annual REPORT

CITY OF LOS ANGELES DEPARTMENT OF FIRE AND POLICE PENSIONS

LAFPP

To Serve Those Who Protect

July 1, 2004 to June 30, 2005

Department of Fire and Police Pensions

360 East Second Street
Suite 400
Los Angeles, California 90012
(213) 978-4545
Electronic Mail: PENSIONS@FPPEN.LACITY.ORG
Web Site: http://www.lacity.org/pen

2005 Annual Report

July 1, 2004 to June 30, 2005

Table of Contents

Governing Bodies 2
General Manager's Letter 3
System Investments 5
Actuarial Valuation 11
Budget 17
Auditors' Report 21
Membership Statistics 43
  Active Membership 46
  Deferred Retirement Option Plan 48
  Retired Membership 51
Legal Summary 57
Summary of Pension Plan Benefits 61
Milestones 75

MAYOR

James K. Hahn

City Attorney

Rockard J. Delgadillo

Controller

Laura Chick

CITY COUNCIL

Alex Padilla, *President*
Wendy Greuel, *President Pro Tempore*

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

BOARD OF PENSION COMMISSIONERS

William Jackson III, President

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

DEPARTMENT OF
FIRE AND POLICE
PENSIONS

360 EAST SECOND STREET
SUITE 400
LOS ANGELES, CA 90012-4203
(213) 978-4545
FAX (213) 978-4450
TDD (213) 978-4455

PENSIONS@FPPEN.LACITY.ORG

CITY OF LOS ANGELES

CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

MICHAEL A. PEREZ
GENERAL MANAGER

D. EDWARD GRIFFITHS
RHONDA A. PETERSON
ASSISTANT GENERAL MANAGERS

TOM LOPEZ
CHIEF INVESTMENT OFFICER

June 30, 2005

The Honorable Antonio Villaraigosa
The Honorable Members of the City Council

I respectfully submit the 2005 Annual Report for the Fire and Police Pension System of the City of Los Angeles. This year marks the 106th anniversary of this pension system. The annual report is intended to provide detailed, reliable information for you, other City leaders and stakeholders to help make management decisions and plans.

The System administers 6 pension tiers, two of which are closed, a medical subsidy program, a Deferred Retirement Option Program (DROP) and a complicated disability pension program. As of June 30, 2005 we have 12,656 active and 11,746 retired beneficiaries, assets of $12.3 billion and a monthly pension roll of $46 million.

For the last three years, returns have been positive, with a return of 10.1% for the Fiscal Year ending June 30, 2005. Our funded status, due to the 5 year smoothing of assets and the recognition of the liabilities of our members in the DROP program, fell below 100% to 94.1%. Our falling below 100% funding for pension benefits results in Tier 5 active members paying 9% of pay into the pension system, instead of the 8% they have been paying since 2002. Members will begin paying 9% on July 1, 2006.

The Annual Report contains eight sections:

- System Investments
- Actuarial Valuation
- Department Budget
- Auditor's Report
- Active and Retired Membership Information
- Legal Summary
- Summary of Pension Plan Benefits
- Milestones

System Administration

The Fire and Police Pension System is administered by a Board of nine commissioners, five appointed by the Mayor, Fire and Police members each elect one active member, and Fire and Police retired beneficiaries each elect one retired member.

The Board administers the System in accordance with the City Charter and the State Constitution. Article XVI, Section 17 (a) of the State Constitution provides the Board "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17 (b) further provides the "members of the Retirement Board of a public retirement system shall discharge their duties ... solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

Service efforts and accomplishments

Staff continues to provide more services for the DROP program. DROP was implemented in 2002 to help retain sworn members of the Police Department. The program has been successful, with nearly 10% of the sworn population in this program and the average years of service for our active members having increased since the start of DROP. There is tremendous interest in DROP, and Staff has been challenged to respond to numerous requests for personal, detailed information to assist members considering DROP.

We have converted our member information system to a web based system. This is a unique accomplishment in the public pension arena that will give us flexibility in providing 24/7 service to our members and stakeholders. This is very important for our many members working irregular shifts. Our current focus is to insure we cover the security of member information, calculations and delivery of benefits.

A Charter change was approved by the voters that will require us to provide options for members of the Port Police to join our pension system. We will be implementing the changes necessary to accomplish this in the following fiscal year.

Staff has worked diligently and professionally preparing this report, and I express my appreciation to them for their efforts. I also thank the Board for their dedication to the System and support to Staff in our combined efforts to meet our duties to the members and the City of Los Angeles.

Respectfully submitted,

MICHAEL A. PEREZ
General Manager

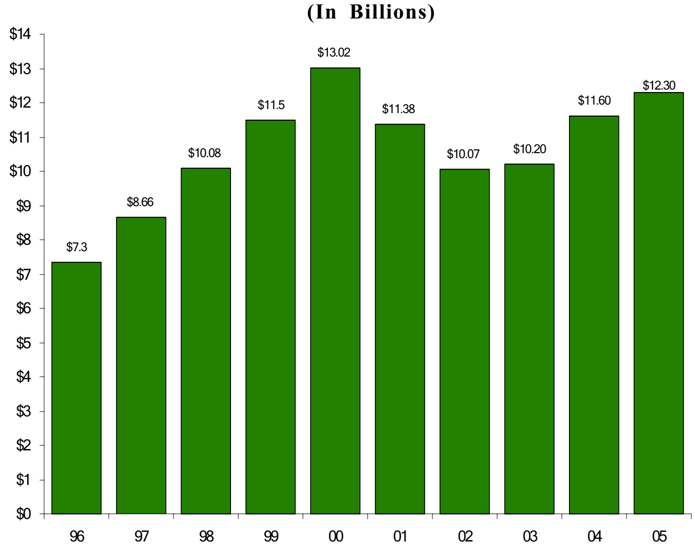
System Investments

Summary of Investment Activities

Introduction

During the past five years, the System's assets have decreased from $13.02 billion to $12.303 billion. The fund grew by $700 million for the year ending June 30, 2005.

MARKET VALUE GROWTH OF SYSTEM ASSETS
(In Billions)



Investment Environment

The bond market *(Lehman U.S. Universal Bond Index),* produced a positive return of 7.42 percent for the year ending June 30, 2005. Large company stocks (*S&P 500*) returned a positive 6.32 percent. Small stocks (*Russell 2000 Index*) returned a positive 9.45 percent. International stocks (*Morgan Stanley EAFE Index*) returned a positive 14.13 percent. Real Estate, as measured by the National Council of Real Estate Investment Fiduciaries Index (*NCREIF Classic Property Index*) was the best performer returning 18.02 percent.

Investment Performance

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

For the past five years, the System's annualized return of 2.32 percent was less than the annualized rate of inflation of 2.44 percent. For the one- and three-year period, the System's overall investment performance was up 10.07 percent and 10.62 percent respectively, both of which exceeded the actuarial rate of return.

The System's performance was equal to the median compared with other public funds (*Frank Russell Public Fund Universe*) over the past one-year period. It was above the median for the past three-year period, and below the median for the past five-year period. The Fund was ranked in the 36th percentile for the three-year period ending June 30, 2005, and 97th for the five-year period. For this past year, the system returned a positive 10.07 percent (51st percentile) versus the public fund median of positive 10.08 percent. The System's top performers this year were its high-yield bonds and alternative investments. The under-performers were the System's real estate and small company stock portfolios.

Asset Allocation Decisions

Our asset allocation plan establishes the blueprint for investing the System's assets in stocks, bonds, real estate and cash equivalents over a three to five-year period. This plan is the single most important factor in managing risk and achieving investment returns necessary to fund benefits.

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

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

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

As of June 30, 2005, the net asset values were as follows:

ASSET CLASS	MARKET VALUE (In $ Millions)	PERCENT
Stocks	$ 7,685.9	62.47%
Bonds	3,450.7	28.05%
Real Estate	573.5	4.66%
Alternative Investments	398.4	3.24%
Cash Equivalents	194.4	1.58%
Total	$ 12,302.9	100.00%

Investment Activities

The manager changes for the year included the termination of one domestic equity manager, three bond managers, and one international equity manager, and the hiring of two domestic equity managers, two bond managers, three international equity managers, and a new custodian bank. The following investment managers were rehired during the year: one international equity manager, four domestic equity managers, one fixed income manager, and four real estate managers.

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

The System invested in several new commingled real estate funds while paring down the number of individual properties in the portfolio. Properties sold by the fund included office buildings in Sacramento, CA; Omaha, NE; Austin, TX; Denver, CO; and Arlington, VA; residential properties in Las Vegas, NV; and St. Charles, MO; and a mixed-use office and residential property in Minneapolis, MN.

Proxy Voting

The System votes all domestic and available international proxy ballots. Staff voted 1,279 proxies and corporate consents in Fiscal Year 2004-2005. The international equities managers vote the proxies for their portfolios in accordance with the Board's proxy guidelines and cast a total of 525 proxy ballots.

The System votes affirmatively on preemptive rights, cumulative voting, and confidential voting; opposes anti-takeover measures and generally abstains on issues of a social, political, or environmental nature that have no expected economic impact on the System's assets. The System votes affirmatively on executive compensation bonus plans if the corporation's stock performance in the past year has exceeded the returns of both the Standard & Poor's 500 Index and an appropriate peer group index; supports the nomination of and affirmative vote for the appointment of independent directors to the Board of Directors; and directs an affirmative vote on measures proposed to place independent directors on compensation committees.

CHANGE IN ASSET MIX: LAST TEN YEARS

Fiscal Year	Stocks	Bonds	Real Estate	Alternative Investments	Short Term Investments
1995-96	59.2%	29.3%	6.9%		4.6%
1996-97	58.8%	30.3%	5.2%		4.9%
1997-98	60.62%	28.79%	3.91%		5.63%
1998-99	62.48%	24.97%	4.42%	1.56%	6.57%
1999-00	64.45%	22.53%	5.55%	2.65%	4.82%
2000-01	56.35%	25.24%	7.62%	3.31%	7.48%
2001-02	54.95%	27.74%	7.95%	3.52%	5.84%
2002-03	54.1%	31.4%	7.6%	3.50%	3.4%
2003-04	60.3%	28.0%	6.7%	3.50%	1.5%
2004-05	62.47%	28.05%	4.66%	3.24%	1.58%

ANNUAL RATES OF RETURN

Fiscal Year	Domestic Equities	International Equities	Fixed Income	Real Estate	Alternative Investments	Total Fund*	CPI**
1995-96	25.30%	14.83%	7.80%	9.50%		14.60%	2.70%
1996-97	27.09%	12.70%	10.43%	13.90%		18.52%	2.30%
1997-98	23.07%	12.42%	11.84%	18.20%		17.48%	1.69%
1998-99	25.53%	17.65%	2.44%	13.00%	12.46%	16.04%	1.96%
1999-00	17.91%	26.93%	3.90%	15.00%	42.14%	16.30%	2.87%
2000-01	-17.88%	-19.49%	2.35%	12.80%	1.58%	-10.00%	2.98%
2001-02	-17.64%	-6.57%	1.17%	1.10%	-17.05%	-7.97%	1.07%
2002-03	3.21%	-5.42%	15.29%	3.90%	-12.66%	5.47%	2.11%
2003-04	23.67%	35.82%	3.39%	6.50%	23.50%	16.92%	3.30%
2004-05	5.54%	15.68%	9.85%	9.58%	27.03%	10.07%	2.50%

**Total fund includes short-term investments*
***CPI is for the U.S. ending June 30th*

INVESTMENT ADVISORS

STOCK MANAGERS

Alliance Capital Management
Attucks Asset Management
Boston Partners Asset Management
Daruma Asset Management
Delta Asset Management
FIS Funds Management
Frontier Capital Management
Trust Company of the West

INTERNATIONAL STOCK MANAGERS

Brandes Investment Partners
Fisher Investments
Julius Baer Investment Management
Marvin & Palmer Associates
McKinley Capital Management
Principal Global Investors
Wells Capital Management

BOND MANAGERS

Apollo Real Estate Advisors
Bridgewater
LM Capital Management
Loomis Sayles & Company
MacKay Shields
Northern Trust
Reams Asset Management
Western Asset Management Company

REAL ESTATE MANAGERS

AEW Partners
Apollo Real Estate Advisors
Buchanan Street Partners
Hampshire Partners
Heitman Capital Management
Legg Mason Real Estate Investors
Lowe Enterprises Investment Management
Oaktree Capitol Management
Prudential Real Estate Advisors
PSI Institutional Realty
Sentinel Real Estate Corporation
Trust Company of the West
Urdang & Associates Real Estate Advisors

ALTERNATIVE INVESTMENT MANAGERS

Abbott Capital Management
Hamilton Lane Advisors
Pension Consulting Alliance
Portfolio Advisors

Actuarial Valuation

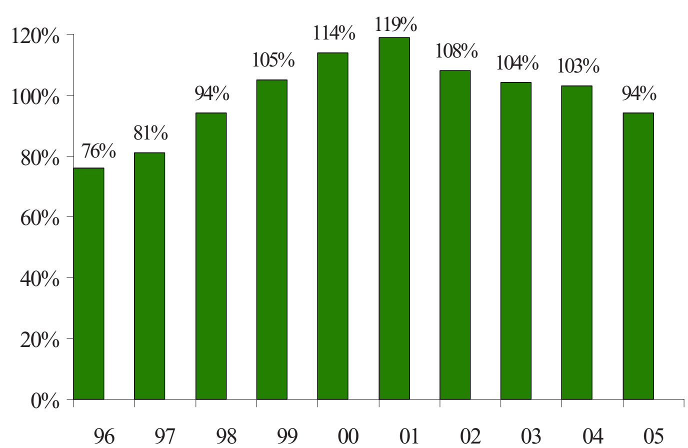
Actuarial Valuation Summary

Actuarial Valuations

Two actuarial valuations of the assets and liabilities of pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries, the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress of the system and determine the annual contribution requirements.

The funded status of the pension system is examined over a span of several years to determine if funding progress is made. Satisfactory funding progress has occurred over the past ten years.

FUNDED STATUS (Pension Benefits-Actuarial Ratio)



Funding Status and Tier 5

Tier 5 provides for an employee contribution rate of 8% as long as the Plan is 100% actuarially funded. As of June 30, 2005, the Plan is 94.1% actuarially funded. Therfore, the employee pension contribution for Tier 5 members will increase from 8% to 9%. This increase is effective July 1, 2006 and will continue until plan is at least 100% actuarially funded.

How a Valuation is Conducted

The actuarial funding method used (Entry Age Normal Cost) is required by the Charter under Section 1210 (Fire and Police Pension Plans General Provision section) for Tier 1, Tier 2 , Tier 3, Tier 4 and Tier 5. An actuarial valuation examines the membership of the pension system as currently constituted, then projects future liabilities using various assumptions.

Non-economic actuarial assumptions on mortality of members and spouses, probability of service retirement and disability, probability of termination prior to retirement, and probability of having a surviving beneficiary are created from studies made of the actual experience of the membership of the System. A new study is conducted every three years.

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

Average Life Expectancy for Retirees

Service Retiree (Age = 65) .... 18.8 years
Disabled Retiree (Age = 65) .... 15.8 years
Surviving Spouse (Age = 65) .... 20.4 years

Economic assumptions are also studied, recommended by the actuary, and adopted by the Board. Economic assumptions in effect for this valuation period are:

Economic Assumptions

Annual Increase in the Consumer Price Index 5.0%**
Annual Individual Salary Increase .... varies by age

Age	Annual Salary Increase
Under 25	10.00%
25-29	9.00%
30-34	8.00%
35-39	7.00%
40-44	6.00%
45-49	5.75%
50 and over	5.50%

Annual Increases in Total System Payroll 5.0%
Investment Rate of Return 8.5%
*(**Tiers 3, 4 and 5 are capped at 3%)*

Pension Benefit Balance Sheet

Cost of living and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the investment rate of return assumption.

Once the liabilities of the system are computed, the valuation study projects the member contributions expected to be received, which are reduced to today's dollar terms using the investment rate of return assumption. The individual salary increase assumptions are used to project the total member contributions. The Entry Age Normal Cost contribution, the amount the City would contribute for a hypothetical new entrant into the system, is calculated. This amount would theoretically be sufficient to fully fund a member's retirement on the date of retirement if all assumptions were realized and no benefit changes were made.

These potential future contributions are considered assets of the system, along with assets currently being invested by the Department of Fire and Police Pensions. For purposes of determining the contributions to the System, the current assets are now valued using a method that phases in, over five years, the unrealized and realized appreciation above that which is expected based upon the assumed rate of return.

As can be seen on the Actuarial Pension Benefit Balance Sheet (see page 16), the balance of $723 million is considered the unfunded actuarial liability. The unfunded liability for health subsidy benefits for all plans combined is $660 million (see page 16).

Unfunded Actuarial Liability

An unfunded actuarial liability can result from many variables. Often, benefit increases are credited to members while in the middle of their career, or even after they have retired. Since these benefit enhancements did not exist when the funding of the members' benefits began, contributions to fund these increased benefits were not made during all or part of the members' working career. An example of a benefit enhancement that occurred was the lifting of a 2% cap on cost-of-living increases. This applied to all members, active and retired, and created an immediate unfunded liability. The Milestones section of this report contains more examples of benefit changes.

The Entry Age Normal Cost actuarial method normally results in actuarial gains or losses, unless all actuarial assumptions are met each year. These actuarial gains or losses also result in decreases or increases in the unfunded actuarial liability.

Occasionally, the actuarial methodology itself is refined according to accepted actuarial practice. For example, salary increases were not utilized in the computations until the late 1970s. When this practice was included, it created an additional unfunded liability.

Finally, during a period in the history of the Pension System, funding was on a pay-as-you-go basis, instead of an actuarial basis. When the system shifted to an actuarial basis, an immediate unfunded liability resulted.

Contribution Requirements Calculation

The contribution is comprised of two parts: (1) the Entry Age Normal Cost contribution and (2) the contribution to amortize the unfunded liability. The unfunded liability is amortized over a time period using a methodology prescribed in the Charter and Administrative Code. The amortization period for Tier 1 and Tier 2 is scheduled to end on June 30, 2037.

Tier 1 is amortized as a level dollar amount. Tier 2 is amortized as a level percent of all system members' (Tiers 1, 2, 3, 4 and 5 combined) salaries. Tiers 3, 4 and 5's amortization basis is a level percentage of plan members' salaries over a continuous fifteen-year cycle. Each year's actuarial gain or loss is amortized for fifteen years. Any gains or losses resulting from benefit changes are amortized over a thirty-year period. With this information, the actuary computes the contribution requirements for the City.

Entry Age Normal Cost Contribution Requirements
Recommended 2006-2007

(As a percentage of plan members' salaries)

Tier 1	0.0%
Tier 2	23.74%
Tier 3	15.43%
Tier 4	12.84%
Tier 5	16.62%

Unfunded Liability Contribution Requirements
Recommended 2006-2007

Tier 1	$22,079,734
Tier 2	1.54% of total payroll of Tiers 1, 2, 3, 4 & 5
Tier 3	3.36% of Tier 3 payroll
Tier 4	1.96% of Tier 4 payroll
Tier 5	0.06% of Tier 5 payroll

Health Subsidy Valuation

The health valuation study utilizes the same actuarial assumptions as the study on pension benefits, with the addition of a medical inflation assumption. Currently, medical costs are increasing at a faster pace than inflation. Assumptions in the June 30, 2005 actuarial valuation included medical trend rate increases of 6.50% for pre-65 and post-65 premiums in 2005; both decreasing gradually to 5.0% in 2013 and thereafter. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health subsidy benefits is shown on page 16.

The contributions suggested to fund the health subsidy plan are:

Entry Age Normal Cost Contribution Requirements
Recommended 2006-2007

(As a percentage of plan members' salaries)

Tier 1	0.0%
Tier 2	2.19%
Tier 3	3.28%
Tier 4	2.41%
Tier 5	2.68%

Unfunded Liability Contribution Requirements
Recommended 2006-2007

Tier 1	$2,212,384
Tier 2	2.26% of total payroll of Tiers 1, 2, 3, 4, & 5
Tier 3	-5.77% of Tier 3 payroll
Tier 4	-3.35% of Tier 4 payroll
Tier 5	0.57% of Tier 5 payroll

Actuarial Balance Sheet - June 30, 2005

($ in Thousands)

Present Resources and Expected Future Resources

	Retirement	Health	Total
A. Actuarial value of system assets	$11,634,114	$ 597,199	$12,231,313
B. Present value of expected future contributions			
1. For normal costs for present actives	1,687,445	277,826	1,965,271
2. For unfunded actuarial accrued liability	723,411	660,306	1,383,717
3. Totals	2,410,856	938,132	3,348,988
C. Present value of expected future member contributions	850,686	0	850,686
D. Total present and expected future resources	$14,895,656	$1,535,331	$ 16,430,987

Present Value of Expected Future Benefit Payments and Reserve

	Retirement	Health	Total
A. To retirees and beneficiaries	$ 7,440,649	$ 726,992	$ 8,167,641
B. To present active members			
1. Allocated to service rendered prior to valuation date	4,916,875	530,513	5,447,388
2. Allocated to service likely to be rendered after valuation date	2,538,132	277,826	2,815,958
3. Totals	7,455,007	808,339	8,263,346
C. Total present value of expected future benefit payments	$14,895,656	$1,535,331	$16,430,987

Department Budget

Department Budget

Receipts		Budgeted 2004-05		Actual 2004-05
City Contribution	$	167,222,624	$	166,895,621
Member Contributions		80,176,503		75,785,506
Earnings on Investments		350,000,000		355,731,483
Gain (Loss) on Sale of Investments		--		653,833,453
UFLAC Settlement		500,000		500,000
Miscellaneous (1)		850,000		8,588,064
Total Receipts	**$**	**598,749,127**	**$**	**1,261,334,127**

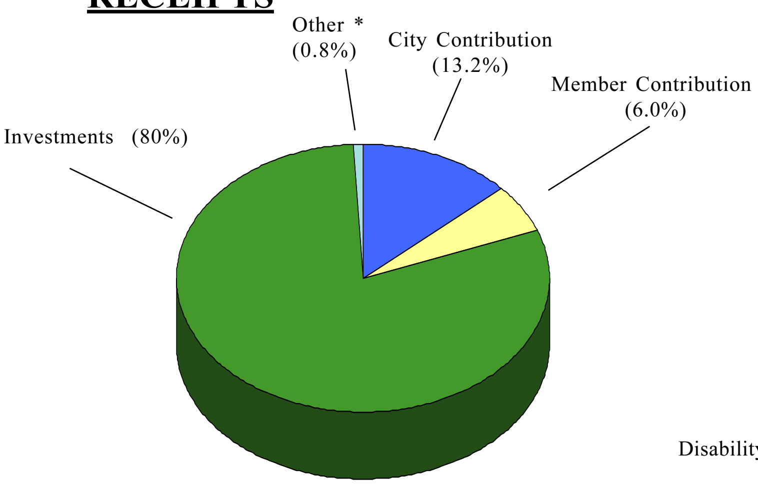
(1) Actual miscellaneous receipts include $7.8 million in donations from outside entities. Donations are not budgeted.

Expenditures		Budgeted 2004-05		Actual 2004-05
Service Pensions (2)	$	355,400,000	$	363,567,568
Disability Pensions		105,700,000		104,030,989
Surviving Spouses' Pensions		85,900,000		83,099,093
Minors'/Dependents' Pensions		2,000,000		1,739,000
Refund of Member Contributions		3,500,000		3,206,331
Health Insurance Subsidy		70,000,000		46,160,205
Dental Insurance Subsidy		2,600,000		2,153,089
Medicare		5,200,000		4,721,424
Health Insurance Reimbursement		450,000		414,253
Investment Management Expense		42,422,000		33,082,521
Administrative Expense		12,225,000		9,552,993
Total Expenditures	**$**	**685,397,000**	**$**	**651,727,466**

(2) Sevice Pensions includes DROP payments. Budgeted DROP payments were $14,600,000. Actual DROP payments were $33,561,390.

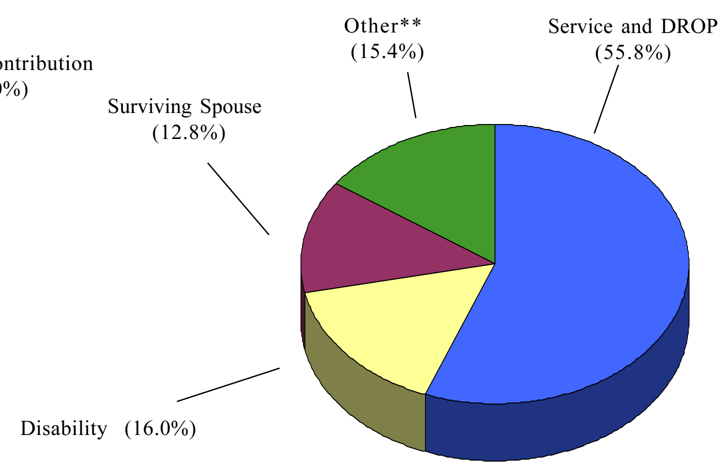
Increase (Decrease) in Fund Balance	**$**	**(86,647,873)**	**$**	**609,606,661**

RECEIPTS



*UFLAC Settlement and Miscellaneous

EXPENDITURES



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

Auditors' Report

MANNON KAPLAN, C.P.A.
GEORGE NADEL RIVIN, C.P.A.
EDWIN KANEMARU, C.P.A.
KENNETH R. HOLMER, C.P.A.
DOUGLAS S. WAITE, C.P.A.
CHARLES SCHNAID, C.P.A.
DONALD G. GARRETT, C.P.A.
CATHERINE C. GARDNER, C.P.A.
JEFFREY L. GOSS, C.P.A.
JOANNA BOLSKY, C.P.A.
RONALD D. CHANDLER, C.P.A.
MICHAEL G. KAPLAN, C.P.A.
MICHAEL J. QUACKENBUSH, C.P.A.

STANLEY L. MILLER, C.P.A. (1921 - 1995)
PAUL ARASE, C.P.A.*
*RETIRED

Miller, Kaplan, Arase & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
SINCE 1941
4123 LANKERSHIM BOULEVARD
NORTH HOLLYWOOD, CALIFORNIA 91602-2828
(818) 769-2010
FAX (818) 769-3100

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
THE CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
BAKER TILLY INTERNATIONAL
EIN 95-2036255

OTHER OFFICES:
SAN FRANCISCO
LAS VEGAS

Independent Auditors' Report

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

Members of the Board:

We have audited the accompanying statements of plan net assets of the City of Los Angeles Fire and Police Pension System (the System) as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, information regarding the System's plan net assets as of June 30, 2005 and 2004, and changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Miller, Kaplan, Arase & Co., LLP

MILLER, KAPLAN, ARASE & CO., LLP

November 14, 2005, except for the Annual Actuarial Valuation information which is December 12, 2005.

EXHIBIT "A"

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

	June 30, 2005			June 30, 2004
ASSETS	Pension	Health Subsidy	Combined	Combined
CASH	$ 580,316	$ 29,769	$ 610,085	$ 814,532
RECEIVABLES				
Accrued Interest and Dividends	$ 45,634,135	$ 2,340,960	$ 47,975,095	$ 46,628,223
Contributions	4,766,330	244,505	5,010,835	5,062,749
Due from Brokers	485,294,155	24,894,839	510,188,994	338,302,763
TOTAL RECEIVABLES	$ 535,694,620	$ 27,480,304	$ 563,174,924	$ 389,993,735
INVESTMENTS AT FAIR VALUE				
Temporary	$ 504,334,143	$ 25,871,561	$ 530,205,704	$ 569,114,300
U.S. Government Obligations	1,130,675,909	58,001,924	1,188,677,833	1,093,224,273
Domestic Corporate Bonds	2,088,551,627	107,139,466	2,195,691,093	1,568,575,205
Foreign Bonds	25,668,129	1,316,735	26,984,864	128,339,624
Domestic Stocks	5,091,885,995	261,205,871	5,353,091,866	5,495,426,877
Foreign Stocks	2,063,551,978	105,857,023	2,169,409,001	1,773,542,279
Real Estate	856,313,244	43,927,544	900,240,788	949,164,002
Alternative Investments	433,571,875	22,241,566	455,813,441	354,172,422
TOTAL INVESTMENTS	$ 12,194,552,900	$ 625,561,690	12,820,114,590	11,931,558,982
SECURITIES LENDING COLLATERAL	1,597,017,306	$ 81,924,516	$ 1,678,941,822	$ 1,398,032,348
TOTAL ASSETS	$ 14,327,845,142	$ 734,996,279	$ 15,062,841,421	$ 13,720,399,597
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 7,637,179	$ 391,775	$ 8,028,954	$ 6,829,349
Benefits in Process of Payment	10,116,369	127,250	10,243,619	5,377,855
Due to Brokers	643,628,799	33,017,161	676,645,960	452,468,558
Mortgages Payable	296,416,998	15,205,733	311,622,731	287,462,348
Securities Lending Collateral	$ 1,597,017,306	$ 81,924,516	$ 1,678,941,822	$ 1,398,032,348
TOTAL LIABILITIES	$ 2,554,816,651	$ 130,666,435	$ 2,685,483,086	$ 2,150,170,458
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST-EMPLOYMENT BENEFITS	$ 11,773,028,491	$ 604,329,844	$ 12,377,358,335	$ 11,570,229,139

(Attached notes are an intergral part of this statement)

EXHIBIT "B"

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

	July 1, 2004 to June 30, 2005			July 1, 2003 to June 30, 2004
	Pension	Health Subsidy	Combined	Combined
ADDITIONS				
CONTRIBUTIONS				
City Contributions	$ 135,853,688	$ 31,541,933	$ 167,395,621	$ 136,202,867
Member Contributions	75,785,506	-	75,785,506	73,439,319
TOTAL CONTRIBUTIONS	$ 211,639,194	$ 31,541,933	$ 243,181,127	$ 209,642,186
INVESTMENT INCOME				
Net Appreciation in Fair Value of Plan Investments, Including Gains and Losses on Sales	$ 809,175,525	$ 42,180,463	$ 851,355,988	$ 1,410,905,593
Interest	147,427,102	7,685,036	155,112,138	179,917,019
Dividends	132,042,777	6,883,087	138,925,864	99,181,435
Net Real Estate Income	40,267,091	2,099,031	42,366,122	51,417,306
Income from Alternative Investments	12,820,733	668,315	13,489,048	5,494,248
Securities Lending Income	3,789,302	197,528	3,986,830	3,338,460
Other Income	1,759,749	91,732	1,851,481	828,518
SUBTOTAL	$ 1,147,282,279	$ 59,805,192	$ 1,207,087,471	$ 1,751,082,579
Less: Investment Manager Expense	(31,443,446)	(1,639,075)	(33,082,521)	(28,249,568)
NET INVESTMENT INCOME	$ 1,115,838,833	$ 58,166,117	$ 1,174,004,950	$ 1,722,833,011
OTHER INCOME				
Donations (Note 9)	$ 7,405,244	$ 386,018	$ 7,791,262	$ 14,402,308
Miscellaneous	757,324	39,478	796,802	1,356,075
TOTAL OTHER INCOME	$ 8,162,568	$ 425,496	$ 8,588,064	$ 15,758,383
TOTAL ADDITIONS	$ 1,335,640,595	$ 90,133,546	$ 1,425,774,141	$ 1,948,233,580
DEDUCTIONS				
Pension Benefits	$ 552,436,651	-	$ 552,436,651	$ 518,518,140
Payment of Medicare Reimbursement	-	4,721,424	4,721,424	3,934,369
Payment of Health Subsidy	-	48,727,547	48,727,547	41,278,175
Refund of Contributions	3,206,330	-	3,206,330	3,963,440
Administrative Expenses	9,079,690	473,303	9,552,993	9,130,663
TOTAL DEDUCTIONS	$ 564,722,671	$ 53,922,274	$ 618,644,945	$ 576,824,787
NET INCREASE	$ 770,917,924	$ 36,211,272	$ 807,129,196	$ 1,371,408,793
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST-EMPLOYMENT BENEFITS				
Beginning of Year	11,002,110,567	568,118,572	11,570,229,139	10,198,820,346
End of Year	$ 11,773,028,491	$ 604,329,844	$ 12,377,358,335	$ 11,570,229,139

(Attached notes are an intergral part of this statement)

NOTE 1 - DESCRIPTION OF THE PLANS

The City of Los Angeles Department of Fire and Police Pensions operates under the provisions of the City of Los Angeles Charter and Administrative Code, which provide that the funding requirements of the City of Los Angeles Fire and Police Pension System (the System or the Plan), based on the results of actuarial valuation, will be satisfied by the City of Los Angeles.

Pension Plan

The System is a defined benefit single-employer pension plan covering all full-time active sworn firefighters and police officers of the City of Los Angeles. As of June 30, 2005, the System is composed of five tiers. Benefits are based on members' pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

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

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

Tier 1 and 2 members with 20 or more years of service are entitled to annual pension benefits equal to 40% of their final compensation, increasing for each year of service over 20 years, to a maximum of 66-2/3% in Tier 1 and 70% in Tier 2. Tiers 1 and 2 have no minimum age requirement. These Tiers provide for unlimited post-retirement cost-of-living adjustments based on the Consumer Price Index for local Urban Consumers (CPI). Tier 1 and 2 members who were active as of July 1, 1982, and who terminate their employment after July 1, 1982, are entitled to a refund of contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Members of Tier 3 must be age 50, with at least 10 years of service, to be entitled to a service pension. Annual pension benefits are equal to 20% of the monthly average of a member's salary during any 12 consecutive months of service as a Plan Member (one-year average compensation), increasing for each year of service over 10 years, to a maximum of 70% for 30 years. Tier 3 provides for post-retirement cost-of-living adjustments based on the CPI to a maximum of 3% per year (COLA). The Los Angeles City Council (City Council) may grant an ad-hoc COLA no more than every three years. Members who terminate their employment are entitled to a refund of contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Members of Tier 4 must have at least 20 years of service to be entitled to a service pension. There is no minimum age requirement. Annual pension benefits are equal to 40% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 70% for 30 years. Tier 4 provides for post-retirement COLAs. The City Council may grant an ad-hoc COLA no more than every three years. Members who terminate their employment before they are eligible for pension benefits do not receive a refund of contributions.

Members of Tier 5 must be age 50, with at least 20 years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years to a maximum of 90% for 33 years. Tier 5 provides for post-retirement COLAs. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. As of June 30, 2005, there was no COLA bank. The City Council may grant an ad-hoc COLA no more than every three years. Members who terminate

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

their employment are entitled to a refund of their contributions plus Board approved interest if they do not qualify for a pension or if they waive their pension entitlements.

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

Health Subsidy Plan

Members of the System are entitled to post-retirement health subsidy benefits under Sections 1330, 1428, 1518 and 1618 of the City Charter, Section 4.2018 of the Administrative Code, and by related ordinance. Members who retire from the System with ten years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits began at age 60. Temporary subsidies are available to certain groups at earlier ages. For retirement effective dates after June 30, 1998, regular benefits begin at age 55.

The benefit paid is a percentage of a maximum subsidy for health care based on the lesser of the amount used by the LACERS (civilian retirees) and active Safety Members. Effective July 1, 2004, the maximum subsidy amount is $668 per month. The City also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

Health Subsidy benefits are available to members and their spouses/domestic partners on disability and service retirement. Effective January 1, 2000, qualified surviving spouses/domestic partners are eligible for Health Subsidy benefits.

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

At June 30, 2005, of $12,377,358,335 in total net assets available for benefits, $604,329,844 was determined to be available for the Health Subsidy Plan based on a percentage derived from the actuarial report dated December 12, 2005.

Health Insurance Premium Reimbursement Program

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

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

The reimbursement paid is a percentage of a maximum subsidy for health care based on the lesser of the health subsidy in effect for LACERS (civilian retirees) and active Safety Members. Effective July 1, 2004, the maximum subsidy amount is $668 per month. For members with Medicare Parts A and B, a different subsidy maximum is used. The City also reimburses Medicare Part B premiums for any pensioner receiving a subsidy and Medicare Parts A and B coverage.

Dental Subsidy Plan

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

Members who retire from the System with 10 years of service, are at least 55 years old, and who are enrolled in a City approved dental plan, are eligible for dental subsidy benefits. Surviving spouses,

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Dental Subsidy Plan (Continued)

domestic partners, and dependents are not covered by this subsidy.

The benefit paid is a percentage of a maximum subsidy for dental care based on the lesser of the health subsidy in effect for LACERS (civilian retirees) and active Safety Members. Effective January 1, 2005 the maximum subsidy amount is $34.84 per month. In determining the dental subsidy, members receive 4% for each completed year of service, up to 100% of the subsidy.

Deferred Retirement Option Plan

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

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

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

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

At June 30, 2005 and 2004, 1,217 and 1,120 pensioners, respectively, were enrolled in the DROP program, with total estimated values of all DROP accounts of $193,000,000 and $131,000,000, respectively.

Membership

The components of the System's membership were as follows at June 30, 2005 and 2004:

	2005	2004
Active Nonvested:		
Tier 1	-	-
Tier 2	1	1
Tier 3	575	709
Tier 4	383	430
Tier 5	7,759	7,700
	8,718	8,840
Active Vested:		
Tier 1	-	-
Tier 2	272	293
Tier 3	554	467
Tier 4	130	109
Tier 5	2,982	2,940
	3,938	3,809

NOTE 1 - DESCRIPTION OF THE PLANS (Continued)

Membership (Continued)

	2005	2004
Pensioners and beneficiaries:		
Tier 1	1,077	1,183
Tier 2	9,647	9,810
Tier 3	334	314
Tier 4	84	64
Tier 5	604	411
	11,746	11,782
	24,402	24,431

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as outlined in the Governmental Accounting Standards Board (GASB).

C. Cash

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

D. Investments

The System is authorized to make temporary investments in instruments rated A-1 by Standard & Poor's Corporation and P-1 by Moody's Commercial Paper Record.

Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, U.S. Treasury bills and repurchase agreements along with bonds, stocks and alternative investments are reported at fair value.

Pooled temporary investments represent funds invested in a custodian-managed discretionary short-term investment fund. This fund invests in a variety of U.S. and foreign securities rated A-1 or P-1, or equivalent quality as determined by the Custodian.

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

The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments (Continued)

Real estate investments are recorded in the financial statements under the equity method and are carried at fair value as determined by an annual external appraisal. The fair values of real estate investment funds are provided by the individual real estate fund managers.

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

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

NOTE 3 - FUNDING POLICY

As a condition of participation, members are required to contribute a percentage of their salaries to the System. Tier 1 members were required by the City Charter to contribute 6% of salary. The System's actuary recommended that Tier 2 members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Tiers 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of Tier 5 contributions contingent on the System remaining at least 100% actuarially funded for pension benefits. For the year ended June 30, 2005, Tier 5 members were required to contribute 8% of salary.

The Charter of the City of Los Angeles specifies that the City will make the following contributions each year:

A. An amount equal to the City's share of defined entry-age normal costs.

B. For members of Tiers 1 and 2, a dollar amount or percentage necessary to amortize the "unfunded liability" of the System over a 70-year period, beginning with the fiscal year commencing July 1, 1967. Under Tiers 3, 4 and 5, any "unfunded liability" shall be amortized over a 30-year period, and actuarial experience gains and losses shall be amortized over a 15-year period.

C. An amount to provide for health plan subsidies.

Accordingly, the actuary for the System has determined the contributions for items A, B, and C above, for the year ended June 30, 2005 to be as follows:

	Percentage of Members' Salaries				
	(Tier 1)	(Tier 2)	(Tier 3)	(Tier 4)	(Tier 5)
Entry-Age Normal Cost Contribution	N/A	22.43%	15.42%	12.45%	16.73%
Amortization of Unfunded Liability	$23.7M	($8.1)M	$13.0M	$3.6M	$103.3M
Health Plan Subsidy*	$2.1M	$21.3M	$(3.5)M	$(.9)M	$11.9M

*Stated as required dollar amount. Does not include 1% Tier 5 City contribution portion.

NOTE 3 - FUNDING POLICY (Continued)

The actuarially determined unfunded liability of the System was $1,383,716,330 and 57,348,136 at June 30, 2005 and 2004, respectively, (which takes into account the present values of future normal cost contributions by both the members and the City). In accordance with the City Charter, the amount at June 30, 2005 is to be amortized over the next 32 years** through contributions to be made by the City.

**Amortization to be completed by year 2037.

Contributions totaling $243,181,127 ($167,395,621 City and $75,785,506 member) were made during the year ending June 30, 2005 with respect to the pension plan and health subsidy plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2003. These contributions included City contributions of approximately $159,700,000 normal cost, and ($30,600,000) amortization of the unfunded actuarial accrued liability for the aggregate pension plans, and $6,800,000 relating to the 1% Tier 5 City contribution. For the health plan subsidy, they consisted of approximately $22,600,000 normal cost, and $7,700,000 amortization of the unfunded actuarial accrued liability, and $1,200,000 relating to the 1% Tier 5 City contribution.

NOTE 4 - SECURITIES LENDING

The System has entered into various short-term arrangements with its Custodian, whereby investments are loaned to various brokers, as selected by the Custodian. The lending arrangements are collateralized by cash, letters of credit and marketable securities, held on the System's behalf by the Custodian. These agreements provide for the return of the investments and for a payment of: a) a fee when the collateral is marketable securities or letters of credit, or b) interest earned when the collateral is cash on deposit.

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

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

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

As required by GASB, cash received as collateral on securities lending transactions is reported as assets, and the liabilities from these transactions are reported in the statement of plan net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are netted against securities lending income.

The market value of total securities lent was $1,633,380,266 and $1,357,500,856 as of June 30, 2005 and 2004, respectively. The collateralized value of cash and securities was $1,678,941,822 and $1,398,032,348 as of June 30, 2005 and 2004, respectively.

NOTE 5 - CONTINGENCIES

A. Termination Rights

All members who were active on or after July 1, 1982 have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement, except Tier 4 members. The dollar amount of contributions and interest subject to this right was $1,132,860,818 and $1,057,559,214 as of June 30, 2005 and 2004, respectively.

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

B. Investment Commitment

The System has commitments to contribute capital for real estate and venture capital investments in the aggregate amount of approximately $423,100,000 at June 30, 2005.

NOTE 6 - CASH, TEMPORARY INVESTMENTS AND OTHER INVESTMENTS

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

The System considers investments purchased with a maturity of 12 months of or less to be temporary investments. The carrying value of cash and temporary investments at June 30, 2005 on the statement of plan net assets includes $610,085 held by the City Treasurer's office and $530,205,704 in short-term investment funds (STIF). The amounts held by the City Treasurer's office are pooled with funds of other City agencies and are not individually identifiable. Short-term investments are comprised of $529,572,845 in collective STIF and $632,859 in operating accounts of several real estate corporations owned by the System.

Credit Risk

Credit risk is the risk that an issuer or a counter party to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income securities comprising a minimum of 20% of the Fund's assets. As of June 30, 2005, the quality ratings of the System's fixed income investments in U.S. Government obligations, domestic corporate and foreign bonds are as follows:

Credit Rating		Fair Value	Percentage of Fixed Income	
AAA	$	673,697,260	30.31	%
AA		56,774,421	2.55	
A		454,833,946	20.46	
BBB		263,273,840	11.84	
BB		293,294,797	13.20	
B		335,218,425	15.08	
CCC		46,624,605	2.10	
CC		845,625	0.04	
C		3,004,688	0.14	
D		22,495,926	1.01	
Not Rated		72,612,424	3.27	
	$	2,222,675,957	100.00	%
U.S. Government Issued or Guaranteed Securities		1,188,677,833		
Total Fixed Income Investments	$	3,411,353,790		

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

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the System's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2005, the System's exposure to such risk was $4,932,313 comprised of foreign currencies held outside the custodial bank.

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counter party, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are not insured, or are not registered in the System's name, and held by the counter party. The System's investments are not exposed to custodial risk since they are all held by the custodian and are registered in the System's name.

Concentration of Credit Risk

Concentration of credit risk exists when the System has investments in a single issuer totaling 5% or more of the total investment portfolio. As of June 30, 2005, the System's investment portfolio contained no such concentrations. Securities issued or guaranteed by the U.S. Government are exempt from this limitation.

Interest Rate Risk

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

Investment Type		Fair Value	Effective Duration (in Years)
Asset Backed Securities	$	115,382,213	6.90
Commercial Mortgages		50,791,842	16.59
Corporate Bonds		1,433,234,145	5.68
Government Agencies		92,186,495	2.65
Government Bonds		490,355,983	8.84
Government Mortgage Back Securities		514,514,236	7.06
Government Issued Commercial Mortgage Backed		7,198,943	6.97
Index Linked Government Bonds		109,893,860	14.00
Non-Government Backed Collateralized Mortgage Obligations		36,216,474	15.76
Bond Index Fund		561,579,599	4.16
Total Fixed Income Investments	$	3,411,353,790	

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

Interest Rate Risk (Continued)

Investments that are highly sensitive to interest rate risk as of June 30, 2005 are as follows:

Investment Type		Fair Value
Asset Backed Securities	$	115,382,213
Commercial Mortgages		50,791,842
Government Agencies		92,186,495
Government Mortgage Back Securities		514,514,236
Government Issued Commercial Mortgage Backed		7,198,943
Non-Government Backed Collateralized Mortgage Obligations		36,216,474
		$816,290,203

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of deposits or investments. The majority of the System's currency exposure comes from its holdings of foreign stocks. The System's foreign investment holdings, including foreign currencies and temporary investments as of June 30, 2005 are as follows:

Foreign Currency Type		Fair Value
Argentine Peso	$	4,841
Australian Dollar		51,224,562
Brazilian Real		30,970,570
British Pound		347,526,587
Canadian Dollar		28,209,725
Czeck Koruna		9,756,337
Danish Krone		3,770,381
Egyptian Pound		3,176,336
Euro		789,268,312
Hongkong Dollar		48,059,927
Hungarian Forint		23,029,468
Indonesian Rupiah		7,036,222
Isreali Shekel		4,967,032
Japanese Yen		387,690,848
Korean Won		82,567,472
Lithuanian Litas		109,349
Malaysian Ringgit		4,987,774
Mexican Peso		14,480,684
New Zealand Dollar		18,441,130
Norwegian Krone		35,272,789
Philippine Peso		4,619,218
Polish Zloty		16,650,739
Singapore Dollar		20,610,948
South African Rand		24,567,850
Swedish Krona		26,619,879
Swiss Franc		139,518,003
Taiwan New Dollar		54,743,343
Thai Baht		6,301,683
Turkish New Lira		20,181,091
	$	2,204,363,100

NOTE 7 - MORTGAGES PAYABLE

Mortgages are secured by real estate. Interest rates range from 2.53% to 8.26% per annum. Monthly principal and interest payments range from $21,964 to $190,800. The mortgages mature from June 2006 to July 2034. Principal and interest paments due under such mortgages ae as follows for the years ended June 30:

	Principal	Interest	Total
2006	$ 11,717,471	$ 19,062,420	$ 30,779,891
2007	15,443,041	15,877,894	31,320,935
2008	29,928,464	16,807,692	46,736,156
2009	47,714,849	12,913,786	60,628,635
2010	2,555,864	11,337,934	13,893,798
2011 through 2015	158,607,606	37,461,118	196,068,724
2016 through 2020	11,009,006	13,433,298	24,442,304
2021 through 2025	15,057,797	9,373,826	24,431,623
2026 through 2030	15,470,994	3,953,004	19,423,998
2031 through 2035	4,117,639	303,636	4,421,275
	$ 311,622,731	$ 140,524,608	$ 452,147,339

NOTE 8 - OPERATING LEASE

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

The annual lease payments during fiscal year ending June 30, 2005 were $780,414 and the minimum lease commitments for future fiscal years are as follows:

2006	$ 417,158
2007	895,071
2008	966,048
2009	988,716
2010	1,016,364
2011	1,050,215
2012	534,431
	$ 5,868,003

NOTE 9 - DONATIONS

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

NOTE 9 - DONATIONS (Continued)

The System has been informed that the Internal Revenue Service is investigating the tax treatment claimed by the donors in connection with these donations of stock. There have been no allegations of inappropriate activity by the System. The last donation of private equity accepted by the System was in 2002. The System has received the following income from these donations: $2,685,000 in 2002; $2,918,066 in 2003; $14,402,308 in 2004; and $7,791,262 in 2005.

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULES

FOR THE SIX YEARS ENDED JUNE 30, 2005

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 2000	$ 10,985,936,206	$ 9,604,173,677	$ (1,381,762,529)	114.4%	$ 845,426,191	(163.4%)
June 30, 2001	11,835,548,939	9,954,056,461	(1,881,492,478)	118.9%	882,758,282	(213.1%)
June 30, 2002	11,491,922,362	10,606,825,276	(885,097,086)	108.3%	946,037,252	(93.6%)
June 30, 2003	11,690,750,393	11,203,558,461	(487,191,932)	104.3%	970,726,720	(50.2%)
June 30, 2004	11,735,696,180	11,389,980,813	(345,715,367)	103.0%	1,001,003,937	(34.5%)
June 30, 2005	11,634,113,683	12,357,524,467	723,410,784	94.1%	1,037,444,701	69.7%

SCHEDULE 1B

SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - HEALTH SUBSIDY PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 2000	$ 519,240,573	$ 791,337,962	$ 272,097,389	65.6%	$ 845,426,191	32.2%
June 30, 2001	573,844,190	840,287,944	266,443,754	68.3%	882,758,282	30.2%
June 30, 2002	586,953,850	884,371,214	297,417,364	66.4%	946,037,252	31.4%
June 30, 2003	592,539,000	926,760,943	334,221,943	63.9%	970,726,720	34.4%
June 30, 2004	605,998,904	1,009,062,407	403,063,503	60.1%	1,001,003,937	40.3%
June 30, 2005	597,199,108	1,257,504,654	660,305,546	47.5%	1,037,444,701	63.6%

(See accompanying Independent Auditor's Report and notes to supplemental schedules of funding progress and employer contributions)

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM

SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS - PENSION PLAN

Fiscal Years Ending	Annual Required Contribution	Percent Contributed
2000	$ 163,380,843	100%
2001	113,849,004	100%
2002	73,120,666	100%
2003	64,634,125	100%
2004	97,465,612	100%
2005	135,853,688	100%

SCHEDULE 2B

SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS - HEALTH SUBSIDY PLAN

Fiscal Years Ending	Annual Required Contribution	Percent Contributed
2000	$ 27,456,320	100%
2001	25,084,169	100%
2002	30,326,543	100%
2003	33,894,924	100%
2004	38,737,255	100%
2005	31,541,933	100%

(See accompanying Independent Auditor's Report and notes to supplemental schedules of funding progress and employer contributions)

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

The information presented in the required supplementary schedules for the Pension and Health Subsidy Plans was determined as part of the actuarial valuations as of June 30, 2005. Additional information as of June 30, 2005 follows:

PENSION PLAN

Funding Method - Entry Age Normal Actuarial Funding Method

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

Investment Return Rate:	8.50%
Annual Salary Scale Increase:	
Individually	(Varies by age)
Age:	
Under 25	10.00%
25-29	9.00%
30-34	8.00%
35-39	7.00%
40-44	6.00%
45-49	5.75%
50 and Over	5.50%
Annual Cost-of-Living Increase:	
Tiers 1 and 2:	
Accrued for All Subsequent Service [Subject to Any Applicable Caps]	5.00%
Tiers 3, 4 and 5	3.00%

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

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

HEALTH SUBSIDY PLAN

Funding Method - Entry Age Normal Actuarial Funding Method

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

(See accompanying Independent Auditor's Report and notes to supplemental schedules of funding progress and employer contributions)

HEALTH SUBSIDY PLAN (Continued)

Graded Medical and Dental Cost Rate Increases:

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

*Decreasing gradually to 5.0% in 2013 and beyond

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

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

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

65% of retirees are assumed to elect dental coverage.

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

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

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

For Participants Without Medicare Parts A and B

		Maximum Subsidies			
Plan	Participation Percentage	Single	Married	Surviving Spouse	Utilization
Fire Medical	15.9%	$ 679.80	$ 735.28	$ 436.08	75.0%
Blue Cross PPO	53.7%	603.91	735.38	436.08	75.0%
California Care	15.8%	301.89	631.87	301.89	75.0%
Fire Kaiser	14.6%	309.34	613.41	309.34	75.0%
Dental	100.00%	34.84	34.84	0.00	65.0%

	Blended Monthly Premiums						
Coverage Type	Fire Medical	Blue Cross	California Care	Fire Kaiser	Dental	Medicare	Sum
Single Coverage	$ 81.07	$ 243.22	$ 35.77	$ 33.87	$ 22.65	$ 0.00	$ 416.58
Married Coverage	87.69	296.17	74.88	67.17	22.65	0.00	548.56
Surviving Spouse	52.00	175.63	35.77	33.87	0.00	0.00	297.27

(See accompanying Independent Auditor's Report)

HEALTH SUBSIDY PLAN (Continued)

For Participants With Medicare Parts A and B

Plan	Participation Percentage	Maximum Subsidies Single	Married	Surviving Spouse	Utilization
Fire Medical	35.3%	$ 356.91	$ 624.80	$ 356.91	85.0%
Fire Kaiser	5.4%	342.25	674.50	342.25	85.0%
Blue Cross PPO	42.5%	356.91	627.55	356.91	85.0%
California Care	3.8%	307.25	607.72	307.25	85.0%
Police Kaiser	13.0%	224.31	446.40	224.31	85.0%
Dental	100.0%	34.84	34.84	0.00	65.0%
Medicare B	100.0%	78.20	78.20	78.20	100.0%

Coverage Type	Blended Monthly Premiums Fire Kaiser	Fire Medical	Blue Cross	California Care	Police Kaiser	Dental	Medicare	Sum
Single Coverage	$ 107.09	$ 5.71	$ 128.93	$ 9.92	$ 24.79	$ 22.65	$ 78.20	$ 387.29
Married Coverage	187.47	30.96	226.70	19.63	49.33	22.65	78.20	614.94
Surviving Spouse	107.09	15.71	128.93	9.92	24.79	0.00	78.20	364.64

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

Monthly Average Retiree Subsidies

	Pre-65	Post-65
Single	$ 497.00	$ 430.00
Married	633.00	660.00
Surviving Spouse	349.00	391.00

(See accompanying Independent Auditor's Report)

Active and Retired Membership

FIRE AND POLICE PENSION PLANS

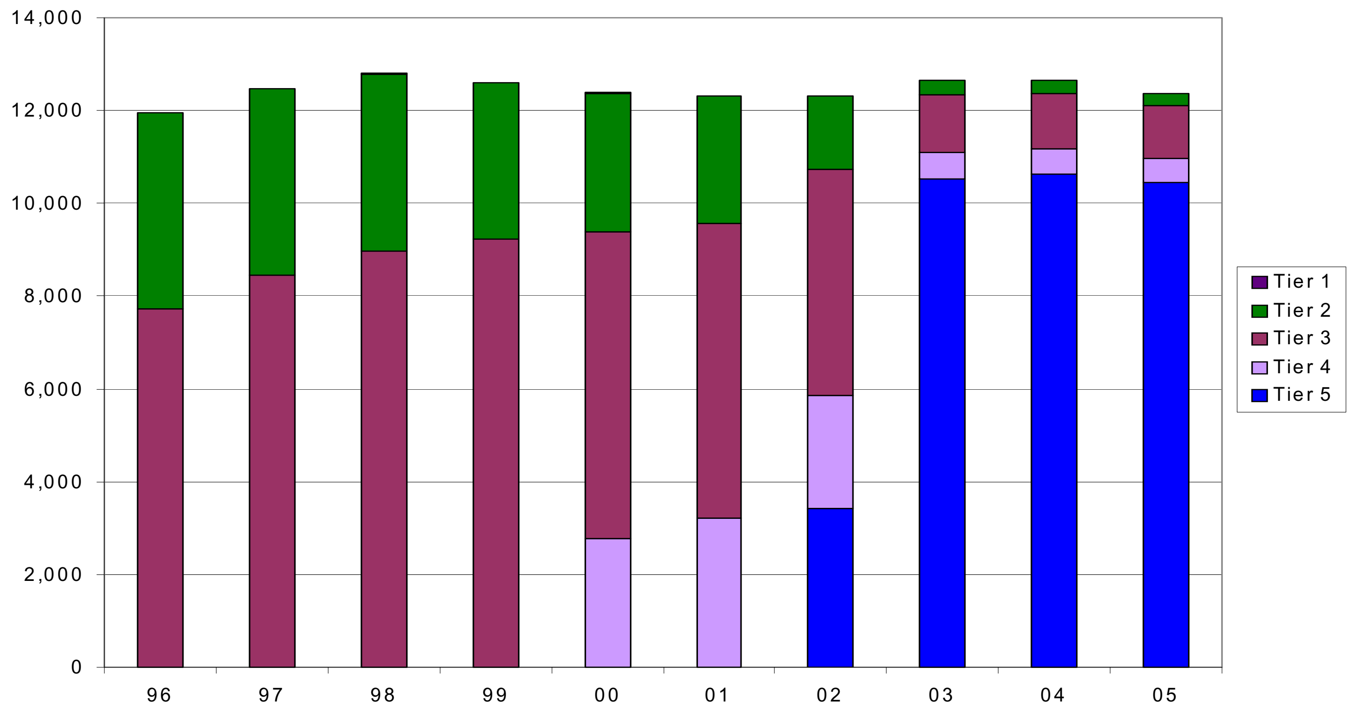
Six Fire and Police Pension Plans

As of June 30, 2005, the System is composed of six tiers. Benefits are based on the member's pension tier, pension salary base and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Those members hired pursuant to the provisions of Article XI 1/2 of the 1925 Charter, are known as "fluctuators." Fluctuator pensions receive 50% of the current salary received by the classification the pensioner retired from. Such beneficiaries are included in Tier 1 for purposes of our actuarial valuations.

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

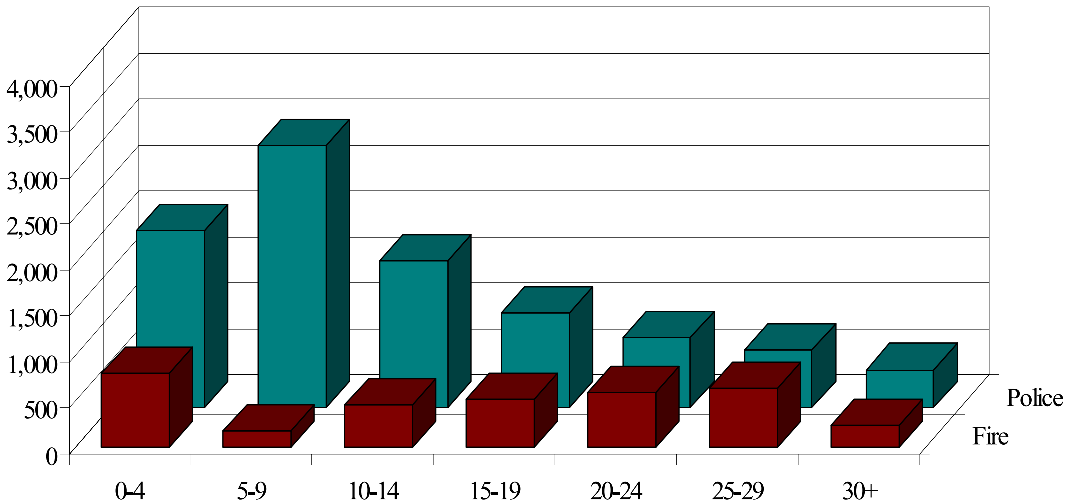
ACTIVE MEMBERSHIP
Last Ten Years



MEMBERSHIP AS OF JUNE 30, 2005			
Tier	**Fire**	**Police**	**Total**
Tier 1	**0**	**0**	**0**
Tier 2	**104**	**169**	**273**
Tier 3	**37**	**1,092**	**1,129**
Tier 4	**66**	**447**	**513**
Tier 5	**3,260**	**7,481**	**10,741**
Total	**3,467***	**9,189****	**12,656**

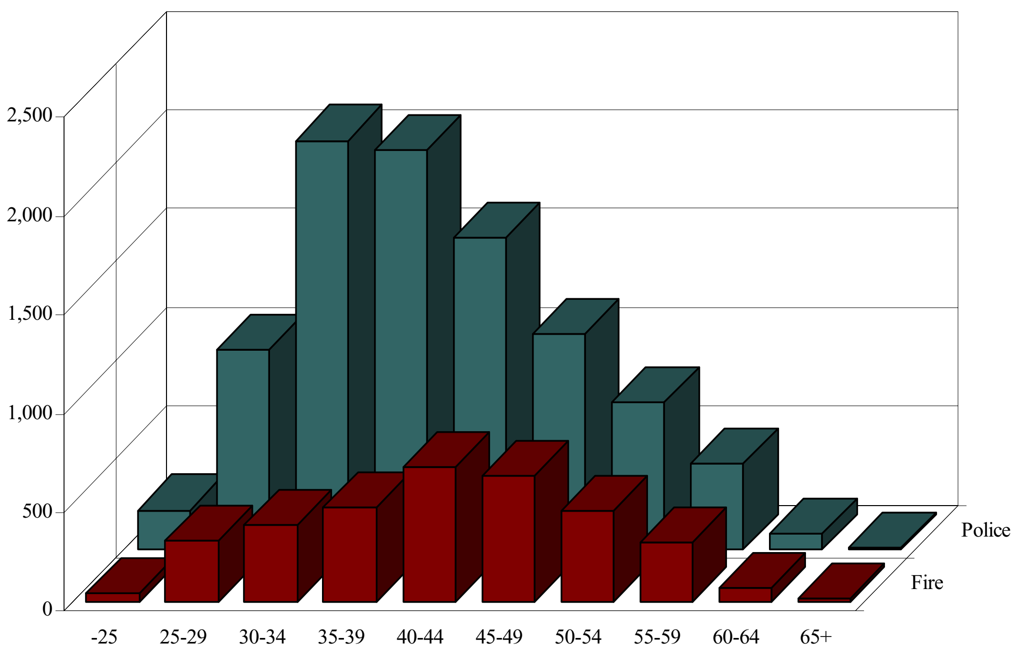
***Includes 447 DROP particpants**
****Includes 728 DROP participants**

ACTIVE MEMBERSHIP
By Years of Service



Years	Fire	Police
0-4	898	1,653
5-9	191	2,954
10-14	359	1,377
15-19	600	1,262
20-24	582	857
25-29	564	546
30+	308	498
Total	3,467	9,189

ACTIVE MEMBERSHIP
By Age Group



Age	Fire	Police
-25	56	130
25-29	333	883
30-34	400	1,941
35-39	470	2,034
40-44	662	1,637
45-49	668	1,146
50-54	494	772
55-59	316	476
60-64	82	113
65+	21	15
Total	3,467	9,189

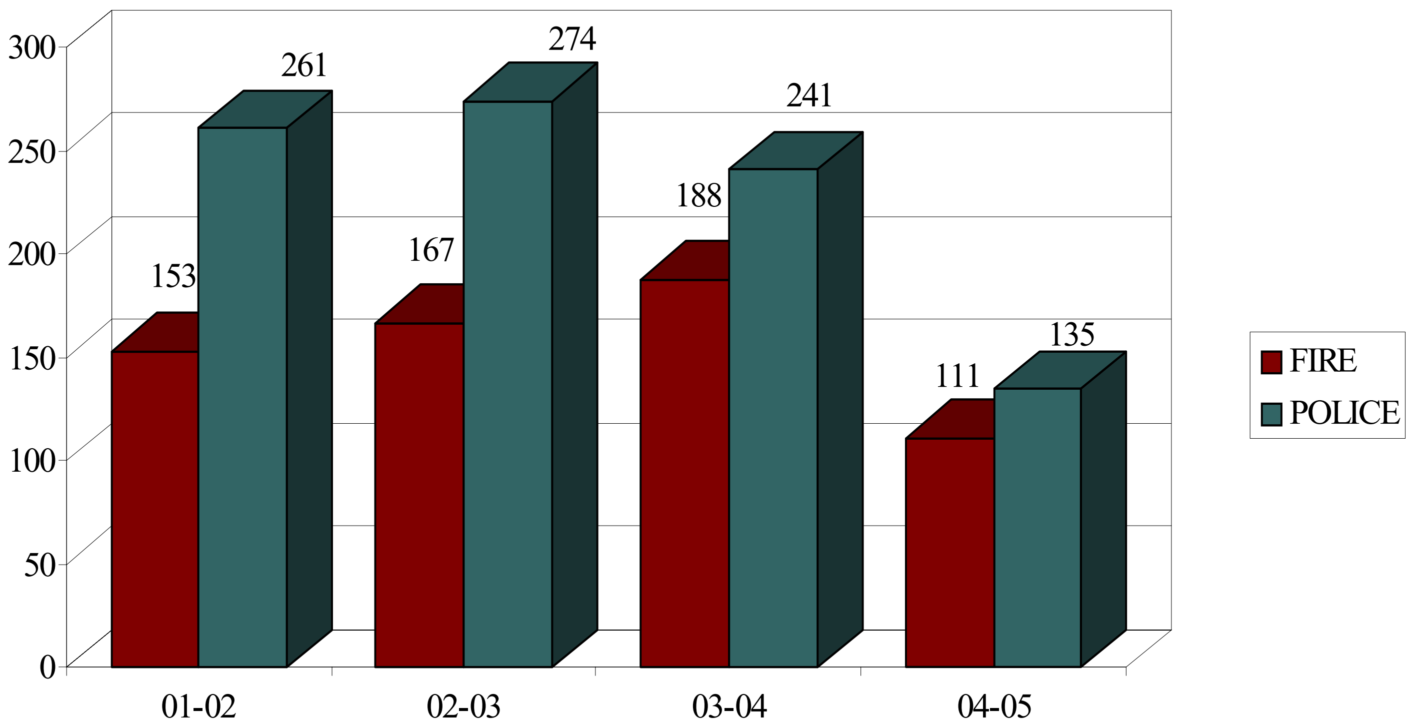
REFUNDS OF MEMBER CONTRIBUTIONS

FIRE	00-01	01-02	02-03	03-04	04-05
Tier 2	0	0	0	0	0
Tier 3	1	3	1	0	1
Tier 5		0	6	10	15
POLICE					
Tier 2	5	4	0	0	0
Tier 3	209	117	49	39	29
Tier 5		13	37	54	55
TOTAL	215	137	93	103	100

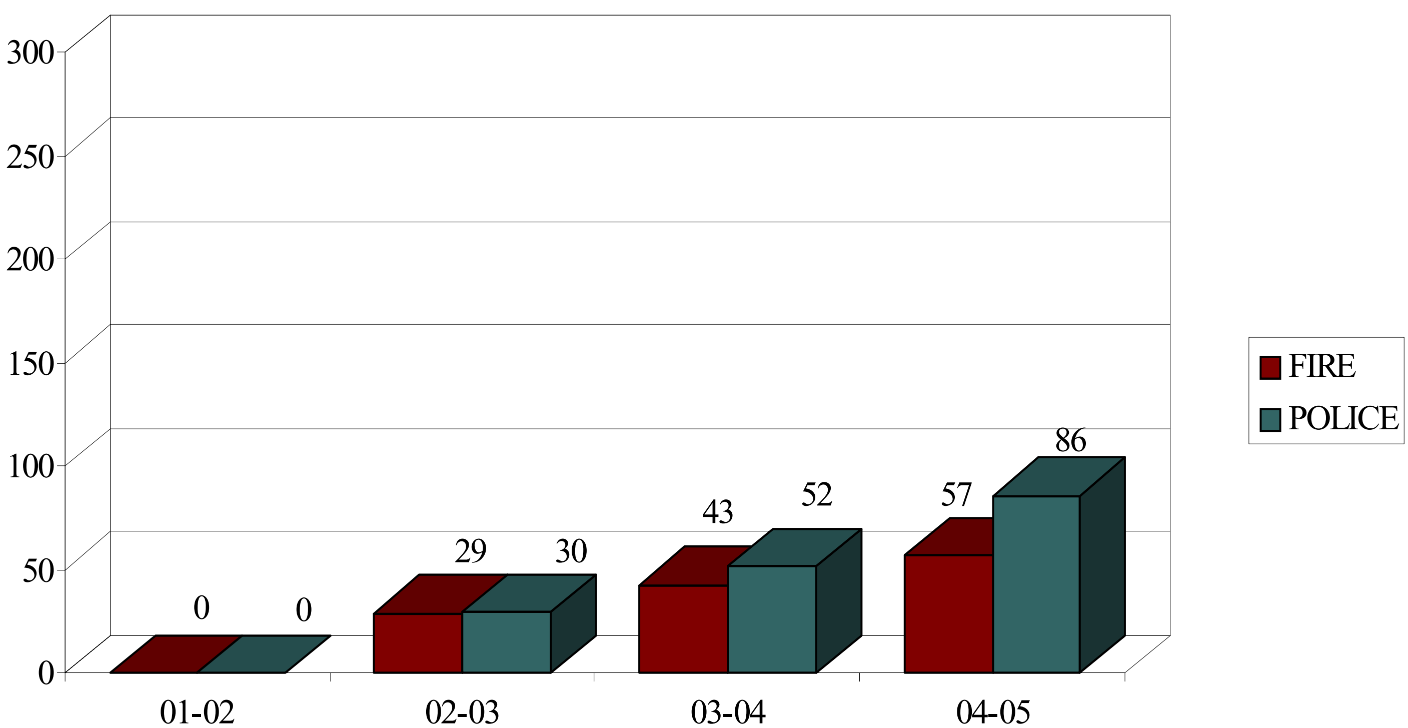
This chart shows the number of members who have applied for a refund of their Pension contributions.

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

DROP ENTRIES

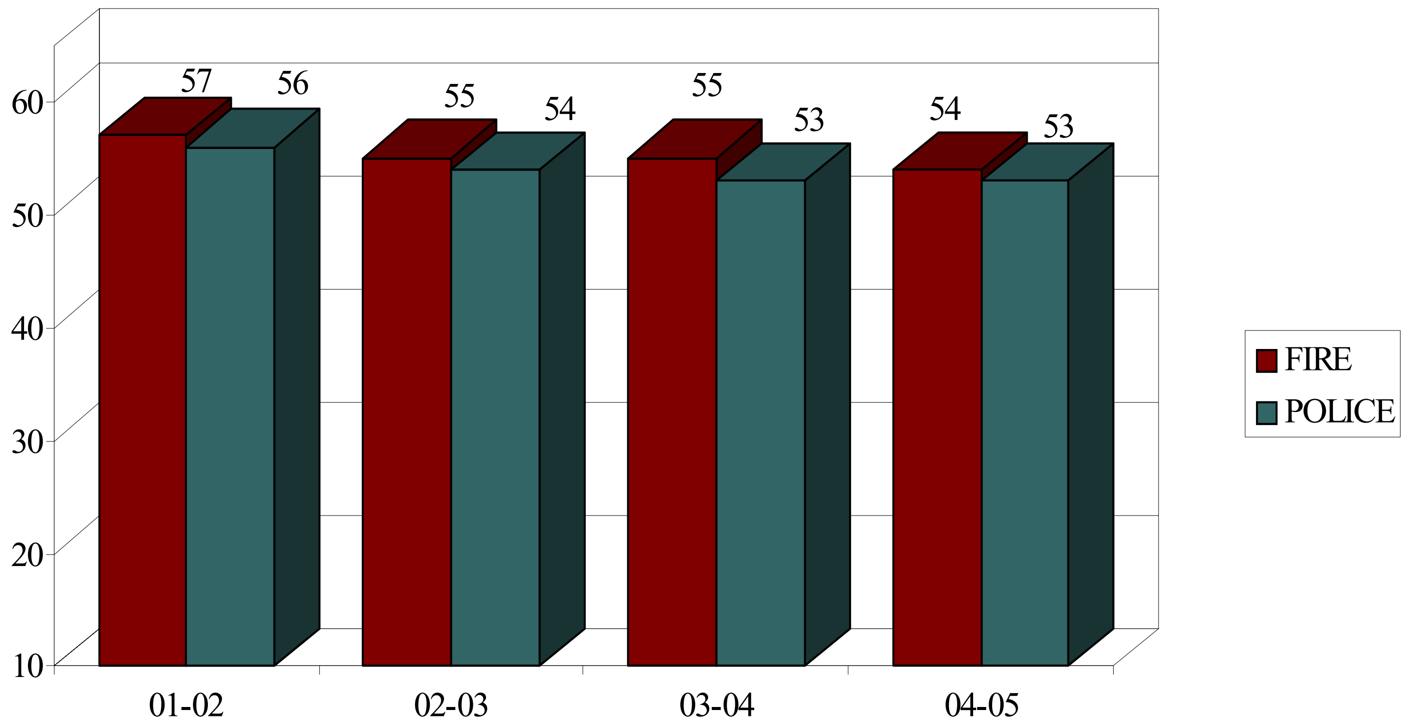


DROP EXITS GRANTED

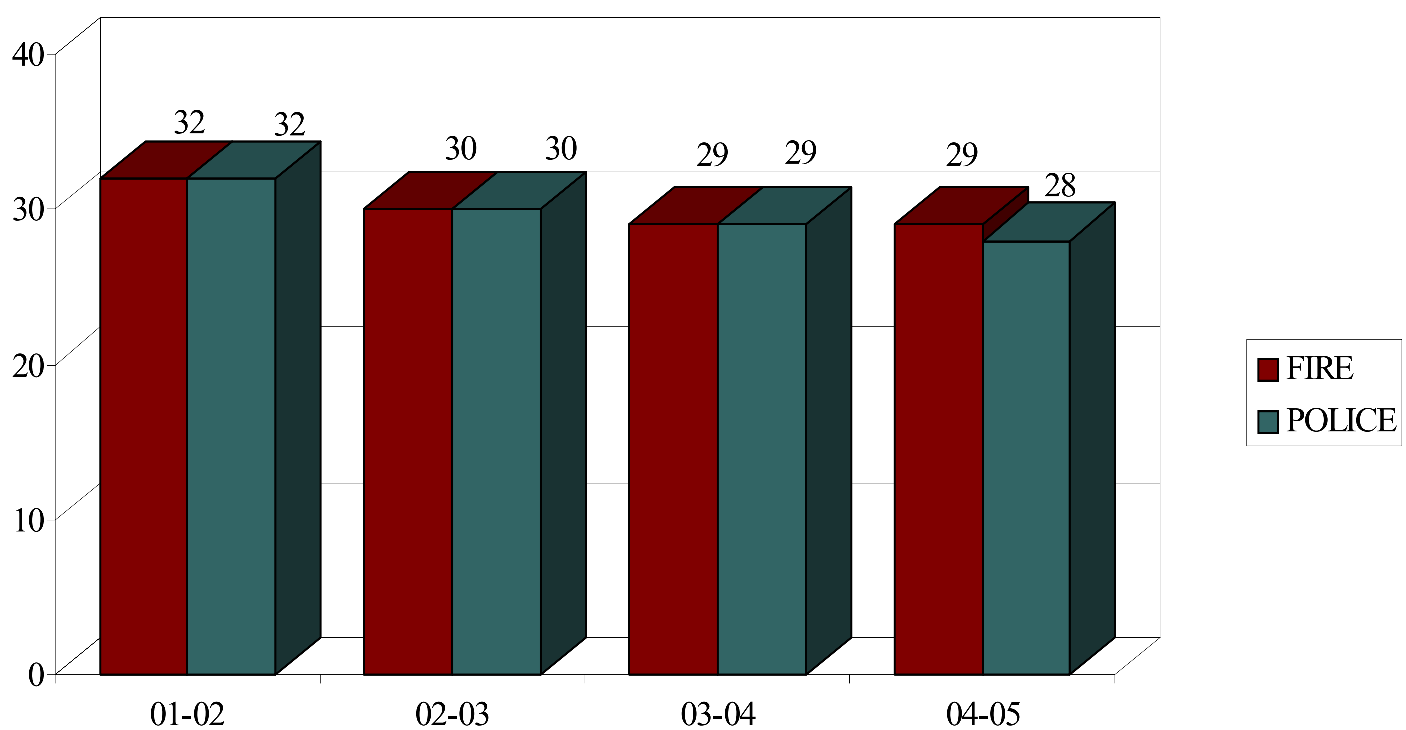


DEFERRED RETIREMENT OPTION PLAN (D.R.O.P.)

AVERAGE AGE AT DROP ENTRY

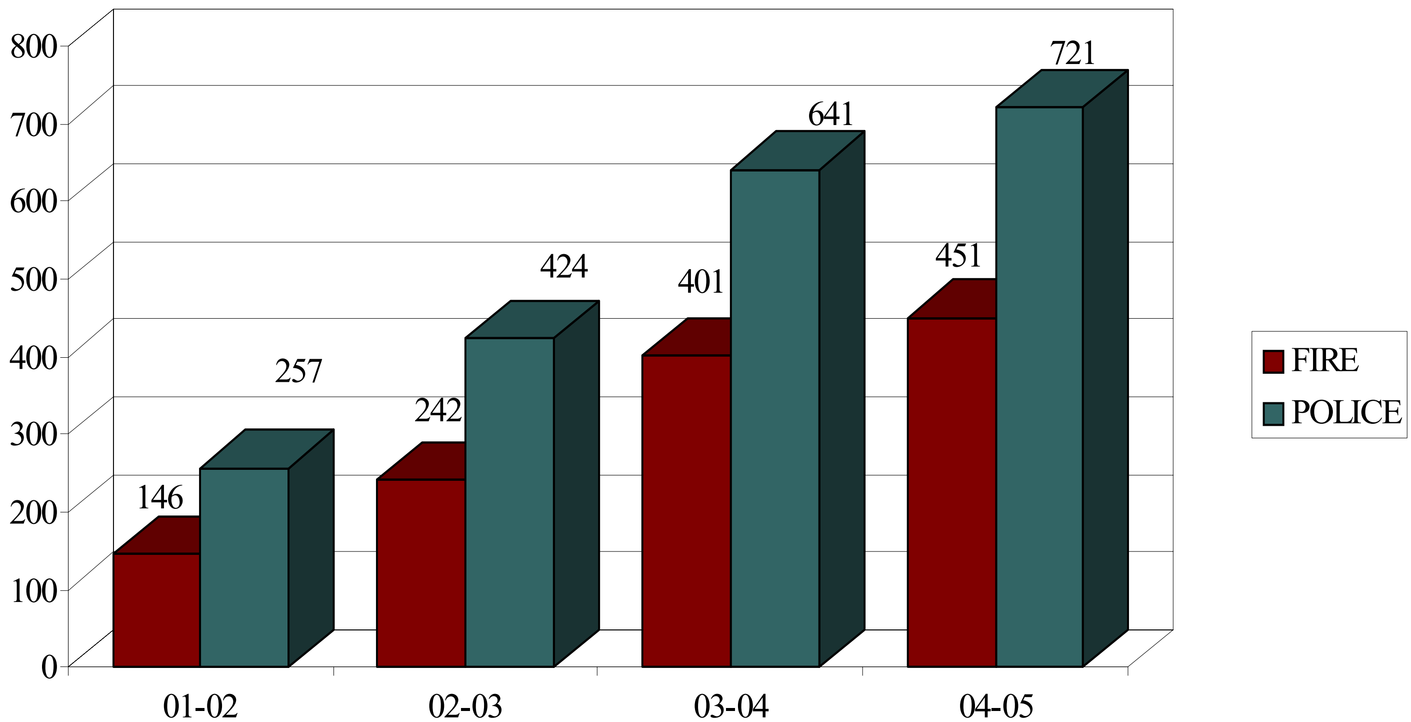


AVERAGE YEARS OF SERVICE AT DROP ENTRY

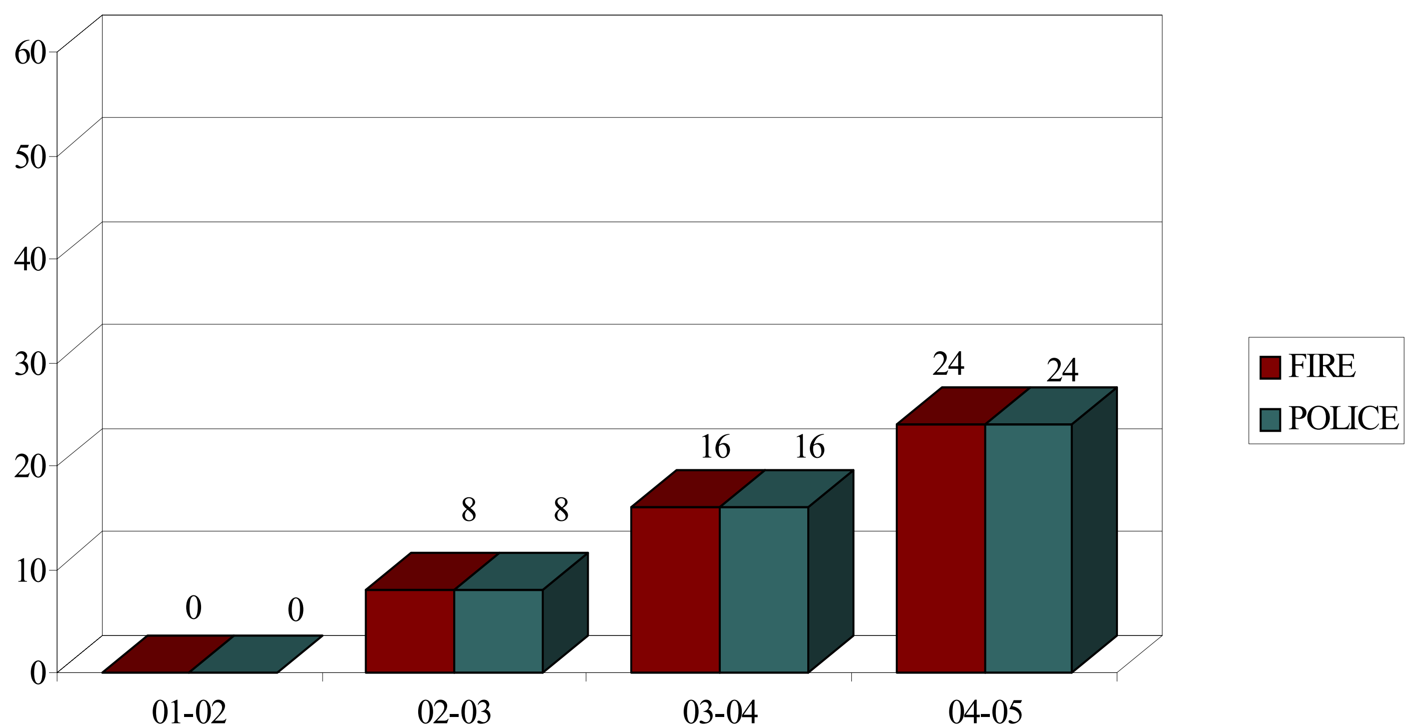


DEFERRED RETIREMENT OPTION PLAN (D.R.O.P.)

AVERAGE DROP PARTICIPATION

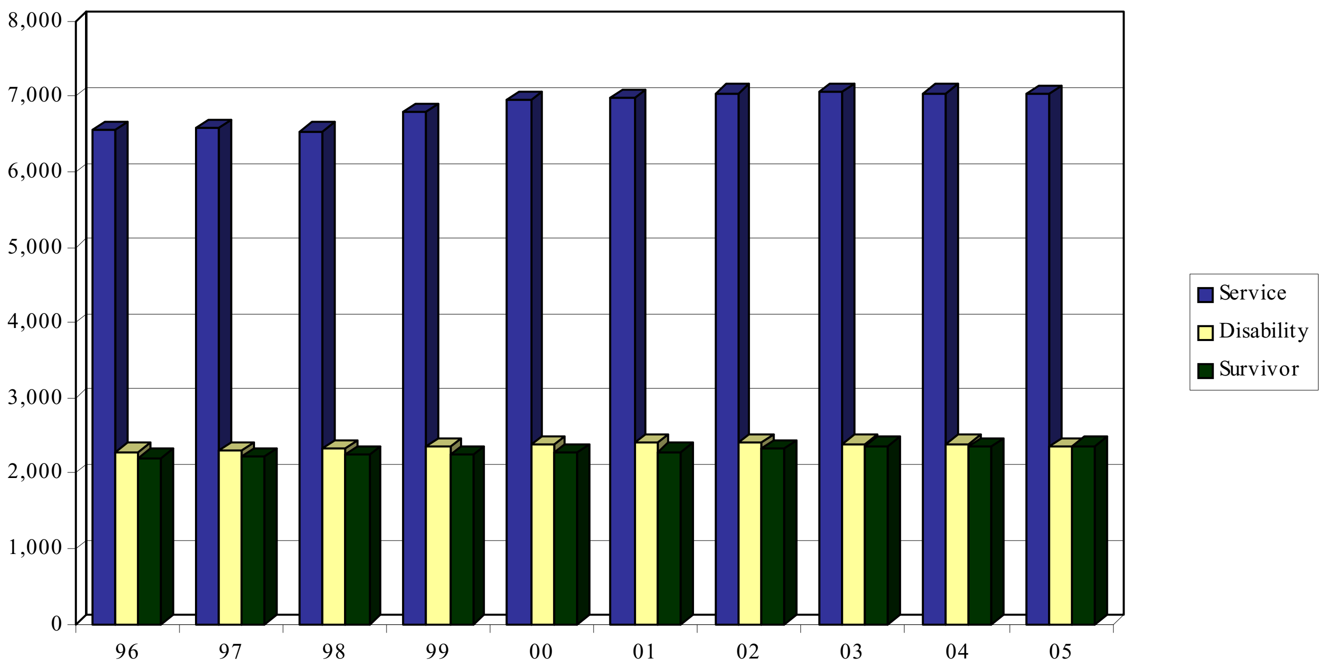


AVERAGE DROP DURATION AT EXIT (Months)

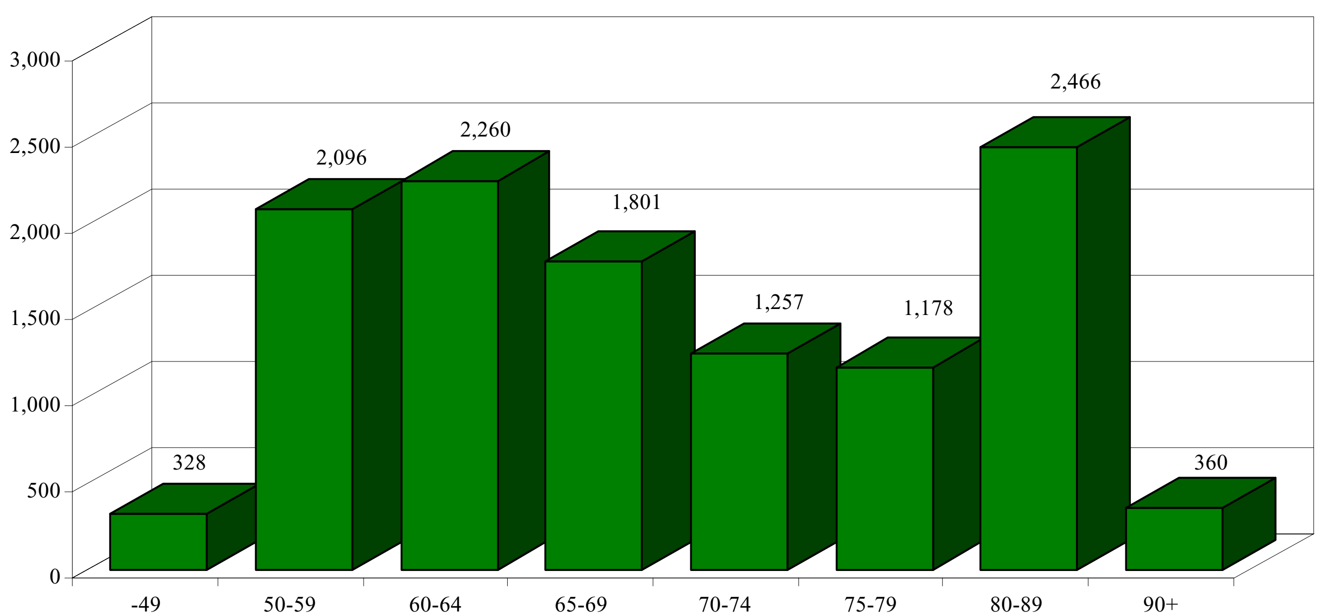


RETIRED MEMBERSHIP
Last Ten Years

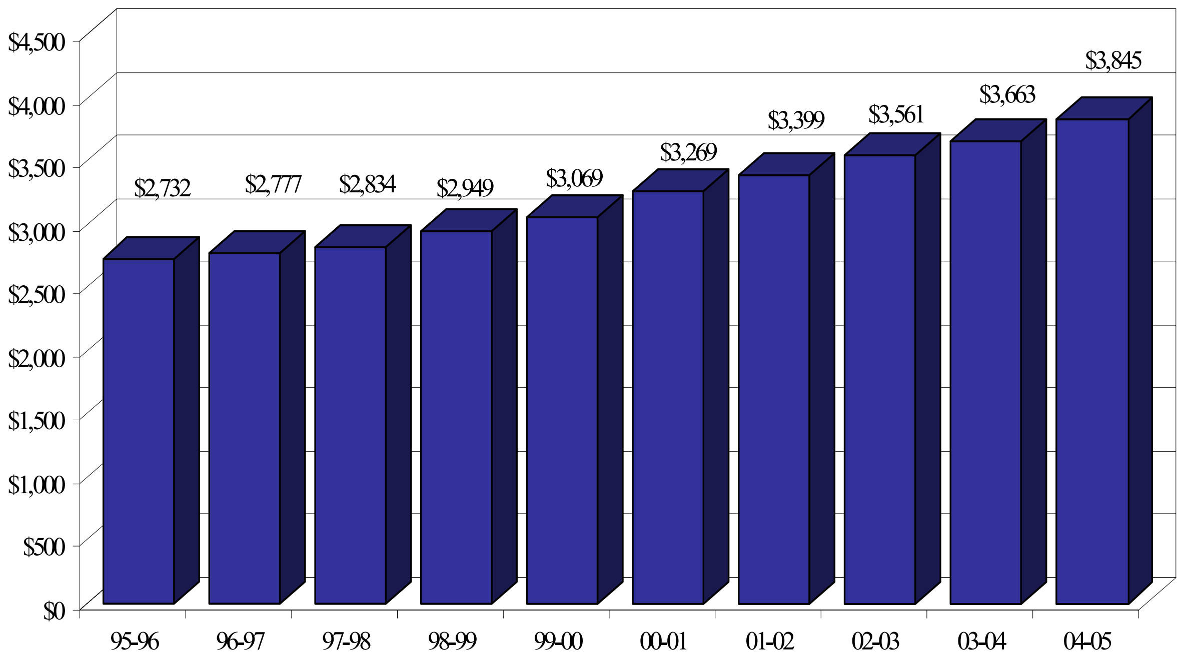
AS OF JUNE 30, 2005	
Service Pensions	7,027
Disability Pensions	2,357
Survivor Pensions	2,362
Total	11,746



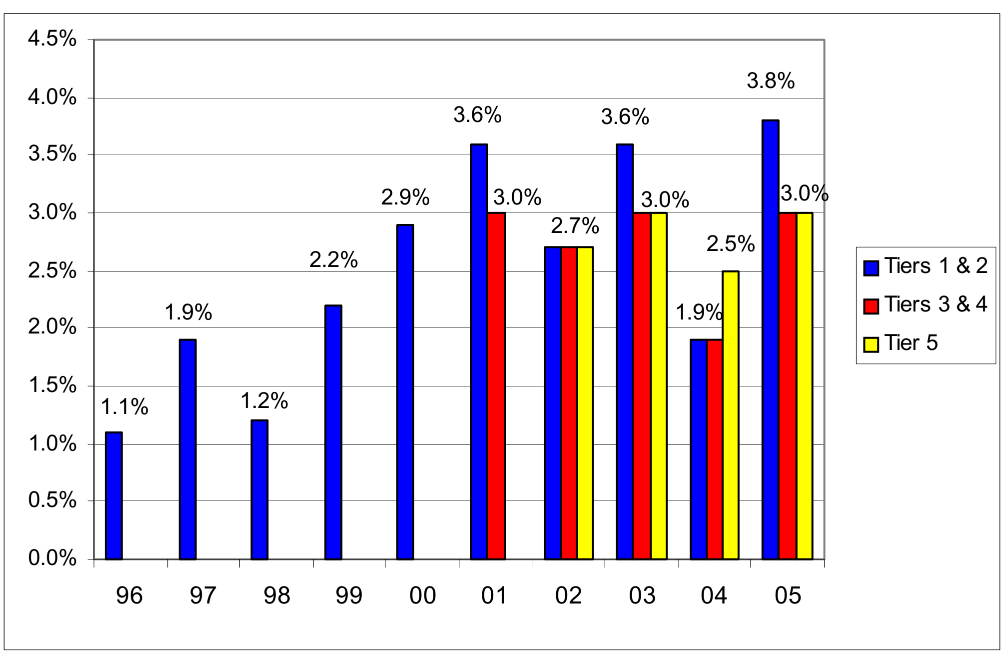
RETIRED MEMBERSHIP
By Age Group



AVERAGE MONTHLY PENSION



COST OF LIVING ADJUSTMENTS
Effective July 1

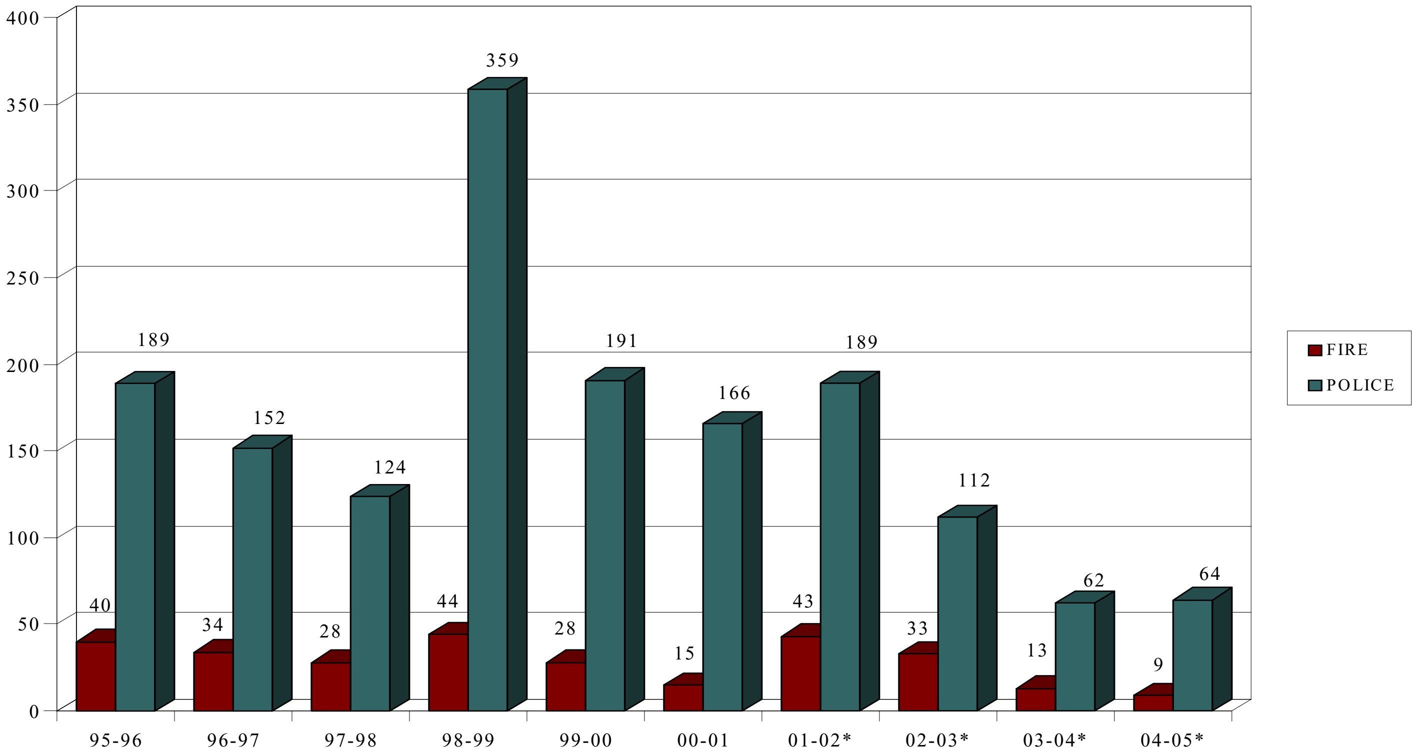


Cost of living adjustments are made to eligible pensions each July 1, based on the movement of the consumer price index for the greater Los Angeles area from March 1 of the preceding year to March 1 of that year. Members of Tier 1 and Tier 2 have no cap on their cost of living adjustments. Members of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

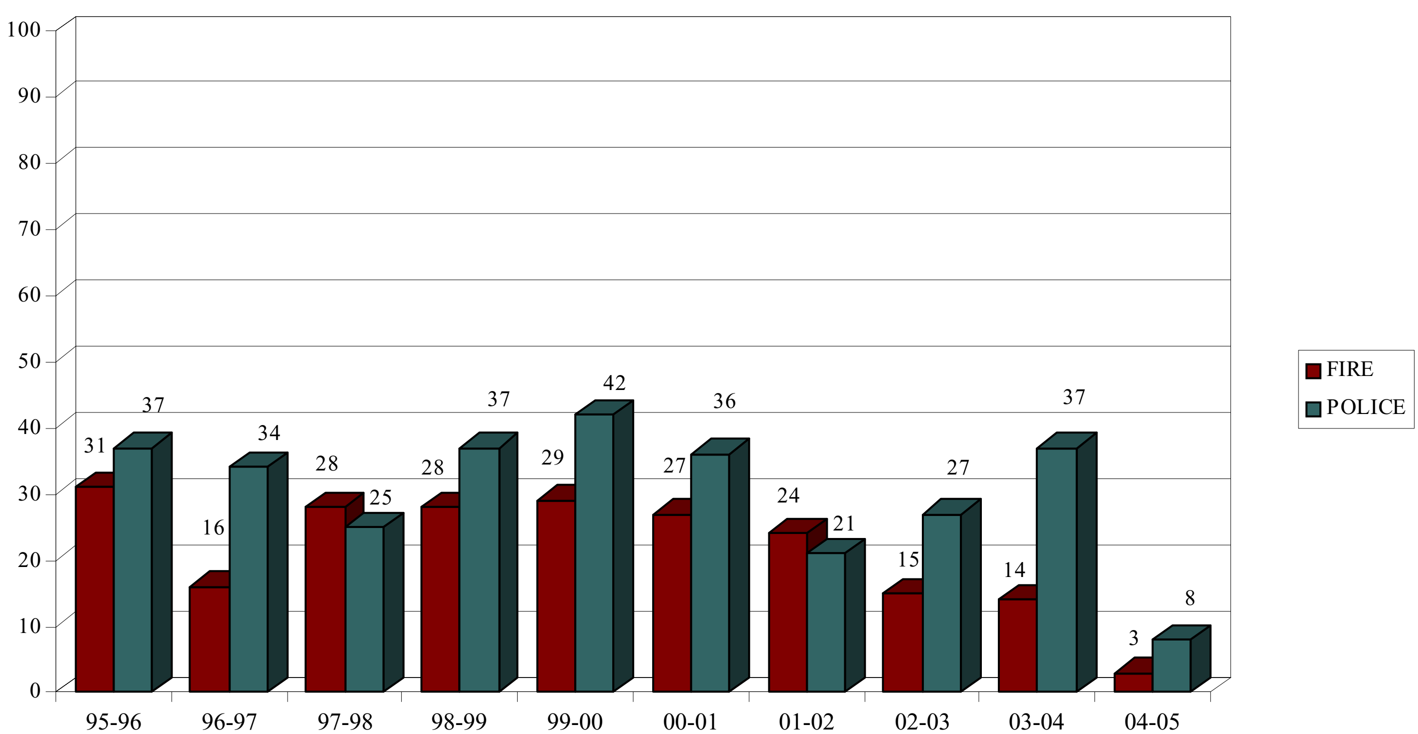
PENSION STATISTICS: LAST TEN YEARS

SERVICE PENSIONS GRANTED

***Excludes DROP Exits**

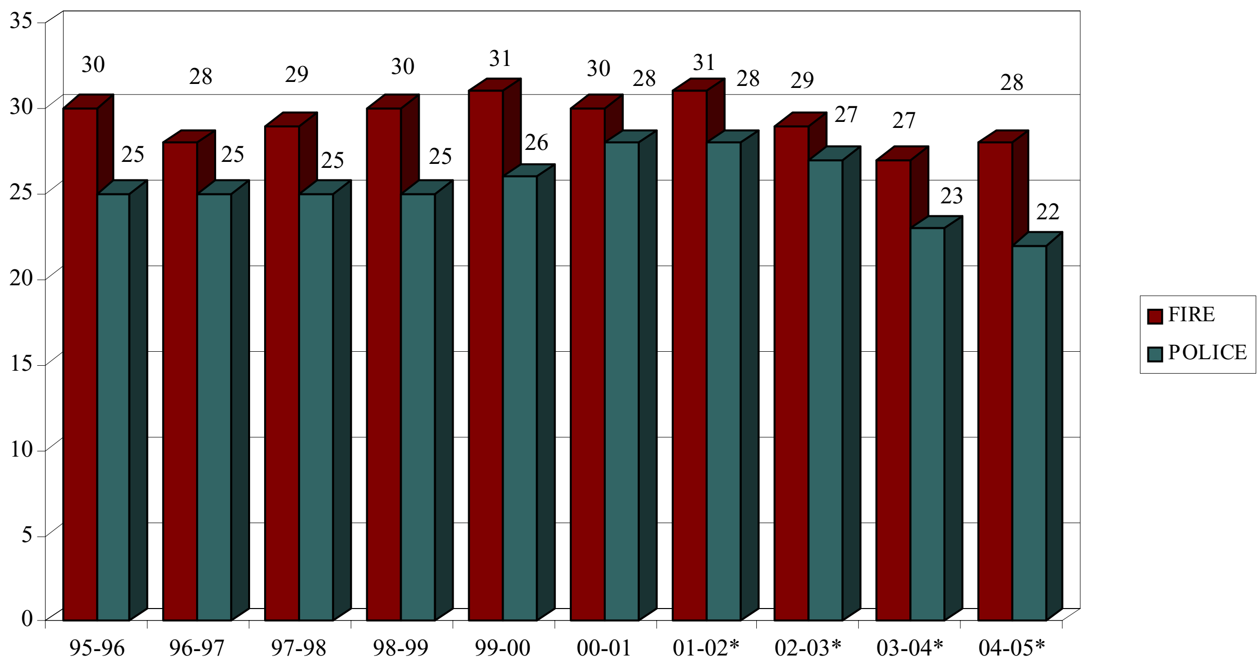


DISABILITY PENSIONS GRANTED

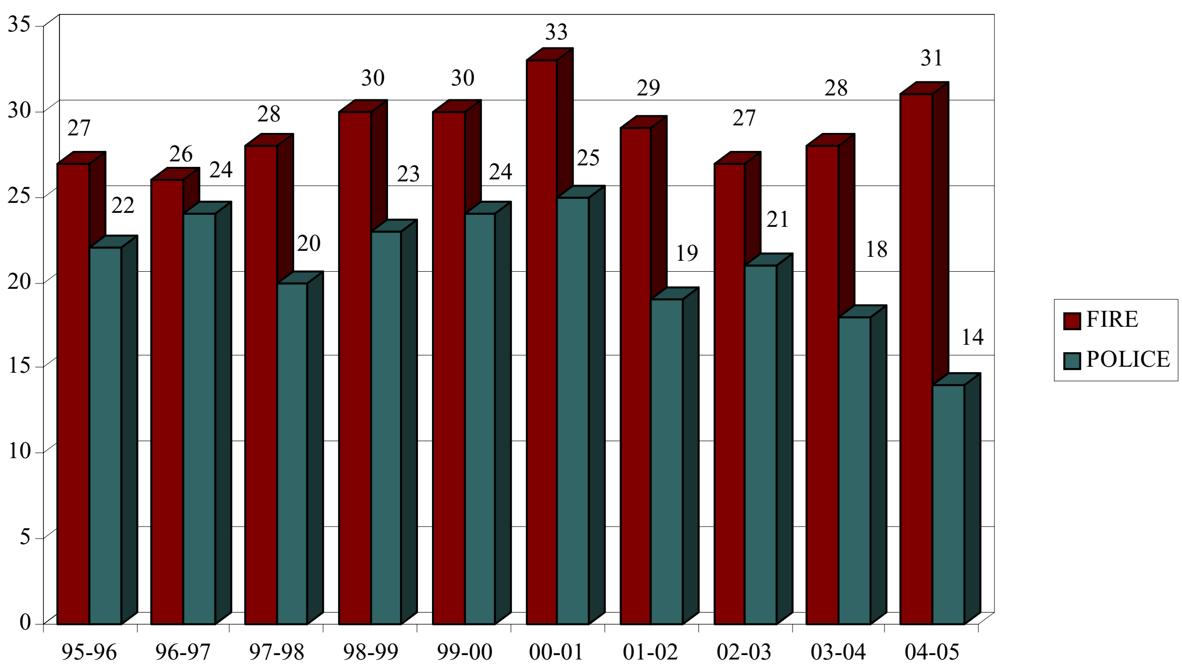


PENSION STATISTICS: LAST TEN YEARS

AVERAGE YEARS OF SERVICE
At Service Retirement
*Excludes DROP Exits

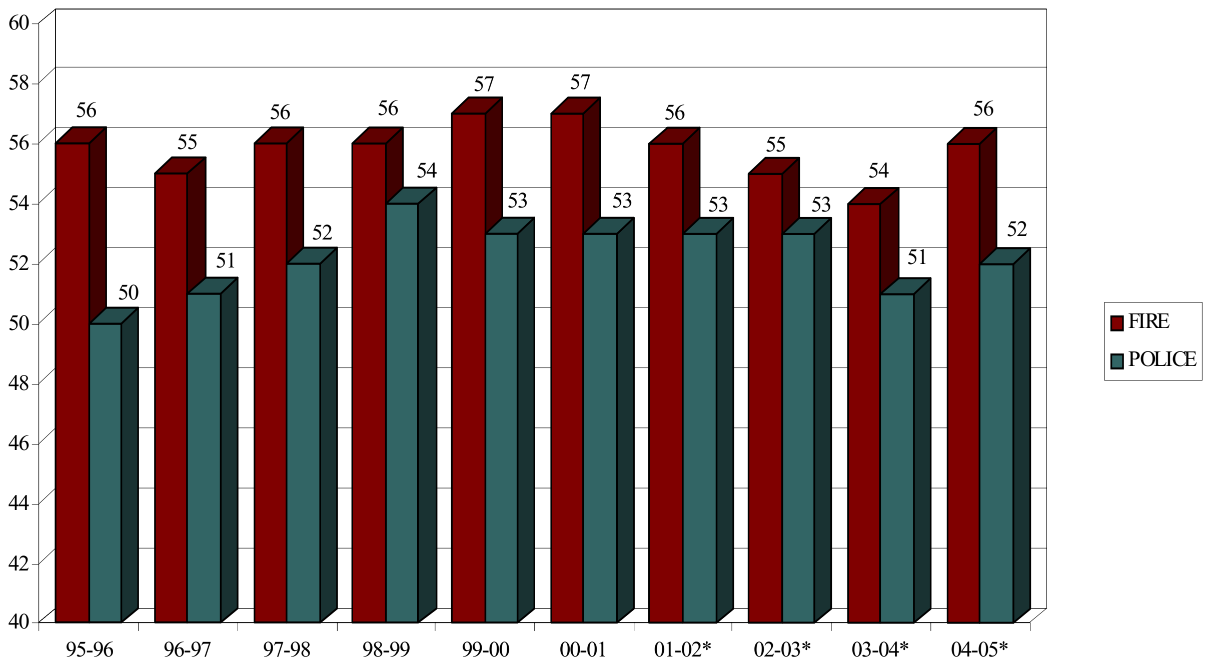


AVERAGE YEARS OF SERVICE
At Disability Retirement

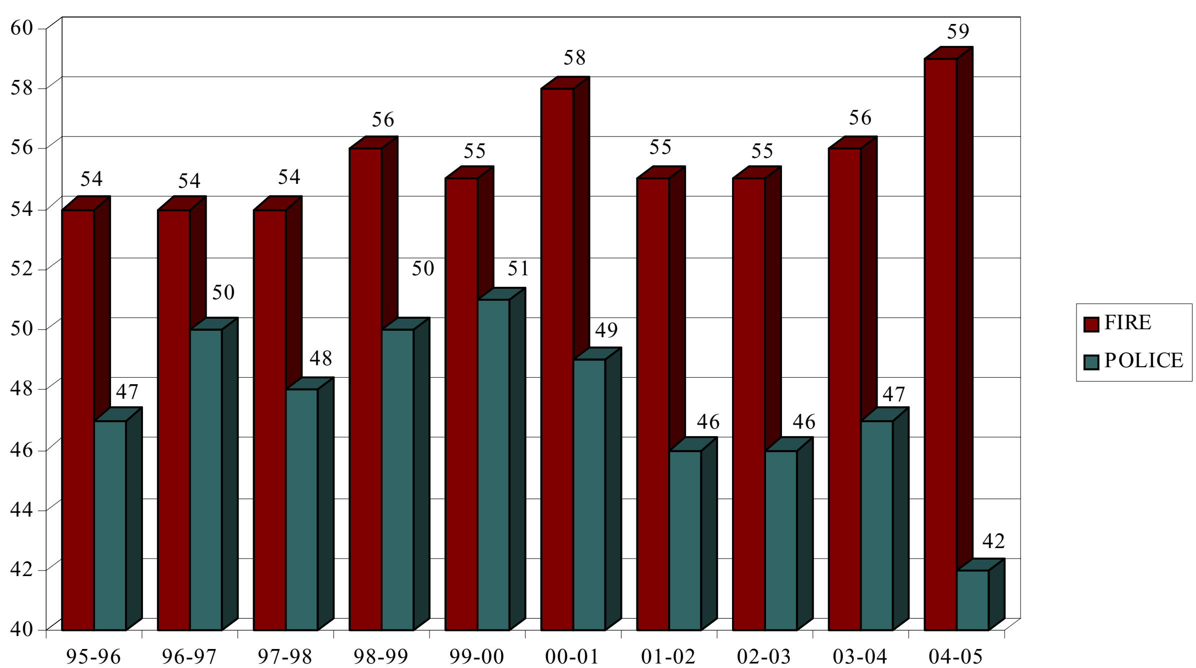


PENSION STATISTICS: LAST TEN YEARS

AVERAGE AGE
At Service Retirement
*Excludes DROP Exits



AVERAGE AGE
At Disability Retirement



SERVICE-CONNECTED DISABILITY PENSIONS
By Type and Department

DISABILITY PENSIONS GRANTED	FISCAL YEAR 2000-01			FISCAL YEAR 2001-02			FISCAL YEAR 2002-03			FISCAL YEAR 2003-04			FISCAL YEAR 2004-05		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	26	24	50	22	10	32	13	24	37	13	22	35	12	16	28
Physical/Psychiatric	0	8	8	1	5	6	1	2	3	1	10	11	0	7	7
Psychiatric Only	0	2	2	0	2	2	0	0	0	0	1	1	0	1	1
TOTAL	26	34	60	23	17	40	14	26	40	14	33	47	12	24	36

TYPES OF CLAIMS*	FISCAL YEAR 2000-01			FISCAL YEAR 2001-02			FISCAL YEAR 2002-03			FISCAL YEAR 2003-04			FISCAL YEAR 2004-05		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	17	17	34	15	4	19	7	16	23	12	27	39	10	9	19
Neck	5	4	9	9	4	13	0	4	4	3	10	13	6	12	18
Knees	10	5	15	8	3	11	3	3	6	7	15	22	6	9	15
Other Orthopedic	15	18	33	11	10	21	7	20	27	8	21	29	6	14	20
Cardiovascular	4	7	11	6	7	13	3	8	11	2	9	11	2	5	7
Ulcer	0	5	5	0	0	0	4	5	9	0	11	11	1	7	8
Hypertension	1	7	8	2	2	4	2	7	9	1	8	9	0	4	4
Pulmonary	8	3	11	1	0	1	1	1	2	2	0	2	0	0	0
Cancer	0	1	1	2	1	3	1	0	1	3	1	4	0	2	2
Gun Shot Wound	0	1	1	0	0	0	0	0	0	0	1	1	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

SERVICE AND NONSERVICE-CONNECTED DISABILITY RETIREMENTS
By Department and Rank

FIRE	00-01	01-02	02-03	03-04	04-05
Firefighter	8	6	7	5	6
Apparatus Operator	1	1	0	1	0
Engineer	2	2	3	2	3
Inspector	1	2	0	0	1
Captain	11	11	4	6	2
Battalion Chief	4	1	0	0	0
Assistant Chief	0	1	1	0	0
Deputy Chief	0	0	0	0	0
TOTAL	27	24	15	14	12

POLICE	00-01	01-02	02-03	03-04	04-05
Police Officer	15	15	5	25	14
Sergeant	10	2	5	2	7
Detective	11	3	9	8	2
Lieutenant	0	1	6	0	1
Captain	0	0	1	2	0
Commander	0	0	1	0	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
TOTAL	36	21	27	37	24

Legal Summary

SUMMARY OF LEGAL ACTIVITIES

Fiscal Year 2004-2005

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

Summary of Pension Plan Benefits

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

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

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

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

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

SUMMARY OF PENSION PLAN BENEFITS
JUNE 30, 2005

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
1. SERVICE RETIREMENT				
a. Eligibility	20 years of service.	20 years of service.	Tier 3: Age 50 with 10 years of service. Tier 4: 20 years of service.	Age 50 with 20 years of service.
b. Salary Base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)
c. Pension as a percentage of salary base	40% at 20 years of service, plus 2% for each additional year up to 25 years of service, plus 1-2/3% for each additional year between 25 and 35 years of service. Maximum of 66-2/3% for 35 or more years of service.	40% at 20 years of service, plus 2% for each additional year up to 25 years of service. 55% at 25 years of service, plus 3% for each additional year between 25 and 30 years of service. Maximum of 70% for 30 or more years of service.	2% per year of service up to 20 years of service, plus 3% for each additional year of service up to 30 years of service. Maximum of 70% for 30 or more years of service.	50% at 20 years of service, plus 3% for each additional year (except 4% at 30 years of service). Maximum of 90% for 33 or more years of service.
2. SERVICE-CONNECTED DISABILITY				
a. Eligibility	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.	Work related. No age or service requirements.
b. Salary Base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)
c. Pension as a percentage of salary base	50% to 90% depending on severity of disability, with a minimum of Member's service pension percentage rate.	50% to 90% depending on severity of disability, with a minimum of Member's service pension percentage rate.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.	30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
3. NONSERVICE-CONNECTED DISABILITY				
a. Eligibility	Not work related. Five years of service.	Not work related. Five years of service.	Not work related. Five years of service.	Not work related. Five years of service.
b. Salary Base	Highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.	Highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability.	30% to 50% depending on severity of disability.

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
8. COST-OF-LIVING (Continued)				
a. Generally applicable provisions (Continued)	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death.	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death. Pro rata adjustment in the first year of retirement.	Survivor's pension includes the percentage of cost-of-living increases applied to the Member's pension prior to death. Pro rata adjustment in the first year of retirement.
b. Effective date of cost-of-living increases				
i. Service retirement	Annual increases commence on July 1 following the later of the effective date or the date the Member would have been age 55.	Annual increases commence on the July 1 following the later of the effective date or the date the Member would have completed 25 years of service.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
ii. Service-connected disability, service-connected death	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
iii. Nonservice-connected disability	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
iv. Nonservice-connected death, death while eligible for service retirement	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.

SUMMARY OF PENSION PLAN BENEFITS

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5
8. COST-OF-LIVING (Continued)				
b. Effective date of cost-of-living increases (Continued)				
v. Death after nonservice-connected disability, death after service-connected disability.	Annual increases commence on the July 1 following the date the Member would have been age 55 or 5 years after the effective date of the pension if earlier.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.	Annual increases commence on the July 1 following the effective date.
9. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY				
	6%. No Member contributions required after 30 years of service.	6% plus 1/2 of the cost of cost-of-living benefit up to 1%. (Currently 7%) No Member contributions required after 30 years of service.	8%. No Member contributions required after 30 years of service.	9%. City pays 1% of 9% if Plan is at least 100% actuarially funded. No Member contributions required after 33 years of service.
10. QUALIFIED SURVIVORS				
a. Qualified Surviving Spouse (QSS) or Qualified Domestic Partner (QSDP) eligibility requirements				
i. Nonservice-connected death	Married at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.	Married or registered the domestic partner at least one year prior to date of nonservice-connected death and as of date of death.
ii. Service-connected death	Married as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.	Married or registered the domestic partner as of the date of service-connected death.

SUMMARY OF PENSION PLAN BENEFITS

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

SUMMARY OF PENSION PLAN BENEFITS

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

Milestones

MILESTONES

1899-1901. The California State Legislature enacted legislation in 1899 that enabled cities and counties to establish pension systems for police officers and firefighters. The City of Los Angeles authorized a system for police officers effective June 7, 1899 and for firefighters effective June 10, 1901. It provided for a pension at age 60 after 20 years of service, at an amount of one-half of the salary of the rank held for one year preceding retirement. Disability and survivor benefits were also provided. Member contributions were set at $2 per month.

1911-1919. In 1911 a Charter amendment empowered the City Council to make changes in the pension systems. Effective September 16, 1913, the Council adopted an ordinance that reduced the minimum retirement age to 55 and eliminated member contributions. In 1919, ordinances were adopted allowing retirement after 20 years of service regardless of age.

1922. Fire and police pension plans were merged into one system.

1923-1925. The pension system was placed on an actuarial basis effective January 29, 1923 and a provision was added increasing pensions for members with more than 20 years of service, based on a formula of 1-2/3% for each year of service over 20 up to two-thirds of the salary of the rank held at retirement. The new City Charter which became effective July 1, 1925 added a provision that service and disability pensions would remain fixed amounts.

1927. Members entering service after January 17, 1927 would receive a pension after 25 years of service equal to 50% of the average salary during the three years preceding retirement, plus 1-2/3% for each of the next 10 years of service. A monthly limit of $1,800 for service pensions was established. Member contributions to the system were set at 4% of salary. Pensions for widows were made fixed amounts.

1933. The actuarial requirements were eliminated and the system was placed on a "pay-as-you-go" basis effective May 15, 1933.

1947. Members hired after January 17, 1947 could retire after 20 years of service with a pension equal to 40% of the average salary of the last three years of service with an additional 2% for each of the next five years of service and 1-1/3% for each of the next ten years of service. A maximum pension of two-thirds of the average salary was retained, with a cap based on the salary level of a police captain or fire battalion chief. Member contributions were increased from 4% to 6% of salary. Effective June 16, 1947, a Charter amendment created a non-service disability pension of 40% of the highest salary attached to the rank of firefighter or police officer; an equal amount was to be paid to any surviving spouse with additional percentages allowed for unmarried minor children under the age of 18.

1957. The maximum limit attached to rank for service pensions was removed effective April 18, 1957.

1958. The California Supreme Court ruled that the 1928 Charter provisions for fixed pension did not apply to members employed prior to July 1, 1925 or to surviving spouses of members employed prior to January 17, 1927.

1959. Effective May 6, 1959, the system was again placed on an actuarial basis with a 50-year amortization period for the unfunded liabilities. Investment provisions were changed to permit investment of up to 35% of the fund assets in common stocks.

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

1967. Article XVII was extensively amended, and a New Pension System (Article XVIII) adopted effective January 29, 1967 provided:

(1) a pension equal to 55% of annual salary at retirement with 25 years of service plus an additional 3% for each year of service over 25 up to a maximum pension of 70% of salary at retirement with 30 years of service;

(2) a 2% cap to the annual cost-of-living adjustment to all member and surviving spouse pensions that were based on length of service;

(3) a minimum pension of $250 per month to be adjusted each year by the cost-of-living formula;

(4) an extension of the amortization period for the unfunded liability to seventy years; and

(5) changes in the investment authority to provide for mortgage investments and public improvement financing.

1968. Overtime compensation was excluded from computation of contributions and benefits under Articles XVII and XVIII.

1969. Amendments to Articles XVII and XVIII effective May 2, 1969 applied cost-of-living adjustments to disability and survivor pensions. Service pensioners were allowed to apply for return to active duty under certain conditions and restrictions. The authorized limit for common stock investments was raised to 50% of fund assets.

1971. Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost-of-living ceiling from all eligible pensions and pegged increases to the Consumer Price Index; to increase the minimum pension to $350 per month; to grant pension credit for partial years of service; and to add two elected employee members to the Board of Pension Commissioners.

1974. Article XVII and XVIII amendments enabled the City Council to adopt ordinances providing subsidy payments for health insurance and other programs for eligible pensioners.

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

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

1977. The mandatory retirement age provision of Article XVII was eliminated effective April 15, 1977.

1980. Article XXXV, The Safety Members' Pension Plan, was created effective December 8, 1980. It provided for a pension at age 50 with 10 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60% of member's pension.

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

(1) the investment of up to 70% of fund assets in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange;

(2) the investment of 35% of fund assets in short-term securities;

(3) the appointment of a securities custodian bank;

(4) a requirement to retain investment advisors registered under the Investment Advisor Act;

(5) the selling and repurchasing of covered call options; and

(6) authority to conduct transactions and exchanges of securities without specific prior Board approval, within established guidelines.

1982. Significant revisions to Articles XVII and XVIII provided a 3% cap on the cost-of-living adjustment for all future service earned by active members and a refund of member contributions upon termination. Cost-of-living adjustments were prorated for the first year of retirement. Paramedics and civilian ambulance drivers were transferred from the City Employees' Retirement System to the Safety Members Pension Plan (Article XXXV).

1983. Article XVII and XVIII active members were no longer required to contribute to the pension system upon completion of thirty years of service.

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

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

1990. A series of measures were enacted which allow the City to protect the integrity of the pension system in response to new tax code regulations. The waiting period was removed for cost-of-living adjustments for surviving spouses of members hired before December 8, 1980 who die in the line of duty.

The 3% cap on cost-of-living increases instituted in 1982 for Article XVII and XVIII members was overturned by court order.

1993. The Board of Pension Commissioners was given authority to increase investments under the "prudent person" provisions of the Charter from 25% to 50%. Retired Article XVIII members may be recalled for up to one year after retirement.

1995. The amount of salary to be used to calculate pension benefits was capped at $150,000 (adjusted annually) for members hired on or after July 1, 1996. The City Council was authorized to enact ordinances required to maintain the tax-qualified status of Article XXXV under federal law.

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

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

1997. Article XXXV, Plan II was established effective July 1, 1997. All Article XXXV members hired between December 8, 1980 and June 30, 1997 were given until June 30, 1998 to make an irrevocable transfer to Plan II. Plan II offers a "20 and out" provision with retirement benefits at any age after 20 years of service based on a formula of 2% per year of service up to 20 years and 3% for each additional year up to a maximum pension of 70% of Final Average Salary; member contributions are non-refundable; deferred retirement is not an option.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The prudent person investment standard

(c) Sole and exclusive power to provide actuarial services

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

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

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

2001. Charter changes were approved to:

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

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

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

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

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

2002. By Council ordinance, a new Tier 5 pension plan became effective January 1. Active members of existing tiers could elect to irrevocably transfer to Tier 5 during the period January 2, 2002 to December 31, 2002. Tier 5 members are eligible to retire at age 50 with 20 years of service and receive a service pension benefit of 50% of final average salary, plus 3% for each additional year of service to a maximum of 90% of final average salary for 33 or more years. The exception is year 30 in which 4% of final average salary is earned for retirement. Members contribute 8% of salary; 9% if plan assets fall below 100% funding level.

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

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

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

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

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

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

2005. On January 20, 2005, an ordinance became operational allowing former Tier 2 members who transferred to Tier 5 and who had prior service as Paramedics or Civilian Ambulance Personnel under LACERS to purchase this period of service.

On the March 2005 election, the voters approved two Charter amendments.

The first amendment authorized council to amend the Charter to transfer the Sworn Port Police Officers to Tier 5 of Fire and Police Pension.

The second amendment approved the following:

1) Provide return to duty provisions similar to that in Tier 2 to members in Tiers 3, 4 and 5.

2) Authorized Council to allow a City Defrayal of Employee Contributions by Ordinance. This means the city may pay a portion of the employee contributions to Tiers 3, 4 and 5, not to exceed 2% of the required contributions in lieu of a salary increase or a portion of an increase. This provision will be used during Memorandum of Understanding negotiations as part of a total economic package and that the cost would be evaluated at that time. It has the potential to saving money by saving the pension contribution that would be required on any salary increase, lowering the salary base for some period in the future, and saving overtime costs on the lower salary base.

3) Council is authorized to amend Tier 5 by ordinance to set maximum health subsidies for beneficiaries. Council could authorize the Pension Board to increase or decrease subsidies and the link of subsidies for retired members to active members would be removed.

City of Los Angeles

Department of Fire and Police Pensions