50	0.75%
55	0.75%
60	0.75%

Actuarial Value of Assets:

The actuarial value of assets is determined by phasing in any difference between actual and expected return on actuarial value of assets over 5 years. The actuarial value of assets can not be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member’s hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Funding Policy:

The Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amounts to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. All the amortization bases on or before June 30, 2006 were combined and amortized over 30 years effective June 30, 2006. Any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate fifteen year periods. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate thirty year periods. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis.

Health Care Cost Subsidy Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the stated subsidies into the future. For example, the proposed medical subsidy for a male retiree age 65 in the year July 1, 2007 through June 30, 2008 would be determined with the following formula: $[\$5,964 \times (1 + 12\%)] = \$6,680$.

Year Ending June 30	Rate (%)	
	Medical	Dental & Medicare Part B
2008	12.0	5.0
2009	11.0	5.0
2010	10.0	5.0
2011	9.0	5.0
2012	8.0	5.0
2013	7.0	5.0
2014	6.0	5.0
2015	5.0	5.0
2016 and later	5.0	5.0

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.																						
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.																						
Changes in Assumptions:	The discount rate, salary scale and medical trend rates were updated as discussed in the June 30, 2006 economic assumption report. Previously, those assumptions were as follows:																						
Net Investment Return:	8.50%																						
Consumer Price Index:	Increase of 5.00% per year.																						
Salary Increases:	<p style="text-align: center;"><u>Annual Rate of Compensation Increase</u></p> <p>Inflation: 5.00% per year; plus no “across the board” salary increases; plus the following Merit and Longevity increases based on age.</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Additional Salary Increase</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">20</td><td style="text-align: center;">5.00%</td></tr> <tr><td style="text-align: center;">25</td><td style="text-align: center;">4.00%</td></tr> <tr><td style="text-align: center;">30</td><td style="text-align: center;">3.00%</td></tr> <tr><td style="text-align: center;">35</td><td style="text-align: center;">2.00%</td></tr> <tr><td style="text-align: center;">40</td><td style="text-align: center;">1.00%</td></tr> <tr><td style="text-align: center;">45</td><td style="text-align: center;">0.75%</td></tr> <tr><td style="text-align: center;">50</td><td style="text-align: center;">0.50%</td></tr> <tr><td style="text-align: center;">55</td><td style="text-align: center;">0.50%</td></tr> <tr><td style="text-align: center;">60</td><td style="text-align: center;">0.50%</td></tr> <tr><td style="text-align: center;">65</td><td style="text-align: center;">0.00%</td></tr> </tbody> </table>	<u>Age</u>	<u>Additional Salary Increase</u>	20	5.00%	25	4.00%	30	3.00%	35	2.00%	40	1.00%	45	0.75%	50	0.50%	55	0.50%	60	0.50%	65	0.00%
<u>Age</u>	<u>Additional Salary Increase</u>																						
20	5.00%																						
25	4.00%																						
30	3.00%																						
35	2.00%																						
40	1.00%																						
45	0.75%																						
50	0.50%																						
55	0.50%																						
60	0.50%																						
65	0.00%																						

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

Health Care Cost Subsidy Trend Rates:

Year Ending June 30	Rate (%)	
	Medical	Dental & Medicare Part B
2008	6.2	6.2
2009	6.0	6.0
2010	5.8	5.8
2011	5.6	5.6
2012	5.4	5.4
2013	5.2	5.2
2014 and later	5.0	5.0

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT VI

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plan as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

BASIC SUBSIDY

Eligibility

Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Members who retired prior to July 1, 1998 are subject to an eligibility requirement of age 60 with 10 or more years of service. Subsidy is paid only to Members on service or disability retirements.

Surviving spouses and surviving domestic partners are eligible for health benefits upon the Member's date of death if the Member had attained age 55 prior to death. Otherwise, health benefits for survivors shall commence on the date that the Member would have reached age 55.

Basic subsidy is paid until age 65, or after age 65 if Member is not covered by Medicare Parts A and B.

Amount of Subsidy

4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the actual premium paid to City approved health carrier.

Maximum Subsidy

Lesser of monthly amount paid to active Fire and Police Members and retired CERS Members. As of July 1, 2006, maximum is \$782.44 per month. For surviving spouses, the maximum subsidy is \$439.45 per month.

Increase in Subsidy

Based on subsidy increases to active Fire and Police Members, providing increased subsidy maximum does not exceed civilian retiree subsidy maximum, subject to Board approval.

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

Dependent Portion	Difference between Basic Subsidy amount and single-party premium.	
Eligibility	Retired Members over age 65 with 10 or more years of service who participate in Medicare Parts A & B.	
Amount of Subsidy to Participant:	For retirees, health subsidy is provided subject to the following vesting schedule:	
	Completed Years of Service	Vested Percentage
	10-14	75%
	15-19	90%
	20+	100%
	Surviving spouses or surviving domestic partners are eligible for benefits upon the death of the Member.	
Maximum Subsidy	As of January 1, 2006, the single coverage maximum subsidy for retirees and surviving spouses is \$320.01. The multi-person coverage maximum subsidy is \$782.44.	
Dependent Portion	Calculation based on Board of Fire and Police Pension Commissioners Resolution No. 9320: equal to the amount payable on behalf of the dependents of a retired member in the same plan, with the same years of service, who qualifies for a basic or Part B only subsidy, whichever is greater, providing such subsidy does not exceed the civilian retiree dependent subsidy.	
Eligibility	Various, based on effective date of retirement, rank at retirement, years of service and type of pension.	
Amount of Subsidy	Flat Amount Based on Years of Service	
	20-24 years	\$75 - \$150 per month
	25-29 years	\$150 - \$225 per month
	30 and over	\$225 - \$300 per month

SECTION 4: Supporting Information for Los Angeles Fire and Police Pension System

EXHIBIT VI

Summary of Plan (continued)

MEDICARE-RELATED SUBSIDY

**MEDICARE
PREMIUM
REIMBURSEMENT**

For retired Members enrolled in Medicare A & B who are receiving a subsidy, the Plan provides payment of Part B premiums (\$88.50 per month for calendar year 2006).

DENTAL SUBSIDY

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Subsidy is paid only to Members on service or disability retirements. Surviving spouses/domestic partners are not eligible for benefits upon the death of the Member.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the single-party premium paid to City approved dental carrier.
Maximum Subsidy	Lesser of monthly amount paid to active Fire and Police Members and retired CERS Members. Effective January 1, 2006, maximum is \$34.84 per month

Retiree Contributions: To the extent the subsidies are less than the medical or dental premiums, the retiree contributes the cost difference.

200140v2/07916.003



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Paul Angelo, FSA
 Senior Vice President & Actuary
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January 12, 2007

Board of Fire and Police Pension Commissioners
 360 East Second Street, Suite 400
 Los Angeles, CA 90012

**Re: FY 2007-2008 Retiree Health Plan Contribution
 Three-Year Phase-in of City Contribution Rates**

Dear Members of the Board:

On December 7, 2006, the Board elected to phase in the impact of new actuarial assumptions on the City’s retiree health plan contribution for the 2007-08 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2007-08 are contained in Segal’s December 12, 2006 report entitled *Actuarial Valuation and Review of Other Postemployment Benefits (OPEB.)* This letter provides the “phased-in” contribution rates for Fiscal Year 2007-08 and an analysis of the financial reporting and future contribution rate impact of the three-year phase-in.

Phase-in Contribution Rates for 2007-08

The following table shows the full impact, by Tier, of the newly adopted actuarial assumptions on the City’s retiree health plan beginning-of-year contributions for fiscal year 2007-08. This is the portion of the increase from the current contribution rates that will be phased-in over three years. Depending on the tier, the impact is measured as a dollar amount or as a percentage of payroll, consistent with Page 10 of the actuarial report. The phased-in City contribution rates for 2007-08 (which includes only one-third of the Impact of the New Actuarial Assumptions) are provided on the attached table.

<u>Tier:</u>	<u>Impact of New Actuarial Assumptions:</u>
Tier 1	\$219,643
Tier 2	0.76% of Total payroll
Tier 3	2.07% of Tier 3 payroll
Tier 4	1.92% of Tier 4 payroll
Tier 5	1.70% of Tier 5 payroll



Impact of Three-Year Phase-in on Financial Reporting

The retiree health plan contributions recommended in Segal's June 30, 2006 actuarial valuation report represent the Annual Required Contribution (ARC) under Governmental Accounting Standards 43 and 45 for the 2007-8 fiscal year. These are before any phase-in, and reflect the full impact of the new actuarial assumptions.

The application of a phase-in of contributing the full amount of the City's ARC will result in the City recording a liability (Net OPEB Obligation or "NOO") equal to shortfall of the actual contribution relative to the ARC. We estimate that the NOO accrued during 2007-08 (the first year of the phase-in) will be approximately \$20 million. An additional NOO of approximately \$10 million will be accrued in the 2008-09 fiscal year, the second year of the phase-in.

Impact of Three-Year Phase-in on Future Contributions

The NOO's accrued during the phase-in will be amortized over a 15-year period consistent with the period of time actuarial gains and losses are amortized under the Board's current amortization policy. In effect, these amortization payments are the "financing cost" of delaying the full impact of the new actuarial assumptions. We estimate that the NOO amortization will result in an additional contribution of about 0.23% of compensation in each year during the 15-year amortization period.

More specifically, the 2009-10 contribution requirement will be about \$2 million higher than if the phase-in had not taken place. Contributions for each of the following 14 years will go from about \$3 million higher to about \$5 million higher than if the phase-in had not taken place (the dollar amounts increase only because they are a fixed 0.23% of an increasing payroll). In the final year of the NOO amortization (FY2024-25) the contribution requirement will be about \$2 million higher than if the phase-in had not taken place.

The net impact of the initial phase-in and the subsequent additional amortization costs are reflected in the five-year projection of contributions that we sent you on January 5. If you have any other questions, please let us know.

Sincerely,



Paul Angelo, FSA, EA, MAAA

DZJ/jc

**Fiscal Year 2007-08 Retiree Health Plan Contribution
Impact of New Assumptions**

2007-2008 Fiscal Year Contribution Requirements (Adjusted for Three Year Phase-in)

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Normal cost	\$0	\$601,781	\$3,559,605	\$1,216,049	\$29,624,001
Amortization of the unfunded actuarial accrued liability over 30 years	\$1,153,308	\$29,148,729	\$1,308,046	\$953,049	\$3,358,829
Total annual required contribution, beginning of year	\$1,153,308	\$29,750,510	\$4,867,651	\$2,169,098	\$32,982,830
Percent of compensation	N/A	2.72%	5.39%	5.09%	3.53%
Adjustment for timing (payable throughout the year)	\$46,724	\$1,205,291	\$197,204	\$87,877	\$1,336,242
Total annual required contribution	\$1,200,032	\$30,955,801	\$5,064,855	\$2,256,975	\$34,319,072
Payroll	N/A	\$1,092,814,844	\$90,311,641	\$42,595,593	\$935,317,449
Percent of compensation	N/A	2.83%	5.61%	5.30%	3.67%



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Paul Angelo
Senior Vice President
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January 5, 2007

Board of Fire and Police Pension Commissioners
360 East Second Street, Suite 400
Los Angeles, CA 90012

Re: Five-Year Projection of Contributions, Funding Ratio and UAAL

Dear Members of the Board:

Attached please find five-year projections of contributions, funding ratios and Unfunded Actuarial Accrued Liabilities (UAAL) for each of the Pension and Retiree Health Plans. These projections are consistent with those provided by your prior actuary, although the prior years' projections were for the pension and health plans combined. Separating the two allows the Board to better anticipate the elimination of the additional 1% Tier 5 member contribution rate under the pension plan (Section 4.2014.)

Note that all the contribution amounts and rates are as of the beginning of the year, consistent with the City's practice in previous years.

The impact of the three-year phase-in of the increase in the City's retiree health plan contribution from the change in actuarial assumptions has been included.

If you have any questions, please let us know.

Sincerely,

Paul Angelo, FSA, EA, MAAA

DZJ/jc
Attachments

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, D.C.



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

The City of Los Angeles Fire and Police Pension Plan
 Projection of UAAL, Funding Ratio and City Contributions - Pension Only

Scenario # 1: 5% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year			Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio	Fiscal Year End		Normal Cost	Amortization	Total Rate		
2005	\$723,411	94.1%	2007	\$1,130,000	15.82%	3.92%	19.74%	\$223,042	
2006	\$689,981	94.6%	2008	\$1,178,025	17.86%	3.48%	21.34%	\$251,383	\$28,341
2007	\$513,082	96.2%	2009	\$1,228,091	17.86%	2.40%	20.26%	\$248,803	\$(2,580)
2008	\$679,583	95.2%	2010	\$1,280,285	17.86%	3.51%	21.37%	\$273,589	\$24,786
2009	\$1,066,630	92.9%	2011	\$1,334,697	17.86%	5.98%	23.84%	\$318,183	\$44,594
2010	\$1,513,784	90.5%	2012	\$1,391,422	17.86%	8.90%	26.76%	\$372,336	\$54,153
2011	\$2,063,790	87.7%	2013	\$1,450,557	17.86%	12.34%	30.20%	\$438,059	\$65,723

Scenario # 2: 8% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year			Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio	Fiscal Year End		Normal Cost	Amortization	Total Rate		
2005	\$723,411	94.1%	2007	\$1,130,000	15.82%	3.92%	19.74%	\$223,042	
2006	\$689,981	94.6%	2008	\$1,178,025	17.86%	3.48%	21.34%	\$251,383	\$28,341
2007	\$436,960	96.8%	2009	\$1,228,091	17.86%	2.04%	19.90%	\$244,382	\$(7,001)
2008	\$102,070	99.3%	2010	\$1,280,285	17.86%	0.46%	18.32%	\$234,540	\$(9,842)
2009	\$(54,934)	100.4%	2011	\$1,334,697	17.86%	-0.24%	17.62%	\$235,165	\$625
2010	\$(163,623)	101.0%	2012	\$1,391,422	17.86%	-0.68%	17.18%	\$239,038	\$3,873
2011	\$(173,638)	101.0%	2013	\$1,450,557	17.86%	-0.69%	17.17%	\$249,051	\$10,013

Scenario # 3: 11% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year			Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio	Fiscal Year End		Normal Cost	Amortization	Total Rate		
2005	\$723,411	94.1%	2007	\$1,130,000	15.82%	3.92%	19.74%	\$223,042	
2006	\$689,981	94.6%	2008	\$1,178,025	17.86%	3.48%	21.34%	\$251,383	\$28,341
2007	\$359,631	97.3%	2009	\$1,228,091	17.86%	1.68%	19.54%	\$239,961	\$(11,422)
2008	\$(502,238)	103.5%	2010	\$1,280,285	17.86%	-2.25%	15.61%	\$199,844	\$(40,117)
2009	\$(1,252,874)	108.3%	2011	\$1,334,697	17.86%	-5.39%	12.47%	\$166,428	\$(33,416)
2010	\$(2,003,381)	112.6%	2012	\$1,391,422	17.86%	-8.27%	9.59%	\$133,429	\$(32,999)
2011	\$(2,707,478)	116.1%	2013	\$1,450,557	17.86%	-10.72%	7.14%	\$103,561	\$(29,868)

The City of Los Angeles Fire and Police Pension Plan

Projection of UAAL, Funding Ratio and City Contributions - Health Only (Including 6/30/2006 Phase-in)

Scenario # 1: 5% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year		Fiscal Year End	Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio			Normal Cost	Amortization	Total Rate		
2005	\$660,305	47.5%	2007	\$1,130,000	2.71%	2.32%	5.03%	\$56,839	
2006	\$1,017,405	37.6%	2008	\$1,178,025	3.20%	3.30%	6.50%	\$76,554	\$19,715
2007	\$1,067,265	38.6%	2009	\$1,228,091	3.20%	4.33%	7.53%	\$92,466	\$15,912
2008	\$1,120,589	39.6%	2010	\$1,280,285	3.20%	5.39%	8.59%	\$109,976	\$17,510
2009	\$1,175,656	40.5%	2011	\$1,334,697	3.20%	5.62%	8.82%	\$117,720	\$7,744
2010	\$1,223,335	42.1%	2012	\$1,391,422	3.20%	5.81%	9.01%	\$125,367	\$7,647
2011	\$1,277,354	43.3%	2013	\$1,450,557	3.20%	6.05%	9.25%	\$134,177	\$8,810

Scenario # 2: 8% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year		Fiscal Year End	Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio			Normal Cost	Amortization	Total Rate		
2005	\$660,305	47.5%	2007	\$1,130,000	2.71%	2.32%	5.03%	\$56,839	
2006	\$1,017,405	37.6%	2008	\$1,178,025	3.20%	3.30%	6.50%	\$76,554	\$19,715
2007	\$1,063,232	38.9%	2009	\$1,228,091	3.20%	4.30%	7.50%	\$92,098	\$15,544
2008	\$1,088,881	41.3%	2010	\$1,280,285	3.20%	5.16%	8.36%	\$107,032	\$14,934
2009	\$1,112,367	43.7%	2011	\$1,334,697	3.20%	5.17%	8.37%	\$111,714	\$4,682
2010	\$1,126,208	46.6%	2012	\$1,391,422	3.20%	5.14%	8.34%	\$116,045	\$4,331
2011	\$1,144,284	49.2%	2013	\$1,450,557	3.20%	5.13%	8.33%	\$120,831	\$4,786

Scenario # 3: 11% Return on Market Value of Assets

Valuation Year	June 30 of Valuation Year		Fiscal Year End	Fiscal Year Pay (In thousands)	City Contributions (Beginning of Year)			Contribution Amount	Incremental Increase
	UAAL (In thousands)	Funded Ratio			Normal Cost	Amortization	Total Rate		
2005	\$660,305	47.5%	2007	\$1,130,000	2.71%	2.32%	5.03%	\$56,839	
2006	\$1,017,405	37.6%	2008	\$1,178,025	3.20%	3.30%	6.50%	\$76,554	\$19,715
2007	\$1,059,135	39.1%	2009	\$1,228,091	3.20%	4.27%	7.47%	\$91,729	\$15,175
2008	\$1,055,710	43.0%	2010	\$1,280,285	3.20%	4.92%	8.12%	\$103,959	\$12,230
2009	\$1,044,885	47.2%	2011	\$1,334,697	3.20%	4.70%	7.90%	\$105,441	\$1,482
2010	\$1,020,635	51.6%	2012	\$1,391,422	3.20%	4.40%	7.60%	\$105,748	\$307
2011	\$996,249	55.8%	2013	\$1,450,557	3.20%	4.12%	7.32%	\$106,181	\$433