Los Angeles
Fire and
Police
Pensions

2012 ANNUAL REPORT

LAFPP

To Serve Those Who Protect

Los Angeles

Fire and

Police

Pensions

2012 ANNUAL REPORT

July 1, 2011 - June 30, 2012

Issued by
William S. Raggio
Interim General Manager

LAFPP

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INTRODUCTION

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FIRE AND POLICE
PENSIONS

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CITY OF LOS ANGELES
CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

WILLIAM S. RAGGIO
INTERIM GENERAL MANAGER

JOSEPH SALAZAR
ASSISTANT GENERAL MANAGER

TOM LOPEZ
CHIEF INVESTMENT OFFICER

To the Board of Fire and Police Pension Commissioners

June 30, 2012

Our pension system provides the pension benefits promised to sworn members of the Fire, Police and Harbor Departments of the City of Los Angeles. These benefits are funded by contributions from the City and our members, and from returns on our investments. As of June 30, 2012, pension plan assets totaled $14.23 billion on a market basis and $15.20 billion on an actuarial (smoothed) basis.

We have 13,396 active members and 12,380 retired beneficiaries. As of June 30, 2012, our pension benefits are 83.7 percent actuarially funded and our health insurance premium subsidy benefits are 37.1 percent actuarially funded. We have been pre-funding health subsidy benefits since 1989, and are one of the few public pension systems to do so. Combined, our pension and health funded status is 77.7 percent on an actuarial basis.

Like many other institutional investors, our rate of return decreased for the one-year period ending June 30, 2012. For June 30, 2012, our rate of return was 1.89 percent, down from 22.09 percent from the previous year. Despite this result, we still remain amongst the highest funded public pension systems in the country.

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

Service Efforts and Accomplishments
In 2009-10, the Board adopted a new multi-year approach for its strategic planning process. This change from a single-year focus allows Staff to appropriately address the long-term nature of many projects associated with the Department's three primary goals – Customer Service, Risk Management and Communications and Stakeholder Relations – and ultimately ensures the fulfillment of our mission – *to advance the health and retirement security of those who dedicate their careers to serve and protect the people of Los Angeles*.

www.lafpp.com

During this past fiscal year, significant milestones were met for several projects including improvements in Benefit Payment Passport (BPP), our benefit payment system; OnPoint, our pension administration system and Documentum, our document imaging and retrieval system – all of which directly impact the service and information provided to members and beneficiaries.

BPP was enhanced to provide better organization of payment information and to improve the overall readability of pension payment statements for Retired members and other payees. The member self-service side of OnPoint was renamed "MyLAFPP" to become more recognizable on the Department website. This online resource was updated to provide access to Retired members, display more key information and introduce a new recruit training time purchase calculator for Active members. More streamlined navigation was also added to both MyLAFPP and the Department website, making it easier for members to find information.

Modifications to Documentum resulted in the ability to import more documents. Nearly all newly generated documents are scanned into the system, resulting in a total of 82,000 records stored in the System as of June 30, 2012. This increase in the availability of electronic documents allows Staff to better assist members with their inquiries and creates greater efficiencies in our business processes.

In addition to these and other projects, a tremendous amount of resources were expended to create a Business Continuity Plan for the Department. This plan supports our mission by serving as a guide to help maintain and recover critical processes, resources and communications in the event of a business disruption – such as a natural disaster. As such, Staff will continue to develop this plan and assess the disaster recovery and communications solutions necessary to replicate the current business operating environment.

The Board and Staff have also been diligent in following the numerous public pension reform efforts that have surfaced over the past year. Slow economic growth and state and municipal budget deficits have supported pension reform proponents' argument that the retirement benefits promised by public Defined Benefit (DB) pension plans (such as LAFPP) are not sustainable. As a result, proposals were introduced in other jurisdictions to change benefits for future hires and in some cases, for current employees and retirees as well. Since the approval of various pension reform measures, some are being contested by labor organizations in cities such as San Jose and San Diego. Other proposals failed or were postponed. While LAFPP was not impacted by any pension reform, the Board and Staff will continue to monitor all future efforts.

In May 2012, my predecessor Mike Perez retired after serving LAFPP for 22 years. It is my honor to succeed him in serving the safety members of our pension system who protect the City's residents and its employees. In these times of economic uncertainty, we pride ourselves in providing the highest quality service in the most efficient and economical manner possible. This approach helps ensure staff and the Board are doing everything possible to keep operational costs low, which helps maintain the funded status of the Plan in order to ensure our ability to pay out promised benefits promptly.

Sincerely,

William S. Raggio

William S. Raggio
Interim General Manager

Board of Fire and Police Pension

Commissioners

as of June 30, 2012

Robert von Voigt, President
Elected by Active Police Members

Dean Hansell, Vice President
Appointed by the Mayor

George V. Aliano
Elected by Retired Police Members

Rafael Bernardino
Appointed by the Mayor

Sam Diannitto
Elected by Active Police Members

Gregory N. Lippe
Appointed by the Mayor

Wayne Moore
Appointed by the Mayor

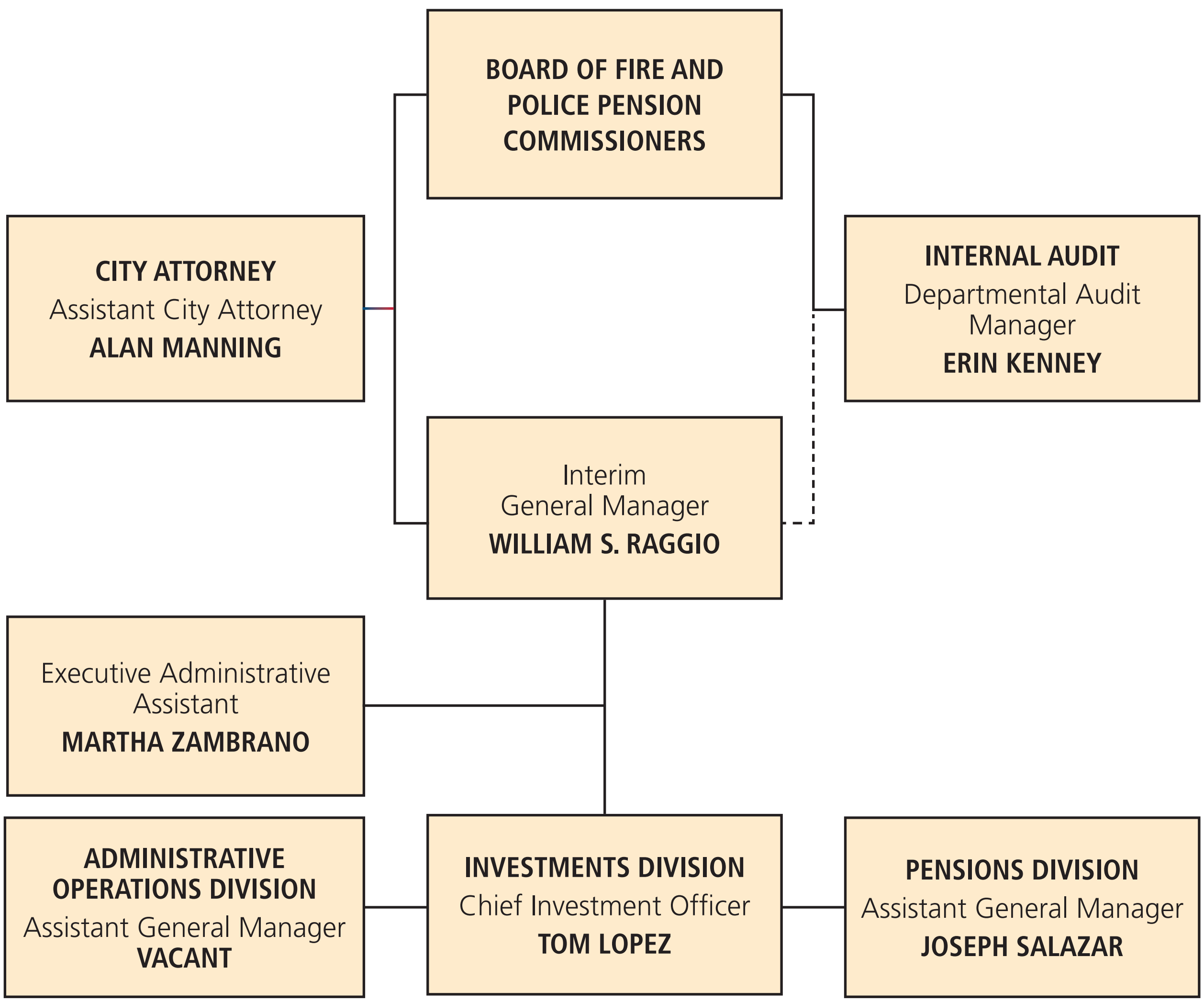
Ruben Navarro
Elected by Active Fire Members

Raúl Pérez
Appointed by the Mayor

The Board meets on the first and third Thursdays of the month at 8:30 a.m. Most meetings, including special meetings, are from 1 to 4 hours in duration. The Board's current directory and meeting information are available on the Department website at, www.lafpp.com/LAFPP/commission.html.

Organizational Chart

as of June 30, 2012



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FINANCIAL

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CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

CITY OF LOS ANGELES
FIRE AND POLICE PENSION SYSTEM

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Fire and Police Pension Commissioners
Los Angeles Fire and Police Pension System

We have audited the accompanying Statement of Plan Net Assets of the Los Angeles Fire and Police Pension System as of June 30, 2012, and the related Statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of Los Angeles Fire and Police Pension System management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Los Angeles Fire and Police Pension System as of and for the year ended June 30, 2011, were audited by other auditors, whose report dated January 20, 2012, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Los Angeles Fire and Police Pension System as of June 30, 2012, and its changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the Los Angeles Fire and Police Pension System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

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limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 10, 2013

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

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Fire and Police Pension System (the System or the Plan) for the year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- Net assets at the close of the fiscal year ended June 30, 2012, were $13.3 billion and $925.0 million for the Pension Plan and Health Subsidy Plan, respectively. All of the net assets are available to meet the System's obligations to members and their beneficiaries.
- Net assets decreased by $177.1 million or 1.3% and increased by $43.3 million or 4.9% for the Pension Plan and Health Subsidy Plan, respectively.
- As of June 30, 2012, the date of the latest actuarial valuations, the funding ratios of the Pension Plan and Health Subsidy Plan were 83.7% and 37.1%, respectively.
- Additions to the Pension Plan's net assets decreased by $2.3 billion or 77.1% from $2.9 billion to $669.0 million, due primarily to the net depreciation in the fair value of investments in 2012.
- Deductions to the Pension Plan's net assets increased by $43.0 million or 5.4% over the prior year from $802.7 million to $846.1 million.
- Additions to the Health Subsidy Plan's net assets decreased by $130.5 million or 48.6% from $268.2 million to $137.8 million, due to the net depreciation in the fair value of investments in 2012.
- Deductions from the Health Subsidy Plan's net assets increased by $4.4 million or 4.9% over the prior year from $90.0 million to $94.4 million in 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 10 to 33 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the Pension Plan's and Health Subsidy Plan's progress in funding to provide pension and health benefits to members. The report also provides summary information on employer contributions. The required supplementary information is on pages 34 and 35 of this report.

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

FINANCIAL ANALYSIS

Pension Plan

Plan Net Assets

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

Condensed Statement of Plan Net Assets
(In Thousands)

	2012	2011	Change	% Change
Cash	$ 5,648	$ 5,045	$ 603	12.0%
Receivables	169,419	71,119	98,300	138.2%
Investments	13,556,716	13,980,134	(423,418)	-3.0%
Securities Lending Collateral	1,202,971	-	1,202,971	N/A
Total Assets	14,934,754	14,056,298	878,456	6.2%
Liabilities	1,587,680	532,110	1,055,570	198.4%
Net Assets	$ 13,347,074	$ 13,524,188	$ (177,114)	-1.3%

Net assets decreased by $177.1 million (1.3%) to $13.3 billion from the prior fiscal year. Assets increased in value by $878.5 million when compared with the prior fiscal year, attributable to securities lending cash collateral of $1.2 billion received offset by depreciation of investments due to poor market conditions.

Pension Plan (Continued)

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets
(In Thousands)

	2012	2011	Change	% Change
Additions				
Employer Contributions	$ 321,593	$ 277,092	$ 44,501	16.1%
Member Contributions	120,099	105,535	14,564	13.8%
Net Investment Income	225,457	2,538,155	(2,312,698)	-91.1%
Other Income	1,877	2,124	(247)	-11.6%
Total Additions	669,026	2,922,906	(2,253,880)	-77.1%
Deductions				
Benefits Payment	831,191	786,861	44,330	5.6%
Refund of Contributions	1,338	3,145	(1,807)	-57.5%
Administrative Expenses	13,611	12,662	949	7.5%
Total Deductions	846,140	802,668	43,472	5.4%
Net Increase (Decrease)	(177,114)	2,120,238	(2,297,352)	-108.4%
Net Assets, Beginning of Year	13,524,188	11,403,950	2,120,238	18.6%
Net Assets, End of Year	$ 13,347,074	$ 13,524,188	$ (177,114)	-1.3%

Additions to Plan Net Assets

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

Contributions for fiscal year 2012 totaled $441.7 million, up by $59.0 million or 15.4% over fiscal year 2011. The increase in contributions was due to the net of an increase in the actuarial determined contribution rate. The employer contribution rate for fiscal year 2012 was 24.0% of covered payroll compared to 20.6% of covered payroll for fiscal year 2011.

Net investment gains amounted to $225.5 million, a decrease in net investment gain of $2.3 billion or 91.1% when compared with $2.5 billion from the prior fiscal year. Investment income decreased in 2012 due to unfavorable capital markets.

Deductions from Plan Net Assets

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

Deductions for the fiscal year ended June 30, 2012, totaled $846.1 million, an increase of $43.5 million over 2011. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of pensioners, beneficiaries, and DROP pay-out.

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

Health Subsidy Plan

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

Plan Net Assets

Condensed Statement of Plan Net Assets
(In Thousands)

	2012	2011	Change	% Change
Cash	$ 388	$ 329	$ 59	17.9%
Receivables	11,282	4,359	6,923	158.8%
Prepaid	7,363	-	7,363	NA
Investments	931,055	910,546	20,509	2.3%
Securities Lending	82,618	-	82,618	NA
Total Assets	1,032,706	915,234	117,472	12.8%
Liabilities	108,142	34,031	74,111	217.8%
Net Assets	$ 924,564	$ 881,203	$ 43,361	4.9%

Net assets increased by $43.3 million (4.9%) to $925.0 million when compared to $881.2 million of the prior fiscal year due to an increase in actuarially determined employer contribution towards health and prepayment of the Health Subsidy.

Changes in Plan Net Assets

Condensed Statement of Changes in Plan Net Assets
(In Thousands)

	2012	2011	Change	% Change
Additions				
Contributions	$ 122,972	$ 111,681	$ 11,291	10.1%
Net Investment Income	14,690	156,461	(141,771)	-90.6%
Other Income	122	131	(9)	-6.9%
Total Additions	137,784	268,273	(130,489)	-48.6%
Deductions				
Benefits Payment	93,536	89,271	4,265	4.8%
Administrative Expenses	887	781	106	13.6%
Total Deductions	94,423	90,052	4,371	4.9%
Net Increase	43,361	178,221	(134,860)	-75.7%
Net Assets, Beginning of Year	881,203	702,982	178,221	25.4%
Net Assets, End of Year	$ 924,564	$ 881,203	$ 43,361	4.9%

Health Subsidy Plan (Continued)

Additions to Plan Net Assets

Total additions to net assets decreased $130.0 million compared to fiscal year 2011. This is due primarily to a decrease in net investment income by $141.8 million mostly attributed to unfavorable capital markets, and an increase in contributions of $11.3 million or 10.1% over fiscal year 2011. For fiscal year 2012, the employer contribution rate is 9.2% of covered payroll compared to 8.3% for fiscal year 2011.

Deductions from Plan Net Assets

Deductions represent medical and dental insurance premiums paid for the pensioners and beneficiaries and administrative expenses. Current year deductions were $4.4 million or 4.9% more than the total deductions of the prior year. This is due primarily to an increase in the medical and dental insurance premiums and an increase in the number of pensioners and beneficiaries.

Debt Administration Mortgage Payable

At June 30, 2011, the System had $238.4 million in mortgage payable. The System paid down $56.8 million and added $25.9 million during the year for an ending balance of $207.5 million.

Future Changes

As discussed in Note 2, GASB Statements No. 67 and No. 68 will have a significant impact on reporting for future periods. Also, as discussed in Note 13, the California Public Employees Pension Reform Act of 2013 is currently being analyzed for impact on the System.

REQUEST FOR INFORMATION

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

William S. Raggio, Interim General Manager
City of Los Angeles Fire and Police Pension System
360 E. Second Street, Suite 400
Los Angeles, CA 90012

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2012 AND 2011

	2012			2011		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ASSETS						
Cash	$ 5,647,790	$ 387,882	$ 6,035,672	$ 5,044,952	$ 328,585	$ 5,373,537
Receivables						
Accrued Interest and Dividends	45,451,754	3,121,557	48,573,311	45,318,563	2,951,664	48,270,227
Contributions	5,144,476	-	5,144,476	4,196,667	-	4,196,667
Due from Brokers	118,823,242	8,160,598	126,983,840	21,603,670	1,407,078	23,010,748
Total Receivables	169,419,472	11,282,155	180,701,627	71,118,900	4,358,742	75,477,642
Prepaid Health Subsidy	-	7,363,396	7,363,396	-	-	-
Investments at Fair Value						
Temporary	492,172,520	33,801,656	525,974,176	591,937,996	38,553,782	630,491,778
U.S. Government Obligations	1,682,432,384	115,546,882	1,797,979,266	1,729,429,603	112,640,264	1,842,069,867
Domestic Corporate Bonds	1,374,946,321	94,429,211	1,469,375,532	1,118,181,142	72,828,763	1,191,009,905
Foreign Bonds	17,405,729	1,195,399	18,601,128	17,726,891	1,154,578	18,881,469
Domestic Stocks	5,003,234,954	343,614,522	5,346,849,476	5,624,750,153	366,348,153	5,991,098,306
Foreign Stocks	2,137,109,111	146,773,383	2,283,882,494	2,283,651,627	148,737,550	2,432,389,177
Real Estate	1,158,264,541	79,547,837	1,237,812,378	1,054,001,972	68,648,681	1,122,650,653
Alternative Investments	1,691,150,749	116,145,646	1,807,296,395	1,560,454,311	101,634,657	1,662,088,968
Total Investments	13,556,716,309	931,054,536	14,487,770,845	13,980,133,695	910,546,428	14,890,680,123
Securities Lending Collateral	1,202,971,011	82,618,209	1,285,589,220	-	-	-
TOTAL ASSETS	14,934,754,582	1,032,706,178	15,967,460,760	14,056,297,547	915,233,755	14,971,531,302
LIABILITIES						
Accounts Payable and Accrued Expenses	7,570,804	481,768	8,052,572	8,852,470	539,056	9,391,526
Benefits in Process of Payment	17,260,715	326,196	17,586,911	13,125,933	265,838	13,391,771
Due to Brokers	165,721,870	11,381,524	177,103,394	286,310,963	18,647,849	304,958,812
Mortgage Payable	194,155,806	13,334,324	207,490,130	223,820,378	14,577,747	238,398,125
Securities Lending Collateral	1,202,971,011	82,618,209	1,285,589,220	-	-	-
TOTAL LIABILITIES	1,587,680,206	108,142,021	1,695,822,227	532,109,744	34,030,490	566,140,234
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	$ 13,347,074,376	$ 924,564,157	$ 14,271,638,533	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068

The notes are an integral part of these financial statements.

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CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ADDITIONS						
Contributions						
Employer Contributions	$ 321,593,433	$ 122,971,851	$ 444,565,284	$ 277,092,251	$ 111,681,208	$ 388,773,459
Member Contributions	120,099,124	-	120,099,124	105,534,628	-	105,534,628
Total Contributions	441,692,557	122,971,851	564,664,408	382,626,879	111,681,208	494,308,087
Investment Income (Loss)						
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	(91,411,397)	(5,956,145)	(97,367,542)	2,267,008,678	139,746,840	2,406,755,518
Interest	113,081,586	7,368,121	120,449,707	76,976,680	4,745,129	81,721,809
Dividends	169,456,008	11,041,343	180,497,351	185,389,183	11,428,078	196,817,261
Net Real Estate Income	59,570,573	3,881,474	63,452,047	36,921,244	2,275,963	39,197,207
Income from Alternative Investments	16,740,574	1,090,775	17,831,349	17,635,470	1,087,116	18,722,586
Securities Lending Income	5,950,645	387,730	6,338,375	2,367,899	145,966	2,513,865
Less: Securities Lending Expense	(594,240)	(38,719)	(632,959)	(259,291)	(15,984)	(275,275)
Other Income	1,285,334	83,749	1,369,083	4,471,989	275,670	4,747,659
Subtotal	274,079,083	17,858,328	291,937,411	2,590,511,852	159,688,778	2,750,200,630
Less: Investment Manager Expense	(48,621,792)	(3,168,078)	(51,789,870)	(52,357,054)	(3,227,483)	(55,584,537)
Net Investment Income	225,457,291	14,690,250	240,147,541	2,538,154,798	156,461,295	2,694,616,093
Other Income						
Miscellaneous	1,876,735	122,284	1,999,019	2,123,865	130,923	2,254,788
Total Other Income	1,876,735	122,284	1,999,019	2,123,865	130,923	2,254,788
TOTAL ADDITIONS	669,026,583	137,784,385	806,810,968	2,922,905,542	268,273,426	3,191,178,968
DEDUCTIONS						
Pension Benefits	831,190,554	-	831,190,554	786,860,516	-	786,860,516
Payment of Health Subsidy	-	85,304,547	85,304,547	-	81,401,095	81,401,095
Payment of Medicare Reimbursement	-	8,232,089	8,232,089	-	7,870,389	7,870,389
Refund of Contributions	1,338,502	-	1,338,502	3,145,172	-	3,145,172
Administrative Expenses	13,610,954	886,857	14,497,811	12,662,390	780,557	13,442,947
TOTAL DEDUCTIONS	846,140,010	94,423,493	940,563,503	802,668,078	90,052,041	892,720,119
NET INCREASE (DECREASE)	(177,113,427)	43,360,892	(133,752,535)	2,120,237,464	178,221,385	2,298,458,849
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	13,524,187,803	881,203,265	14,405,391,068	11,403,950,339	702,981,880	12,106,932,219
End of Year	$ 13,347,074,376	$ 924,564,157	$ 14,271,638,533	$ 13,524,187,803	$ 881,203,265	$ 14,405,391,068

The notes are an integral part of these financial statements.

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CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 – DESCRIPTION OF THE PLANS

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

Pension Plan

The System's Pension Plan is a defined benefit single-employer pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor Port Police officers of the City of Los Angeles. The System also covers those certified paramedics and civilian ambulance employees who transferred from the Los Angeles City Employees' Retirement System (LACERS) during the year ended June 30, 1983, or have since been hired. The System is composed of six tiers. Effective July 1, 2011, a new pension tier, Tier 6, was added. Benefits are based on the members' pension tier, pension salary base, and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

Tier 1 includes members hired on or before January 28, 1967. Tier 2 includes members hired from January 29, 1967 through December 7, 1980, and those Tier 1 members who transferred to Tier 2 during the enrollment period of January 29, 1967 to January 29, 1968. Tier 3 includes members hired from December 8, 1980 through June 30, 1997 and those Tier 4 members hired during the period of July 1, 1997 through December 31, 1997 who elected to transfer to Tier 3 by the enrollment deadline of June 30, 1998. Tier 4 includes members hired from July 1, 1997 through December 31, 2001 and those Tier 3 members who elected to transfer to Tier 4 by the enrollment deadline of June 30, 1998. Tier 5 includes members hired from January 1, 2002 through June 30, 2011 and those Active members of Tiers 2, 3, and 4 who elected to transfer to Tier 5 during the enrollment period of January 2, 2002 through December 31, 2002. Tier 6 was established for all firefighters and police officers hired on or after July 1, 2011.

Tier 6 is also the current tier for all Harbor Port Police officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2011. Harbor Port Police officers hired before January 8, 2006 who were members of LACERS were allowed to transfer to Tier 5 during the enrollment period of January 8, 2006 to January 5, 2007.

Tier 1 members hired prior to January 17, 1927, with 20 years of service are entitled to annual pension benefits equal to 50%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 members hired on or after January 17, 1927, with 20 or more years of service are entitled to annual pension benefits equal to 40%, increasing for each year of service over 20 years, to a maximum of 66-2/3% of the average monthly rate of salary assigned to the ranks or positions held by the member during the three years immediately preceding the date of retirement. Tier 1 has no minimum age requirement and provides for unlimited post-employment cost-of-living adjustments (COLA) based on the Consumer Price Index (CPI). Tier 1 members who were active as of July 1, 1982, and who terminated their employment after July 1, 1982, were entitled to a refund of contributions plus Board of Fire and Police Pension Commissioners (Board) approved interest if they did not qualify for a pension or if they waived their pension entitlements.

Tier 2 members with 20 or more years of service are entitled to annual pension benefits equal to 40% of their final compensation, increasing for each year of service over 20 years, to a maximum of 70% for 30 years. Tier 2 has no minimum age requirement and provides for unlimited post-employment COLAs based on the CPI. Tier 2 members who were active as of July 1, 1982, and who terminate their employment after July 1, 1982, are entitled to a refund of contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

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

Tier 4 members must have at least 20 years of service to be entitled to a service pension. There is no minimum age requirement. Annual pension benefits are equal to 40% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 70% for 30 years. Tier 4 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. The City Council may grant an ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment before they are eligible for pension benefits do not receive a refund of contributions.

Tier 5 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for post-employment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

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

Health Subsidy Plan

Members of the System are entitled to post-employment health subsidy benefits under Sections 1330, 1428, 1518, 1618, and 1718 of the City Charter, and Section 4.2018 of the Administrative Code, and related ordinances. Members who retire from the System with at least ten years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits began at age 60.

Temporary subsidies are available to certain groups at earlier ages. For retirement effective dates on or after July 1, 1998, regular benefits begin at age 55.

Administrative Code Section 4.1154 (e) provides that, on an annual basis beginning in 2006, the System's Board is authorized to make discretionary changes to the maximum monthly subsidy, so long as no increase exceeds the lesser of a 7% increase or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year. Effective July 1, 2011, the maximum subsidy amount is $1,097.41 per month. The maximum monthly subsidy for fiscal year 2011 was $1,025.62. The System also reimburses Medicare Part B premiums for any pensioner enrolled in Medicare Parts A and B, and eligible to receive a subsidy.

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Health Subsidy Plan (Continued)

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, 2012 and 2011, total net assets in the amounts of $924,564,157 and $881,203,265, respectively, were available for the Health Subsidy Plan. Effective July 1, 2008, actual employer contributions and benefit payments relating to health subsidy benefits are separately accounted to comply with Internal Revenue Code Section 401 (h).

Health Insurance Premium Reimbursement Program

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

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

The reimbursement paid is a percentage of the maximum subsidy for health care. The maximum monthly subsidy for fiscal years 2012 and 2011 were $1,097.41 and $1,025.62, respectively. For members with Medicare Parts A and B, a different subsidy maximum is used. The System also reimburses basic Medicare Part B premiums for any pensioner eligible to receive a subsidy and enrolled in Medicare Parts A and B.

Dental Subsidy Plan

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

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

The benefit paid is a percentage of a maximum subsidy for dental care based on the lower of the dental subsidy in effect for LACERS (civilian retirees) or active Safety Members. The maximum monthly subsidy amount was $36.16 for the period of January 1, 2011, through December 31, 2011, and $44.14 for the period of January 1, 2012, through June 30, 2012. In determining the dental subsidy, members receive 4% for each completed year of service, up to 100% of the subsidy.

Deferred Retirement Option Plan

Effective May 1, 2002, members of the System have the option to enroll in the Deferred Retirement Option Plan (DROP) under Section 4.2100 of the Administrative Code. Members of Tiers 2 and 4 who have at least 25 years of service, and members of Tiers 3 and 5 who have at least 25 years of service and who are at least age 50 are eligible for DROP. Participation in DROP by Tier 6 members is subject to amendment of the Administrative Code.

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

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Deferred Retirement Option Plan (Continued)

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

At June 30, 2012 and 2011, 1,193 and 1,201 pensioners, respectively, were enrolled in the DROP program, with total estimated values of the DROP accounts of approximately $237,048,190 and $224,699,403, respectively.

Two Percent Opt-In

On July 15, 2011, the City Council adopted an ordinance to permanently freeze the retiree health subsidies and reimbursements for members of the System who retired or entered DROP on or after July 15, 2011. This ordinance added language to the Los Angeles Administrative Code to freeze the maximum monthly non-Medicare subsidy at the July 1, 2011, rate of $1,097.41 per month, and freeze the maximum monthly Medicare subsidy as of the January 1, 2011, rate of $480.41 per month. However, the ordinance also provided that members may make an irrevocable election to contribute towards vesting increases in the maximum medical subsidy, as allowed by an applicable Memorandum of Understanding.

Members who opted-in to make additional pension contributions are entitled to the current maximum medical subsidy benefit and all future subsidy increases once they retire and become eligible to receive a subsidy. The opt-in period for the majority of the members began August 15, 2011, and closed September 29, 2011.

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

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Membership

The components of the System's membership at June 30, 2012 and 2011, are as follows:

	2012	2011
Active Nonvested:		
Tier 1	-	-
Tier 2	-	-
Tier 3	4	4
Tier 4	199	204
Tier 5	8,237	8,416
Tier 6	355	-
	8,795	8,624
Active Vested:		
Tier 1	-	-
Tier 2	87	115
Tier 3	918	933
Tier 4	184	193
Tier 5	3,412	3,567
Tier 6	-	-
	4,601	4,808
Pensioners and Beneficiaries:		
Tier 1	600	686
Tier 2	8,535	8,727
Tier 3	466	459
Tier 4	197	185
Tier 5	2,582	2,335
Tier 6	-	-
	12,380	12,392
	25,776	25,824

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Reporting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Method Used to Value Investments

Temporary investments, consisting primarily of bankers' acceptances, commercial paper, certificates of deposit, pooled temporary investments, U.S. Treasury bills, and repurchase agreements along with bonds, stocks, and alternative investments are reported at fair value. Pooled temporary investments represent funds invested in a custodian-managed discretionary short-term investment fund. This fund invests in a variety of U.S. and foreign securities rated A1 or P-1, or equivalent quality as determined by the custodian.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange in effect at the System's year-end. Resulting gains or losses are included in the System's Statements of Changes in Plan Net Assets.

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

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

Investments are carried at fair value. The stated market value of securities investments is generally based on published market prices or quotations from major investment dealers. Investments for which market quotations are not readily available are valued at their fair value. The fair values of private equity investments are estimated by the investment managers 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 investment managers of investee limited partnerships. Hedge Fund of Funds investments are valued by the fund manager based upon the information they receive from individual hedge fund managers with which they have invested monies. Real estate investments are recorded in the financial statements under the equity method and are carried at fair value as determined by a periodic external appraisal. The fair values of real estate investment funds are provided by the individual real estate fund managers.

Cash

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

Use of Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Pronouncements

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The new standards will be implemented as scheduled.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pension Plans—an Amendment of GASB Statement No 25* revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. The new standards require employers to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. For employers, the new financial reporting provisions are effective for its fiscal year ending June 30, 2015.

NOTE 3 – FUNDING POLICY AND CONTRIBUTION INFORMATION

As a condition of participation, members are required to contribute a percentage of their salaries to the System. Tier 1 members were required by the City Charter to contribute 6% of salary. The System's actuary recommended that Tier 2 members contribute 1% in addition to the 6% rate provided in the City Charter, for a total of 7% of salary. Tier 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of the Tier 5 required contribution rate contingent on the System remaining at least 100% actuarially funded for pension benefits. Since July 1, 2006, Tier 5 members have been required to contribute 9% of salary because the System has remained less than 100% actuarially funded for pension benefits as determined by the System's actuary. Tier 6 members are required to contribute 9% of salary for regular pension contributions. Tier 6 members are also required to make an additional pension contribution of 2% of salary to support the City's ability to fund retiree health benefits.

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

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

B. For members of Tiers 1 and 2, a dollar amount or percentage necessary to amortize the "unfunded liability" of the System over a 70-year period, beginning with the fiscal year commencing July 1, 1967. Under Tiers 3, 4, 5 and 6, any "unfunded liability" resulting from plan amendments shall be amortized over a 30-year period, and actuarial experience gains and losses shall be amortized over a 15-year period. For Tier 6, the unfunded liabilities shall be funded in accordance with the actuarial funding method adopted by the Board upon the advice of the consulting actuary. With the advice of the consulting actuary, the Board shall establish amortization policies for unfunded actuarial accrued liabilities and surpluses.

C. An amount to provide for the Health Subsidy Plan.

Accordingly, the City's contributions as determined by the System's actuary for items A, B, and C above, net of early payment discount, for the fiscal years ended June 30, 2012 and 2011 to be as follows ($ in millions):

Fiscal Year Ended June 30, 2012

	Fire and Police						Harbor Port Police	
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6
Entry age cost*	N/A	$ 3.99	$ 15.38	$ 6.62	$ 208.55	$ 0.37	$ 2.06	$ 0.04
Unfunded supplemental present value amount *	$ 16.84	$ (12.39)	$ 6.56	$ 3.82	$ 68.83	$ 0.16	$ 0.74	$ 0.02
Health subsidy entry age cost*	N/A	$ 0.57	$ 3.33	$ 1.40	$ 38.46	$ 0.12	$ 0.50	$ 0.01
Health subsidy unfunded actuarial accrued liability annual amount*	$ 2.27	$ 43.74	$ 3.19	$ 2.08	$ 27.16	$ 0.08	$ 0.06	$ -

*Stated in million dollars

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NOTE 3 – FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

Fiscal Year Ended June 30, 2011

	Fire and Police					Harbor Port Police
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 5
Entry age cost*	N/A	$ 4.40	$ 15.87	$ 6.67	$ 206.87	$ 1.98
Amortization of unfunded liability*	$ 17.60	$ (29.55)	$ 5.14	$ 2.87	$ 44.65	$ 0.60
Health subsidy plan	N/A	$ 0.55	$ 3.47	$ 1.43	$ 39.27	$ 0.42
Health subsidy unfunded actuarial accrued liability annual amount*	$ 2.01	$ 37.74	$ 3.10	$ 2.10	$ 21.43	$ 0.07

*Stated in million dollars.

During fiscal year 2012, total contributions of $564,664,408 ($444,565,284 from the employer and $120,099,124 from the members) were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2010. For the Pension Plan, fiscal year 2012 employer contributions included $237.0 million for normal cost and $84.6 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2012 employer contributions consisted of $44.4 million for normal cost and $78.6 million for unfunded actuarial accrued liability annual amount.

During fiscal year 2011, total contributions of $494,308,087 ($388,773,459 from the employer and $105,534,628 from the members) were made, with respect to the Pension Plan and Health Subsidy Plan, in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2009. For the Pension Plan, fiscal year 2011 employer contributions included $235.8 million for normal cost and $41.3 million for unfunded supplemental present value annual amount. For the Health Subsidy Plan, fiscal year 2011 employer contributions consisted of $45.1 million for normal cost and $66.5 million for unfunded actuarial accrued liability annual amount.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS

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

Pension Plan

The June 30, 2012 and 2011 annual valuations determined the funding status to be 83.7% and 86.3%, respectively. For 2012, if the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 83.7% to 77.9%.

The funded status of the Pension Plan as of June 30, 2012, the most recent actuarial valuation date, is as follows ($ in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) – (a)) / (c)
$ 14,251,914	$ 17,030,833	$ 2,778,919	83.7%	$ 1,341,914	207.1%

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

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NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Pension Plan (Continued)

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

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tiers 2, 3, and 4, level percent of payroll amortization with multiple layers is used as a percent of TOTAL valuation payroll from the respective employer (i.e., City or Harbor Port Police). For Tiers 5 and 6, level percent of payroll with multiple layers is used as a percent of combined payroll for these tiers from the respective employer (i.e., City or Harbor Port Police). Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 25 years. Plan changes are amortized over 15 years.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008, is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Assumptions:	
Investment Return Rate	7.75%
Inflation Rate	3.50%
Real Across-the-Board Salary Increase	0.75%
Projected Salary Increase	Ranges from 5.25 to 12.25% based on service.
Cost-of-Living Adjustments	3.50% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5, and 6 retirement income.
Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality Table (separate for males and females) set back four years for members. RP-2000 Combined Health Mortality Table (separate for males and females) set back two years for beneficiaries.
Disabled	RP-2000 Combined Health Mortality Table (separate for males and females) set back two years.

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NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan

The June 30, 2012 and 2011 annual valuations determined the funding status to be 37.1% and 34.5%, respectively. If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 37.1% to 34.6%.

The funded status of the Health Subsidy Plan as of June 30, 2012, the most recent actuarial valuation date, is as follows ($ in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) – (a)) / (c)
$ 927,362	$ 2,499,289	$ 1,571,927	37.1%	$ 1,341,914	117.1%

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

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

Valuation Date: June 30, 2012

Actuarial Cost Method: Entry Age Normal, Level Percent of Pay

Amortization Method: Closed amortization periods. On September 6, 2012, the Board adopted the following amortization policy:

Type of Base	Amortization Period (Closed)
Actuarial Gains or Losses[1]	20
Assumption or Method Changes	25
Plan Amendments	15
ERIPs	5
Actuarial Surplus	30

[1] Retiree health assumption changes are treated as gains and losses and amortized over 20 years.

Remaining Amortization Period: As of June 30, 2012:

24 years for bases established prior to June 30, 2012
20 years for bases established on June 30, 2012

Asset Valuation Method: Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008, is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Actuarial Assumptions:

Investment Rate of Return	7.75%
Inflation Rate	3.50%
Across-the-Board Pay Increase	0.75%
Projected Salary Increase	4.25%

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

Medical	8.5% in 2012-2013, then decreasing by 0.5% for each year for seven years until it reaches an ultimate rate of 5%.
Dental	5%
Medicare Part B Premium	The 2013-2014 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.
Medical Subsidy Trend	For employees not subject to freeze: For all non-Medicare retires, increase at lesser of 7% or medical trend. For Medicare retirees with single party premium, increase with medical trend. For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2012 (e.g., Police Blue Cross), increase with medical trend. For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2012 (e.g., Police Blue Cross), increase with lesser of 7% or medical trend.

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

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

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NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

Participation

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

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

Dental Coverage: 75% of future retirees are assumed to elect dental coverage.

Spousal Coverage: Of future retirees receiving a medical subsidy, 80% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date, spousal coverage is based on census data.

Implicit Subsidy: No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

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

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

For Participants under Age 65:

		Maximum Subsidies		
Plan	Assumed Election Percentage	Single	Married	Surviving Spouse
Fire Medical PPO	75	$ 1,174.23	$ 1,174.23	$ 593.62
Fire Kaiser	15	1,174.23	1,174.23	593.62
Fire Blue Cross HMO	5	1,174.23	1,174.23	593.62
Fire California Care HMO	5	1,174.23	1,174.23	593.62
Police Blue Cross PPO	65	1,174.23	1,174.23	593.62
Police California Care HMO	15	1,174.23	1,174.23	593.62
Police Kaiser	20	1,174.23	1,174.23	593.62
Dental	75	44.14	44.14	-

NOTE 4 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Health Subsidy Plan (Continued)

For Participants Age 65 and Over:

Plan	Assumed Election Percentage	Maximum Subsidies Single	Maximum Subsidies Married	Maximum Subsidies Surviving Spouse
Fire Medical PPO	90	$ 423.45	$ 699.66	$ 423.45
Fire Kaiser	10	423.45	755.66	423.45
Fire Blue Cross HMO	0	423.45	924.35	423.45
Fire California Care HMO	0	423.45	764.30	423.45
Police Blue Cross PPO	75	423.45	870.03	423.45
Police California Care HMO	10	423.45	823.06	423.45
Police Kaiser	15	423.45	441.05	423.45
Dental	75	44.14	44.14	-
Medicare B*	100	99.90	99.90	99.90

*Note: For January 1 to December 31, 2011, the Medicare Part B premium was either $96.40, $110.50, or $115.40 depending upon the year a member enrolled and whether they were subjected to the income adjusted Medicare Part B premium.

NOTE 5 – SECURITIES LENDING

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

Upon direction of the Board, the custodian may loan securities to brokers or dealers or other borrowers upon such terms and conditions, as it deems advisable. Collateral for the securities on loan will be maintained at a level of at least 102 percent of their fair value plus any accrued interest for U.S. securities lending and 105 percent of the fair value plus any accrued interest for non-U.S. securities lending. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

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

These agreements provide the return of the securities and revenue determined by the type of collateral received (from which the custodian's fee is deducted). The securities on loan to brokers are shown at their fair value on the System's Statements of Plan Net Assets.

As required by GASB, cash received as collateral on securities lending transactions is reported as assets, and the liabilities from these transactions are reported in the Statements of Plan Net Assets. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

NOTE 5 – SECURITIES LENDING (Continued)

As of June 30, 2012 and 2011, the fair value of securities lent was $1,421,442,839 and $393,761,554, respectively, and the fair value of collateral received was $1,442,912,340 and $407,252,526, respectively. Of the $1,442,912,340 collateral received as of June 30, 2012, $1,285,589,220 was cash collateral and $157,323,120 represented the fair value of non-cash collateral; and of the $407,252,526 collateral received as of June 30, 2011, there was no cash collateral reported and $407,252,526 represented the value of non-cash collateral. Non-cash collateral, which the System does not have the ability to pledge or sell unless the borrower defaults, is not reported in the Statements of Plan Net Assets.

The following represents the balances relating to the security lending transactions as of June 30, 2012 and 2011.

Fair value of collateral received for loaned securities as of June 30, 2012:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	$ 921,140,219	$ 22,702,166	$ 943,842,385
Domestic Corporate Fixed Income Securities	179,946,570	-	179,946,570
International Stocks	184,502,431	134,620,954	319,123,385
	$ 1,285,589,220	$ 157,323,120	$ 1,442,912,340

Fair value of loaned securities as of June 30, 2012:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ 914,399,782	$ 22,657,469	$ 937,057,251
Domestic Corporate Fixed Income Securities	177,849,930	-	177,849,930
International Stocks	180,180,386	126,355,272	306,535,658
	$ 1,272,430,098	$ 149,012,741	$ 1,421,442,839

NOTE 5 – SECURITIES LENDING (Continued)

Fair value of collateral received for loaned securities as of June 30, 2011:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	$ -	$ 202,739,831	$ 202,739,831
Domestic Corporate Fixed Income Securities	-	20,770,902	20,770,902
International Stocks	-	183,741,793	183,741,793
	$ -	$ 407,252,526	$ 407,252,526

Fair value of loaned securities as of June 30, 2011:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ -	$ 199,097,441	$ 199,097,441
Domestic Corporate Fixed Income Securities	-	20,356,958	20,356,958
International Stocks	-	174,307,155	174,307,155
	$ -	$ 393,761,554	$ 393,761,554

For the fiscal years ended June 30, 2012 and 2011, securities lending income amounted to $6,338,375 and $2,513,865, respectively, while securities lending expenses amounted to $632,959 and $275,275, respectively.

NOTE 6 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS

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

The System considers investments purchased with a maturity of 12 months or less to be temporary investments. At June 30, 2012, cash and temporary investments consisted of $6,035,672 cash held by the City Treasurer's office and $525,974,176 in collective short-term investment funds (STIF). At June 30, 2011, cash and temporary investments consisted of $5,373,537 cash held by the City Treasurer's office and $630,491,778 in collective STIF. Cash held by the City Treasurer's office is pooled with funds of other City agencies and is not individually identifiable.

Credit Risk

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

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

Credit Risk (Continued)

As of June 30, 2012, the quality ratings of the System's fixed income investments in U.S. Government obligations and domestic corporate and foreign bonds are as follows:

Quality Rating	Fair Value	Percentage
AAA	$ 103,937,554	3.26%
AA	52,660,719	1.65%
A	379,962,698	11.91%
BBB	983,428,727	30.83%
BB	66,952,816	2.10%
B	77,625,398	2.43%
CCC	41,956,412	1.32%
CC	13,753,126	0.43%
C	1,991,806	0.06%
Not Rated	1,467,929,586	46.01%
Subtotal	3,190,198,842	100.00%
U.S. Government Issued or Guaranteed Securities	95,757,084	
Total Fixed Income Investments	$ 3,285,955,926	

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

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

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, 2012 and 2011, the System's exposure to custodial credit risk comprised of foreign currencies held outside the custodial bank amounted to $18,348,839 and $25,042,723, respectively.

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

Custodial Credit Risk (Continued)

For investment securities, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 counterparty. As of June 30, 2012 and 2011, the System's investments in publicly traded stocks and bonds were not exposed to custodial risk since they are all held by the custodian and are registered in the System's name. As of June 30, 2012 and 2011, the System's investments in hedge fund of funds of $598,713,969 and $598,654,338, private equity of $1,208,584,553 and $1,063,434,630, and commingled real estate funds of $587,101,735 and $530,167,289, were exposed to custodial credit risk, respectively.

Concentration of Credit Risk

Concentration of credit risk exists when the System has investments in a single issuer totaling 5% or more of the total investment portfolio. As of June 30, 2012 and 2011, 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 Barclays US Aggregate Bond Index for core fixed income investments, (2) the Barclays US Government/Credit Long-Term Bond Index for long duration investments, and (3) the B of A ML High Yield Master II Index for high yield investments. The longer the duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the System's investments to interest rate fluctuations is provided in the following table that shows the weighted average effective duration of the System's fixed income investments by investment type.

Fiscal Year 2012

Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	$ 111,169,244	5.33
Commercial Mortgages	41,054,629	27.85
Corporate Bonds	1,284,924,347	18.65
Government Agencies Bonds	57,175,552	4.44
Government Bonds	617,536,223	31.83
Government Mortgage Backed Securities	390,719,282	21.47
Index Linked Government Bonds	766,223,197	9.97
Non-Government Backed Collateralized Mortgage Obligations	5,744,057	20.88
Bond Index Fund*	11,409,395	N/A
Total Fixed Income Investments	$ 3,285,955,926	

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

Interest Rate Risk (Continued)

Fiscal Year 2011

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

* Shares are in commingled fixed income funds.

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

Fiscal Year 2012

Investment Type	Fair Value
Asset Backed Securities	$ 111,169,244
Commercial Mortgages	41,054,629
Government Agencies Bonds	57,175,552
Government Mortgage Backed Securities	390,719,282
Index Linked Government Bonds	766,223,197
Non-Government Backed Collateralized Mortgage Obligations	5,744,057
	$ 1,372,085,961

Fiscal Year 2011

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

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

Foreign Currency Risk

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

The System's foreign investment holdings, including foreign currencies in temporary investments as of June 30, 2012, are as follows:

Foreign Currency Type	Fair Value
Australian Dollar	$ 60,157,586
Brazilian Real	64,294,125
British Pound Sterling	403,431,353
Canadian Dollar	47,315,672
Chilean Peso	7,345,984
Columbian Peso	798,298
Czech Koruna	1,786,081
Danish Krone	20,966,827
Euro	504,320,456
Hong Kong Dollar	171,069,603
Hungarian Forint	1,712,719
Indian Rupee	35,841,686
Indonesian Rupiah	19,401,738
Japanese Yen	374,201,124
Malaysian Ringgit	22,148,438
Mexican Peso	23,686,532
New Israeli Shekel	2,408,126
New Taiwan Dollar	87,693,143
New Zealand Dollar	512,708
Norwegian Krone	14,873,346
Peruvian Nuevo Sol	666,844
Philippine Peso	7,834,664
Polish Zloty	8,683,196
Singapore Dollar	26,362,070
South African Rand	58,581,578
South Korean Won	128,795,413
Swedish Krona	52,159,858
Swiss Franc	118,121,213
Thai Baht	19,292,285
Turkish Lira	18,020,956
	$ 2,302,483,622

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

Foreign Currency Risk (Continued)

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS

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

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

NOTE 7 – DERIVATIVE INSTRUMENTS (Continued)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows ($ in thousands):

	Changes in Fair Value		Fair Value at June 30, 2012		Notional
Type	Classification	Amount	Classification	Amount	Amount
Investment Derivatives:					
Futures - Shorts		$ -	Investment	$ -	$ (14,119)
Futures - Longs	Investment Loss	503	Investment	-	3,574
Forwards	Investment Revenue	(1,769)	Investment	(28)	-
Rights/Warrants	Investment Loss	1,111	Investment	108	-

At June 30, 2012, the System held futures-shorts with a notional value of ($14,118,906) and the futures-longs with the notional value of $3,573,525 with a realized loss of $503,264 for the fiscal year. The System held forwards with a fair value of ($27,837) and rights and warrants with a fair value of $108,178. Earnings of $1,769,285 were reported for the fiscal year for forwards and loss of $1,111,030 was reported for rights and warrants respectively for the fiscal year.

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

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

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

NOTE 8 – MORTGAGES PAYABLE

Mortgages are secured by real estate. For fiscal year 2012, interest rates range from 2.94% to 7.50% per annum. The average monthly principal and interest payments range from $43,348 to $929,868. For fiscal year 2011, interest rates range from 4.03% to 7.50% per annum. Monthly principal and interest payments range from $47,790 to $459,542.

NOTE 8 – MORTGAGES PAYABLE (Continued)

The mortgages mature from January 2014 to June 2031. Principal and interest payments due under such mortgages are as follows for the years ending June 30:

Year Ending	Principal	Interest	Total
2013	$ 520,173	$ 11,158,419	$ 11,678,592
2014	10,976,163	10,604,429	21,580,592
2015	13,443,093	9,628,464	23,071,557
2016	36,675,080	9,037,935	45,713,015
2017	81,923,615	5,218,673	87,142,288
2018-2022	56,025,732	12,741,805	68,767,537
2023-2027	3,883,076	1,803,086	5,686,162
2028-2031	4,043,198	505,731	4,548,929
	$ 207,490,130	$ 60,698,542	$ 268,188,672

The mortgages are secured by real estate that was purchased with the funds.

The following is a summary of mortgage payable activity for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Pay-Downs	Balance June 30, 2012
Mortgage Payable	$ 238,398,125	$ 25,900,000	$ (56,807,995)	$ 207,490,130

NOTE 9 – OPERATING LEASE

The System leases office space under an operating lease that expires on April 14, 2014. The annual lease payments for the fiscal years ended June 30, 2011 and 2012, were $1,042,094 and $913,374, respectively.

The minimum lease commitment for future fiscal years is as follows:

Year Ended June 30	
2013	$ 840,000
2014	810,000
	$ 1,650,000

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Termination Rights

All members who were active on or after July 1, 1982, have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement, except Tier 4 members. The dollar amount of contributions and interest subject to this right were $1,498,454,279 and $1,417,834,361 as of June 30, 2012 and 2011, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Termination Rights (Continued)

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

Investment Commitment

The System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $962,188,539 and $3,206,716,538 at June 30, 2012 and 2011, respectively. As of June 30, 2012, the System was in negotiation with the State of Arizona over the value received in a taking of property that was owned by the System and may result in additional payment to the System.

The Patient Protection and Affordable Care Act (PPACA) of 2010

The PPACA of 2010 contains a provision that would impose a forty percent excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2018. If there is no change in the law or the System plan provisions between now and 2018, and if the current medical cost trend stays substantially the same during the same period, some of the System post-employment healthcare plans will be subject to the excise tax in 2018. GASB has not yet issued any guidance on accounting or financial reporting of this potential future liability.

NOTE 11 – DONATIONS

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

As previously reported in fiscal year ending June 30, 2005, the System has been informed that the Internal Revenue Service is disputing the tax treatment claimed by the donors in connection with these donations of stock. There have been no allegations of inappropriate activity by the System. The last donation of private equity accepted by the System was in 2002. The System has sold or returned the majority of donation of private equity since August 2005. The System has received the following income from these donations: $2,685,000 in 2002; $2,918,066 in 2003; $14,402,308 in 2004; $7,791,262 in 2005; none in 2006; $864,281 in 2007; $67,568 in 2008; $50,676 in 2009; and no dividends in 2010, 2011, nor 2012.

NOTE 12 – RISKS AND UNCERTAINTIES

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

NOTE 13 – SUBSEQUENT EVENTS

On September 12, 2012, Governor Jerry Brown signed Assembly Bill 340, known as the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), into law. The new law is complex and broad-reaching and takes effect on January 1, 2013. The System is currently working with the City to analyze CalPEPRA and determine how it will apply to the City of Los Angeles.

Management has evaluated subsequent events through January 10, 2013, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
JUNE 30, 2012

SCHEDULE 1A
SCHEDULE OF FUNDING PROGRESS – PENSION PLAN
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 2006	$ 12,121,402,902	$ 12,811,383,737	$ 689,980,835	94.6%	$ 1,092,814,844	63.1%
June 30, 2007	13,215,668,458	13,324,089,628	108,421,170	99.2%	1,135,591,951	9.5%
June 30, 2008	14,153,296,122	14,279,115,742	125,819,620	99.1%	1,206,589,277	10.4%
June 30, 2009	14,256,610,416	14,817,145,691	560,535,275	96.2%	1,357,248,936	41.3%
June 30, 2010	14,219,580,662	15,520,624,313	1,301,043,651	91.6%	1,356,986,475	95.9%
June 30, 2011	14,337,669,409	16,616,476,266	2,278,806,857	86.3%	1,343,963,356	169.6%
June 30, 2012	14,251,913,532	17,030,833,184	2,778,919,652	83.7%	1,341,913,739	207.1%

SCHEDULE 1B
SCHEDULE OF FUNDING PROGRESS – HEALTH SUBSIDY PLAN
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Total System Payroll	UAAL as a % of Payroll
June 30, 2006	$ 613,782,166	$ 1,631,187,439	$ 1,017,405,273	37.6%	$ 1,092,814,844	93.1%
June 30, 2007	687,096,380	1,656,653,149	969,556,769	41.5%	1,135,591,951	85.4%
June 30, 2008	767,647,562	1,836,840,337	1,069,192,775	41.8%	1,206,589,277	88.6%
June 30, 2009	809,676,978	2,038,658,698	1,228,981,720	39.7%	1,357,248,936	90.5%
June 30, 2010	817,275,977	2,537,825,016	1,720,549,039	32.2%	1,356,986,475	126.8%
June 30, 2011	882,890,188	2,557,606,524	1,674,716,336	34.5%	1,343,963,356	124.6%
June 30, 2012	927,361,635	2,499,288,516	1,571,926,881	37.1%	1,341,913,739	117.1%

CITY OF LOS ANGELES FIRE AND POLICE PENSION SYSTEM
JUNE 30, 2012

SCHEDULE 2A
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION PLAN
(UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contribution	Percent Contributed
2006	$ 143,945,802	$ 143,945,802	100.00%
2007	224,946,082	224,946,082	100.00%
2008(1)	261,635,491	261,635,491	100.00%
2009	238,697,929	238,697,929	100.00%
2010	250,516,858	250,516,858	100.00%
2011	277,092,251	277,092,251	100.00%
2012	321,593,433	321,593,433	100.00%

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

SCHEDULE 2B
SCHEDULE OF EMPLOYER CONTRIBUTIONS – HEALTH SUBSIDY PLAN
(UNAUDITED)

Fiscal Years Ending	Annual Required Contribution	Actual Contribution	Percent Contributed
2007	$ 55,162,681 (1)	$ 55,162,681	100.00%
2008	98,033,338 (2)	78,257,328	79.83%
2009	98,444,833 (3)	88,178,910	89.57%
2010	106,648,282	106,648,282	100.00%
2011	111,681,208	111,681,208	100.00%
2012	122,971,851	122,971,851	100.00%

(1) Payable at the beginning of the year. For years 2007 and prior, Annual Required Contribution may not have been determined in compliance with GASB Statement No. 43 and No. 45 due to maximum amortization period and/or for the medical trend rate employed.

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

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

DEPARTMENT BUDGET

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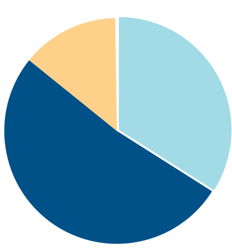
DEPARTMENT BUDGET

Receipts	Budgeted 2011-2012	Actual 2011-2012
City Contribution	471,384,436	441,124,223
Special Fund (Harbor)	3,623,130	3,441,061
Excess Benefit Plan[1]	736,292	748,494
Member Contributions	107,682,801	120,099,124
Earnings on Investments	251,000,000	389,304,953
Gain (Loss) on Sale of Investments	—	(97,367,542)
Miscellaneous[2]	1,000,000	1,999,019
Total Receipts	835,426,659	859,349,332

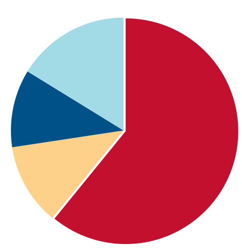
[1] Represents the City of Los Angeles General Fund earmarked to pay excess benefits including associated administrative costs in compliance with IRC Section 415.
[2] Represents receipts from purchase of prior years' pension overpayment.

Expenditures	Budgeted 2011-2012	Actual 2011-2012
Service Pensions	509,000,000	487,489,404
Service Pensions - DROP Payout	132,800,000	116,729,748
Disability Pensions	120,000,000	116,390,536
Surviving Spouse Pensions	109,000,000	108,773,859
Minor/Dependent Pensions	2,300,000	1,807,007
Refund of Member Contributions	4,000,000	1,338,502
Health Insurance Premium Subsidy	85,000,000	81,029,362
Dental Insurance Premium Subsidy	3,200,000	3,235,366
Medicare Reimbursement	9,200,000	8,232,089
Health Insurance Premium Reimbursement	1,500,000	1,039,819
Investment Management Expense	85,486,500	51,789,870
Administrative Expense	16,932,535	14,497,811
Total Expenditures	1,078,419,035	992,353,373
Increase (Decrease) in Fund Balance	(242,992,376)	(133,004,041)

Receipts*



Expenditures*



* *Figures may not foot exactly due to rounding.*

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INVESTMENTS

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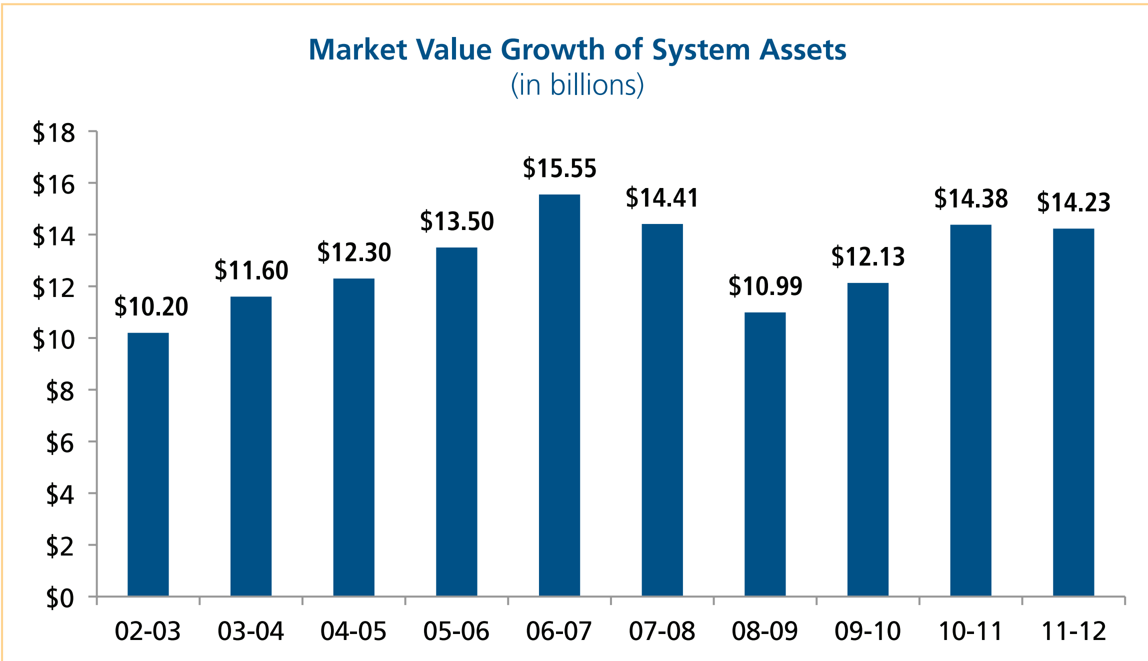
INVESTMENTS

Introduction

From July 1, 2007 to June 30, 2012, the System's assets decreased from $15.55 billion to $14.23 billion. For the one-year period ending June 30, 2012, the Fund decreased by $0.15 billion.



Investment Environment

The bond market (Barclays US Universal Bond Index) produced a return of 7.36 percent for the year ending June 30, 2012. Large company stocks (S&P 500) returned 5.45 percent. Small stocks (Russell 2000 Index) returned -2.08 percent. International stocks (MSCI ACWI ex-U.S. Index) returned -14.15 percent. Real estate, as measured by the National Council of Real Estate Investment Fiduciaries Index (NCREIF Property Index), returned 12.16 percent.

Investment Performance

The investment objective of the total Fund, over a full market cycle (usually 5 to 7 years), is to earn a return on investments matching or exceeding the assumed actuarial rate of return of 7.75 percent and investment performance above the median of a sampling of public funds.

For the past five years, the System's annualized return of 1.54 percent did not exceed the actuarial rate of return, and trailed the RV Kuhns Public Funds' median return of 2.23 percent.

For the one- and three-year periods, the System's overall investment returns were 1.89 percent and 12.26 percent, respectively.

The Fund was ranked in the 35th percentile of the RV Kuhns Public Fund Universe for the one-year period, the 24th percentile for the three-year period, the 72nd percentile for the five-year period and the 29th percentile for the seven-year period ending June 30, 2012. The System's top performers this year were its fixed income and real estate portfolios, while the domestic and international equities investments underperformed their benchmarks during this time period.

Asset Allocation Decisions

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

The Board's Asset Class Targets as of June 30, 2012

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

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

Net Asset Values as of June 30, 2012

Asset Class	Market Value (in millions)	Percent
Stocks	$ 7,556	53.1%
Bonds	3,328	23.4%
Real Estate	1,263	8.9%
Private Equity	1,217	8.5%
Hedge Funds	571	4.0%
Cash Equivalents	294	2.1%
Total*	$14,229	100.0%

** Figures may not foot exactly due to rounding.*

Investment Activities

During the year, there were some changes in managers. The following investment managers were terminated: three international equity managers and two hedge fund of fund managers. While the assets of some of these managers were consolidated into other managers' accounts, five new international equity managers were hired. In addition, three large cap domestic equity managers, two small cap domestic equity managers and two Real Estate Investment Trust (REIT) managers were rehired.

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

In terms of individual properties, the System bought an office complex in Raleigh, North Carolina.

Proxy Voting

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

The System votes affirmatively on preemptive rights, cumulative voting and confidential voting; opposes anti-takeover measures and generally abstains on issues of a social, political or environmental nature that have no expected economic impact on the System's assets.

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

Changes in Asset Mix: Last Ten Years

Fiscal Year	Stocks	Bonds	Real Estate	Private Equity	Hedge Funds	Short-Term Investments
2002-03	54.1%	31.4%	7.6%	3.5%		3.4%
2003-04	60.3%	28.0%	6.7%	3.5%		1.5%
2004-05	62.5%	28.1%	4.7%	3.2%		1.6%
2005-06	61.3%	26.5%	6.2%	3.7%		2.3%
2006-07	63.2%	23.5%	7.0%	3.4%	2.0%	0.9%
2007-08	60.6%	22.9%	8.4%	4.2%	3.2%	0.7%
2008-09	55.2%	25.7%	7.6%	5.5%	4.6%	1.4%
2009-10	54.2%	25.5%	7.4%	6.8%	4.4%	1.7%
2010-11	58.3%	21.8%	7.6%	7.4%	4.0%	0.8%
2011-12	53.1%	23.4%	8.9%	8.5%	4.0%	2.1%

Annual Rates of Return

Fiscal Year	Domestic Equities	International Equities	Fixed Income	Real Estate	Private Equity	Hedge Funds*	Total Fund**	CPI***
2002-03	3.21%	-5.42%	15.29%	3.90%	-12.66%		5.47%	2.11%
2003-04	23.67%	35.82%	3.39%	6.50%	23.50%		16.92%	3.30%
2004-05	5.54%	15.68%	9.85%	9.58%	27.03%		10.07%	2.50%
2005-06	10.69%	29.35%	-0.91%	22.68%	27.24%		12.48%	4.32%
2006-07	20.05%	31.68%	6.52%	17.46%	17.35%	2.42%	18.50%	2.69%
2007-08	-11.93%	-7.50%	6.50%	-0.26%	10.17%	0.65%	-4.58%	5.02%
2008-09	-24.47%	-33.60%	4.20%	-31.98%	-21.22%	-13.02%	-19.97%	-1.43%
2009-10	16.58%	9.78%	15.11%	6.92%	25.54%	7.18%	13.91%	1.05%
2010-11	33.24%	29.92%	7.07%	16.20%	10.30%	7.00%	22.09%	3.56%
2011-12	2.19%	-14.82%	12.32%	12.32%	10.19%	-1.83%	1.89%	1.70%

* *For the 2006-07 Fiscal Year, the Hedge Funds return is for May and June only.*
** *Total Fund includes Short-Term Investments.*
*** *CPI is for the U.S. for the year ending June 30.*

Investment Advisors

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

International Stock Managers
Baillie Gifford
BlackRock
Boston Common Asset Management
Brandes Investment Partners
Del Rey Global
Dimensional Fund Advisors
Fisher Group
Principal Global Investors

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

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

REIT Managers
Morgan Stanley
Principal Global Investors

Private Equity Managers
Portfolio Advisors

Hedge Fund of Fund Managers
Aetos Capital
Dorchester Capital
Grosvenor Capital Management

ACTUARIAL

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ACTUARIAL

Actuarial Valuations

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

Funding Status

The funded status of the System is examined over a span of several years to determine if progress is made. In recent years, there has been a decline in the funding progress, due in part to the gradual recognition of investment losses sustained in the financial market downturn of 2008-2009. It is anticipated that the System's growth will continue to be impacted until these losses are fully realized and/or are offset by future gains or other favorable experience. Details on the recognition of recent investment losses are available in Section 2, Chart 7 of the June 30, 2012 Actuarial Valuation and Review of Retirement Benefits.

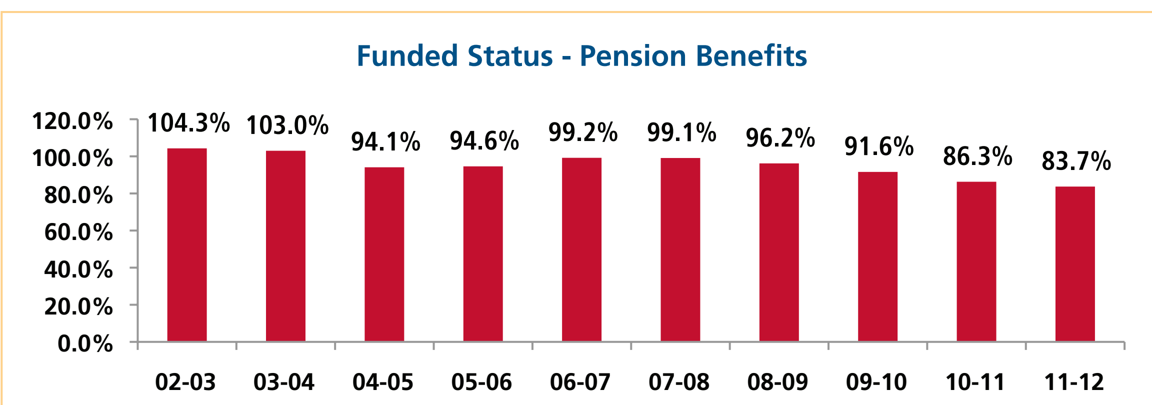
Below is a history of the System's funded status of pension benefits for the last 10 years.

A pension plan whose assets equal or exceed its liabilities is funded at 100 percent or more and is considered fully funded. Any shortfall of assets results in an underfunded plan. Tier 5 provides for an employee contribution rate of 8 percent if the Plan is at least 100 percent actuarially funded; and 9 percent if not fully funded.

As of June 30, 2012, the Plan is 83.7 percent actuarially funded for pension benefits. Therefore, the employee pension contribution for Tier 5 members will remain at 9 percent.

The System began pre-funding health insurance premium subsidy benefits in 1989. As of June 30, 2012, the actuarial funding status of these benefits has increased from 34.5 percent to 37.1 percent. Details on the factors that contributed to the increased funding status of health benefits are available in Section 2, Chart 2 of the June 30, 2012 Actuarial Valuation and Review of Other Postemployment Benefits.

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



How a Valuation is Conducted

The Entry Age Normal Cost, per Section 1210 of the City Charter, is the actuarial funding method used to determine the contribution requirements to fund the benefits. To determine the cost of benefits, an actuarial valuation takes into consideration the Plan's provisions, participant data and various actuarial assumptions.

Actuarial Assumptions

The System's actuary recommends assumptions – demographic and economic – based on the Plan's experience and the Board of Fire and Police Pension Commissioners (Board) makes the decision to adopt them. Demographic assumptions explore the probabilities of when and how long members will receive the various types of benefits, e.g., the likelihood of retirement, disability and death. Economic assumptions are based on factors that affect the value of benefits or the value of a plan's assets, e.g., inflation rate, rate of salary increases and assumed investment return.

At least every five years, the assumptions are examined to determine if any adjustments are necessary for future valuations. Examples of assumptions used for the valuation period ending June 30, 2012 are provided below.

Average Life Expectancy for Retirees (Age = 65)

Service Retiree	20.5 years *
Disabled Retiree	18.8 years *
Surviving Spouse	21.2 years **

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

Rate of Inflation

Annual Increase in the Consumer Price Index .... 3.50% *

* *Tiers 3 - 6 are capped at 3.00%*

Rate of Salary Increases

Years of Service	Annual Individual Salary Increase*
0	8.75%
1	7.75%
2	5.25%
3	4.75%
4	4.25%
5	3.95%
6	3.50%
7	3.25%
8	3.00%
9	3.00%
10	2.75%
11 or more	1.75%

Annual Increases in Total System Payroll 3.50%

* *Includes 0.75% "across the board" salary increase.*

Investment Rate of Return

Net Investment Return 7.75%

Pension Benefit Balance Sheet

Cost of living and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the investment rate of return assumption. Once the liabilities of the System are computed, the valuation study projects the member and employer contributions expected to be received using the individual salary increase assumptions. The contributions are then reduced to today's dollar terms using the investment rate of return assumption.

The projected future contributions are considered assets of the System, along with assets currently being invested by Los Angeles Fire and Police Pensions. For purposes of determining the contributions to the System, any investment gains and losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40 percent of the market value of assets.

The Actuarial Balance Sheet comparing the System's assets and liabilities as of June 30, 2012 is available on page 65.

Unfunded Actuarial Accrued Liability

An unfunded actuarial accrued liability (UAAL) of a retirement system occurs when a system's actuarial liability is greater than the value of its assets, yielding a funded ratio less than 100 percent. As of June 30, 2012, the Actuarial Balance Sheet on page 65 shows the UAAL for pension benefits for all tiers to be approximately $2.8 billion. The UAAL for health insurance premium subsidy benefits for all tiers is approximately $1.6 billion.

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

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

Employer Contribution Requirements Calculation

The City and the Harbor Department's contribution to the System is composed of two parts: (1) the Entry Age Normal Cost contribution and (2) the contribution to amortize the unfunded liability.

Entry Age Normal Cost

The Entry Age Normal Cost contribution is the amount the employer would contribute for a hypothetical new entrant into the System. This amount would theoretically be sufficient to fully fund a member's retirement benefit on the date of retirement if all assumptions were realized and no benefit changes were made.

Amortization of the UAAL

In September 2012, the Board adopted an amortization policy for the valuation period ending June 30, 2012 and to be used for subsequent valuations. (Prior to voter approval in March 2011, the amortization policy was prescribed in the City Charter.)

The unfunded liability for Tier 1 is amortized as a level dollar amount and is scheduled to end on June 30, 2037. For all other tiers, it is amortized as a level percent of payroll. Specifically for Tiers 2 - 4, the unfunded liability is amortized as a percent of the total City sworn covered payroll. For Tiers 5 and 6, it is amortized as a percent of combined payroll of these tiers from the respective employers – City or Harbor Department. Actuarial gains or losses are amortized over 20 years; changes in actuarial assumptions and cost methods are amortized over 25 years and Plan amendments are amortized over 15 years. In the event of an actuarial surplus, 30-year amortization is used.

With this information, the actuary computes the employers' contribution requirements for pension benefits:

Entry Age Normal Cost Contribution Requirements Recommended 2013-2014*
(as a percentage of Plan members' salaries)

Tier 1	0.0%
Tier 2	25.28%
Tier 3	17.51%
Tier 4	16.71%
Tier 5	19.67%
Tier 6	15.58%
Harbor Port Police – Tier 5	20.32%
Harbor Port Police – Tier 6	16.48%

* *Contributions to be made on July 15, 2013. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the second year of the 3-year phase-in of the noneconomic assumption changes adopted by the Board in September 2011.*

Unfunded Liability Contribution Requirements Recommended 2013-2014*

(as a percentage of Plan members' salaries)

Tier 1	$16,244,172
Tier 2	2.43% of total payroll of Tiers 2 – 6
Tier 3	0.97% of total payroll of Tiers 2 – 6
Tier 4	0.57% of total payroll of Tiers 2 – 6
Tier 5	10.33% of Tier 5 payroll (excluding the Harbor Department)
Tier 6	10.21% of Tier 6 payroll (excluding the Harbor Department)
Harbor Port Police – Tier 5	7.91% of Tier 5 payroll (excluding the City)
Harbor Port Police – Tier 6	8.09% of Tier 6 payroll (excluding the City)

* *Contributions to be made on July 15, 2013. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the second year of the 3-year phase-in of the noneconomic assumption changes adopted by the Board in September 2011.*

Health Insurance Premium Subsidy Valuation

The health insurance premium subsidy valuation utilizes the same actuarial assumptions as the valuation of pension benefits, with the addition of a medical inflation assumption. Medical costs continue to increase at a faster pace than inflation. Assumptions in the June 30, 2012 actuarial valuation included medical trend rate increases of 8.5 percent for pre-65 and post-65 premiums in Fiscal Year 2012-2013, then decreasing by 0.5 percent for each year for seven years until it reaches an ultimate rate of 5 percent. Using the same actuarial methods for pension benefits, the Actuarial Balance Sheet for health insurance premium subsidy benefits is shown on page 65.

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

Health Insurance Premium Subsidy Contribution Rates Recommended 2013-2014*

(as a percentage of Plan members' salaries)

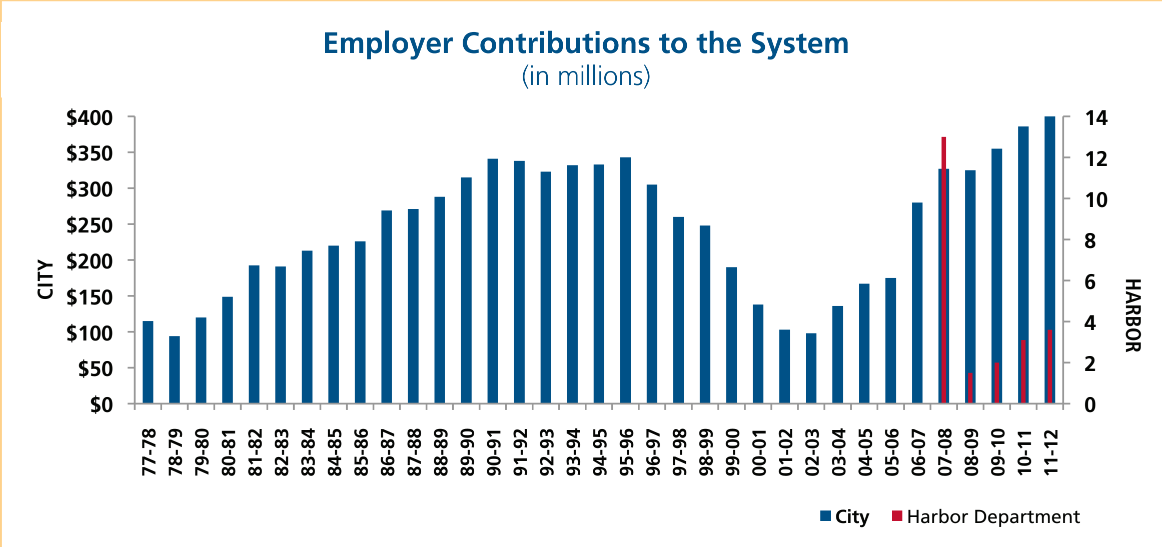
Tier 1	$1,828,482
Tier 2	7.01%
Tier 3	4.45%
Tier 4	3.93%
Tier 5	6.69%
Tier 6	9.69%
Harbor Port Police – Tier 5	5.65%
Harbor Port Police – Tier 6	5.91%

* *Contributions to be made on July 15, 2013. The rates are adjusted for the employee 2% opt-in contribution and health subsidy freeze, and reflect the second year of the 3-year phase-in of the noneconomic assumption changes adopted by the Board in September 2011.*

Employer Contribution History

As shown in the chart on page 65, over the last two decades, the City's contribution for pension and health benefits to the System has been fairly stable. However, there were periods when the contribution amount was decreased due to the System's well-funded status.

After the inclusion of Harbor Port Police in January 2006, the Harbor Department began making contributions to the System in Fiscal Year 2007-2008. Since its first year contribution, subsequent contributions have been quite stable as well.



Actuarial Balance Sheet – June 30, 2012

Present Resources and Expected Future Resources

Assets	Pension	Health	Total
1. Valuation value of assets	$14,251,913,532	$927,361,635	$15,179,275,167
2. Present value of future normal costs:			
Employee	1,328,202,583		1,328,202,583
Employer	2,759,453,773	518,924,999	3,278,378,772
Total	4,087,656,356	518,924,999	4,606,581,355
3. Unfunded actuarial accrued liability	2,778,919,652	1,571,926,881	4,350,846,533
4. Present value of current and future assets	$21,118,489,540	$3,018,213,515	$24,136,703,055

Present Value of Expected Future Benefit Payments and Reserve

Liabilities	Pension	Health	Total
5. Present value of future benefits:			
Retired members and beneficiaries	$ 9,572,237,580	$1,468,570,880	$11,040,808,460
Inactive members with vested rights	20,796,788		20,796,788
Active members	11,525,455,172	1,549,642,635	13,075,097,807
6. Total present value of expected future benefit payments	$21,118,489,540	$3,018,213,515	$24,136,703,055

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STATISTICAL

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STATISTICAL

Seven Fire and Police Pension Plans

As of June 30, 2012, the System is composed of seven tiers. Benefits are based on the member's pension tier, pension salary base and years of service. In addition, the System provides for disability benefits under certain conditions and benefits to eligible survivors.

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

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

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

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

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

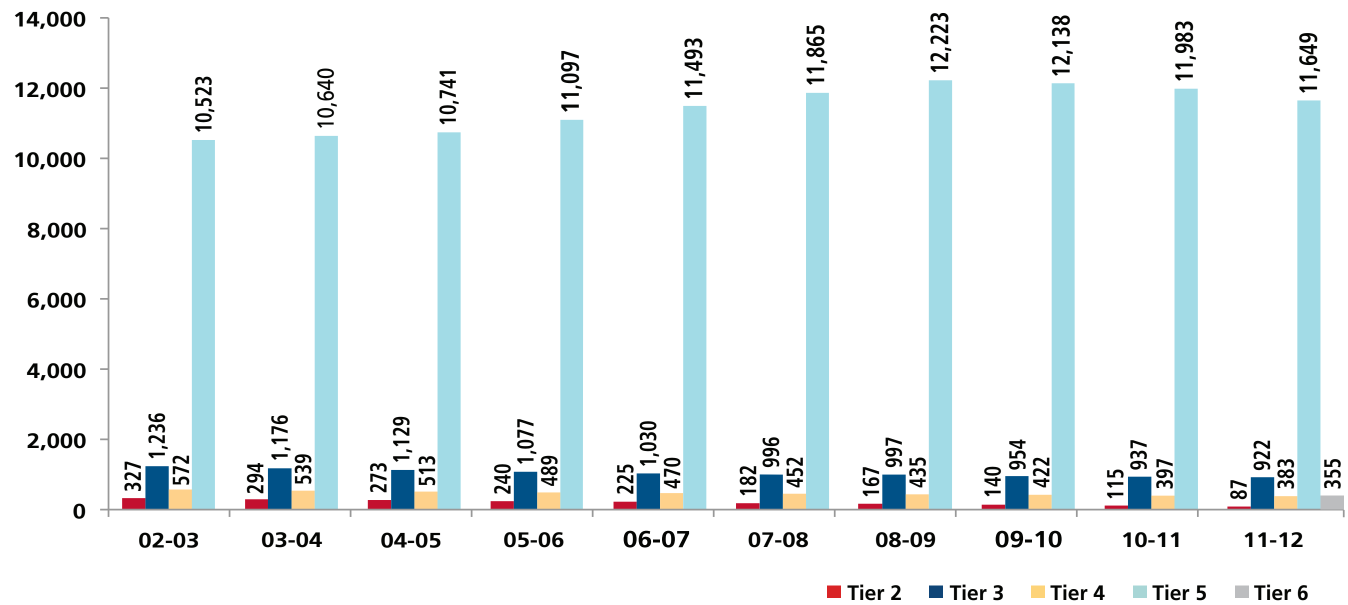
Tier 6, effective July 1, 2011, consists of all new members hired on or after that date.

Deferred Retirement Option Plan

Effective May 1, 2002, the System began administering a Deferred Retirement Option Plan (DROP). DROP is a voluntary program whereby a member with a minimum of 25 years of service (members of Tiers 3 and 5 must also be at least age 50) may file for a service pension but continue to work and earn salary and benefits as an active member. The monthly service pension benefit is deposited into an interest bearing account (currently five percent per annum return), payable upon exiting DROP. Participation in DROP is currently limited to a maximum of five years.

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

ACTIVE MEMBERSHIP



Membership as of June 30, 2012

Tier	Fire	Police	Harbor	Total
Tier 2	43	44	—	87
Tier 3	29	893	—	922
Tier 4	58	325	—	383
Tier 5	3,209	8,329	111	11,649
Tier 6	0	354	1	355
Total	**3,339***	**9,945****	**112*****	**13,396**

* *Includes 540 DROP participants.*
** *Includes 649 DROP participants.*
*** *Includes 4 DROP participants.*

Refunds of Member Contributions

	07-08	08-09	09-10	10-11	11-12
Fire:					
Tier 2	0	0	0	0	0
Tier 3	0	0	2	0	0
Tier 4*	0	1	0	0	0
Tier 5	10	6	7	10	13
Police:					
Tier 2	0	0	0	0	0
Tier 3	12	10	8	9	2
Tier 4*	0	1	1	2	0
Tier 5	69	68	60	51	83
Tier 6	—	—	—	—	0
Harbor:					
Tier 5	0	0	0	1	0
Tier 6	—	—	—	—	0
Total	**91**	**86**	**78**	**73**	**98**

* *Refund of contributions paid to the member's beneficiary.*

Active Fire Membership
Age and Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
	Years of Service							
-25	8	0	0	0	0	0	0	8
25-29	207	106	0	0	0	0	0	313
30-34	138	286	64	0	0	0	0	488
35-39	44	191	244	6	0	0	0	485
40-44	14	86	201	85	56	2	0	444
45-49	3	19	73	82	256	109	3	545
50-54	1	6	19	29	149	247	233	684
55-59	1	0	1	1	21	91	201	316
60-64	0	0	0	0	1	7	47	55
65+	0	0	0	0	0	1	0	1
Total	416	694	602	203	483	457	484	**3,339**

Active Police Membership
Age and Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
	Years of Service							
-25	232	0	0	0	0	0	0	232
25-29	994	198	0	0	0	0	0	1,192
30-34	540	756	106	0	0	0	0	1,402
35-39	209	466	688	319	0	0	0	1,682
40-44	88	194	524	1,035	184	0	0	2,025
45-49	33	64	161	506	916	111	0	1,791
50-54	6	10	51	155	388	357	134	1,101
55-59	1	2	13	45	98	130	131	420
60-64	0	0	2	12	9	26	38	87
65+	0	0	2	1	3	4	3	13
Total	2,103	1,690	1,547	2,073	1,598	628	306	**9,945**

Active Harbor Membership
Age and Years of Service

Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
	Years of Service							
-25	0	0	0	0	0	0	0	0
25-29	11	3	0	0	0	0	0	14
30-34	25	19	0	0	0	0	0	44
35-39	9	11	1	0	0	0	0	21
40-44	3	3	4	0	0	0	0	10
45-49	2	1	6	1	0	2	0	12
50-54	1	0	1	1	1	1	0	5
55-59	0	0	1	0	1	2	0	4
60-64	0	0	0	0	0	0	2	2
65+	0	0	0	0	0	0	0	0
Total	51	37	13	2	2	5	2	**112**

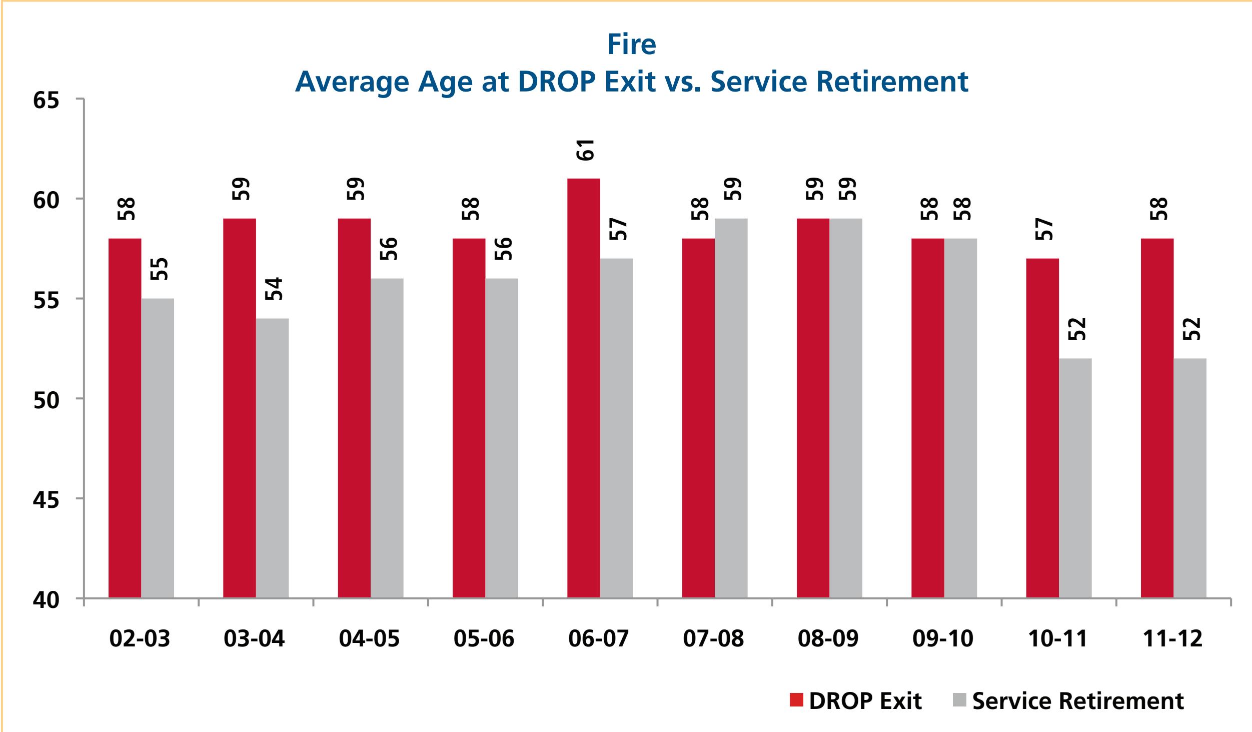
DROP AND RETIRED MEMBERSHIP

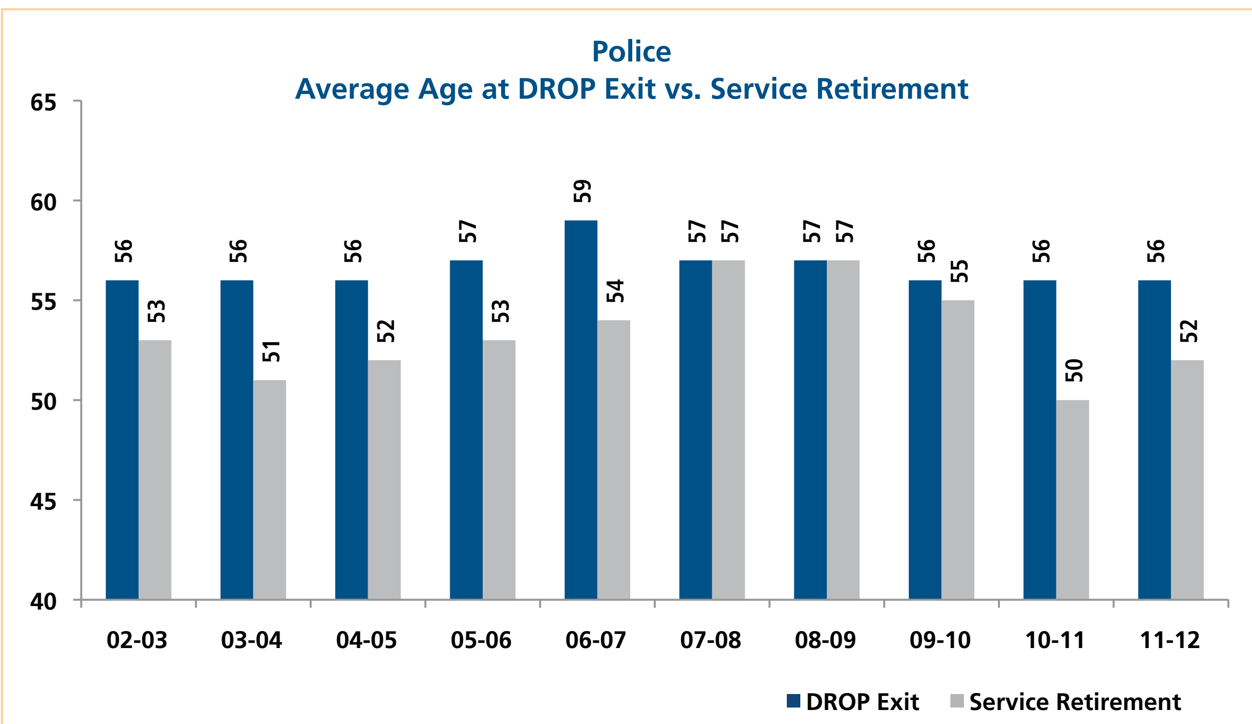
Note: Data for Harbor Port Police may not be reflected in all charts and tables since they did not become members of the Fire and Police Pension System until January 2006.

DROP Program Summary of Participation

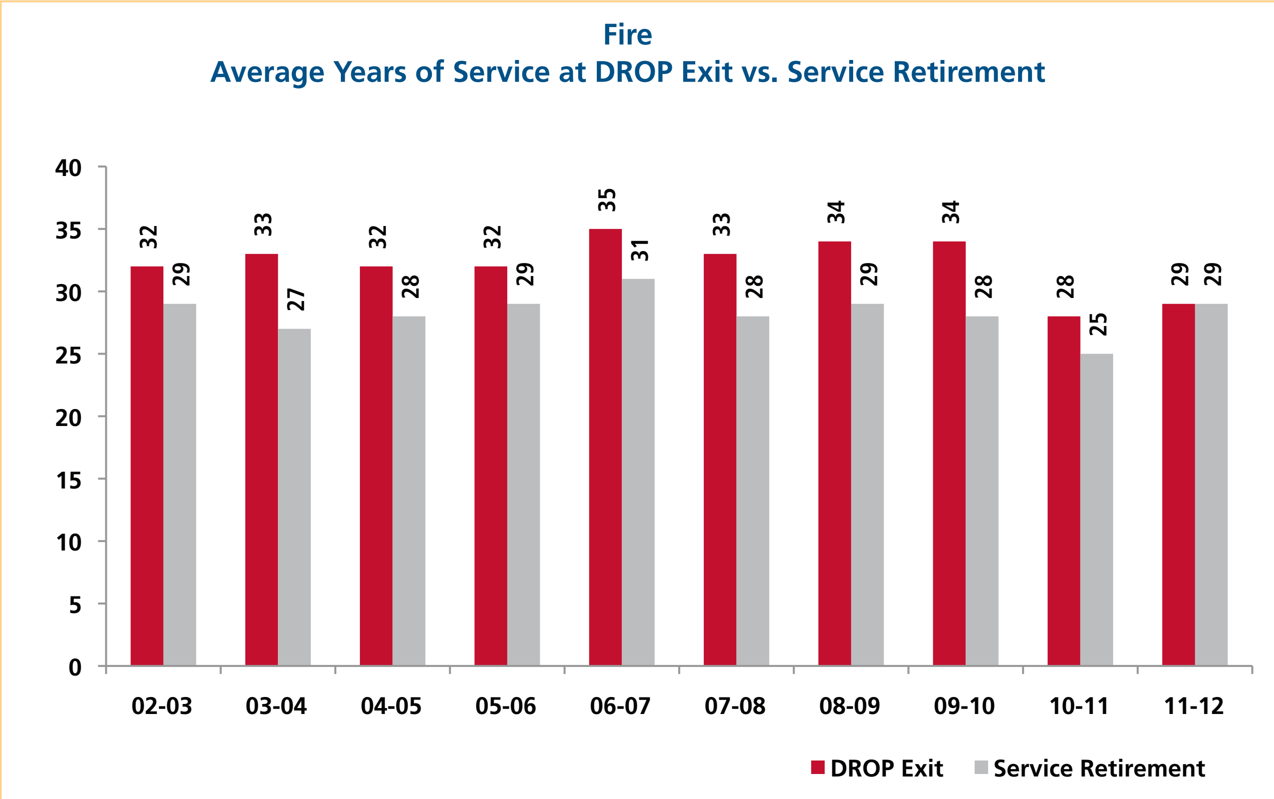
Fiscal Year	Average Participation per Month			Total Entries			Average Age at Entry			Average Years of Service at Entry			Total Exits		
	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD	FD	PD	HD
02-03	257	439	–	167	274	–	55	54	–	30	30	–	29	30	–
03-04	401	641	–	188	241	–	55	53	–	29	29	–	43	52	–
04-05	451	721	–	111	135	–	54	53	–	29	28	–	57	86	–
05-06	499	744	–	85	144	0	52	53	–	27	28	–	63	128	–
06-07	543	738	–	142	157	0	53	52	–	27	27	–	122	233	–
07-08	524	627	1	100	125	1	53	52	57	29	27	31	112	199	0
08-09	479	574	3	65	122	2	53	52	54	29	27	26	116	168	0
09-10	481	552	5	131	159	1	53	52	52	29	27	28	99	129	0
10-11	502	578	4	180	166	1	53	53	55	29	28	25	105	123	2
11-12	565	657	4	82	166	0	53	53	–	28	27	–	115	140	–

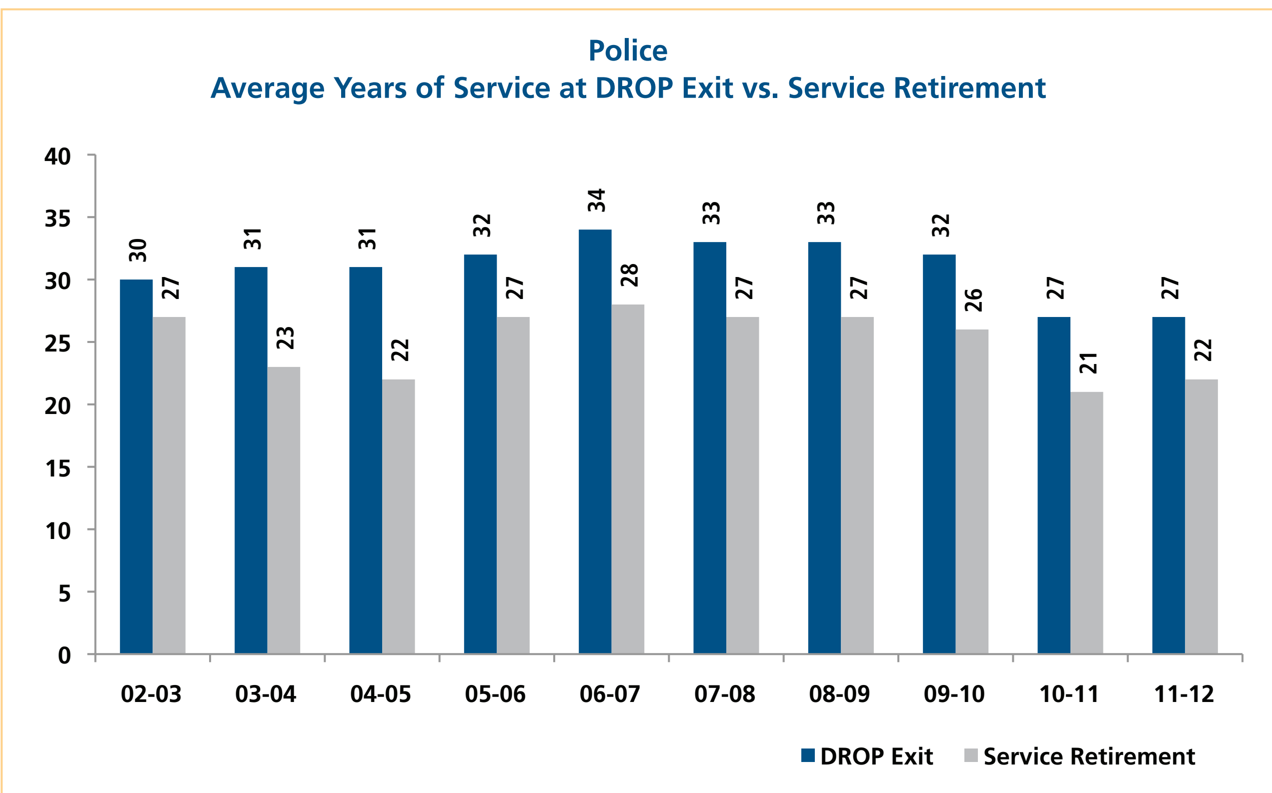
DROP vs. Service Retirement - Average Age

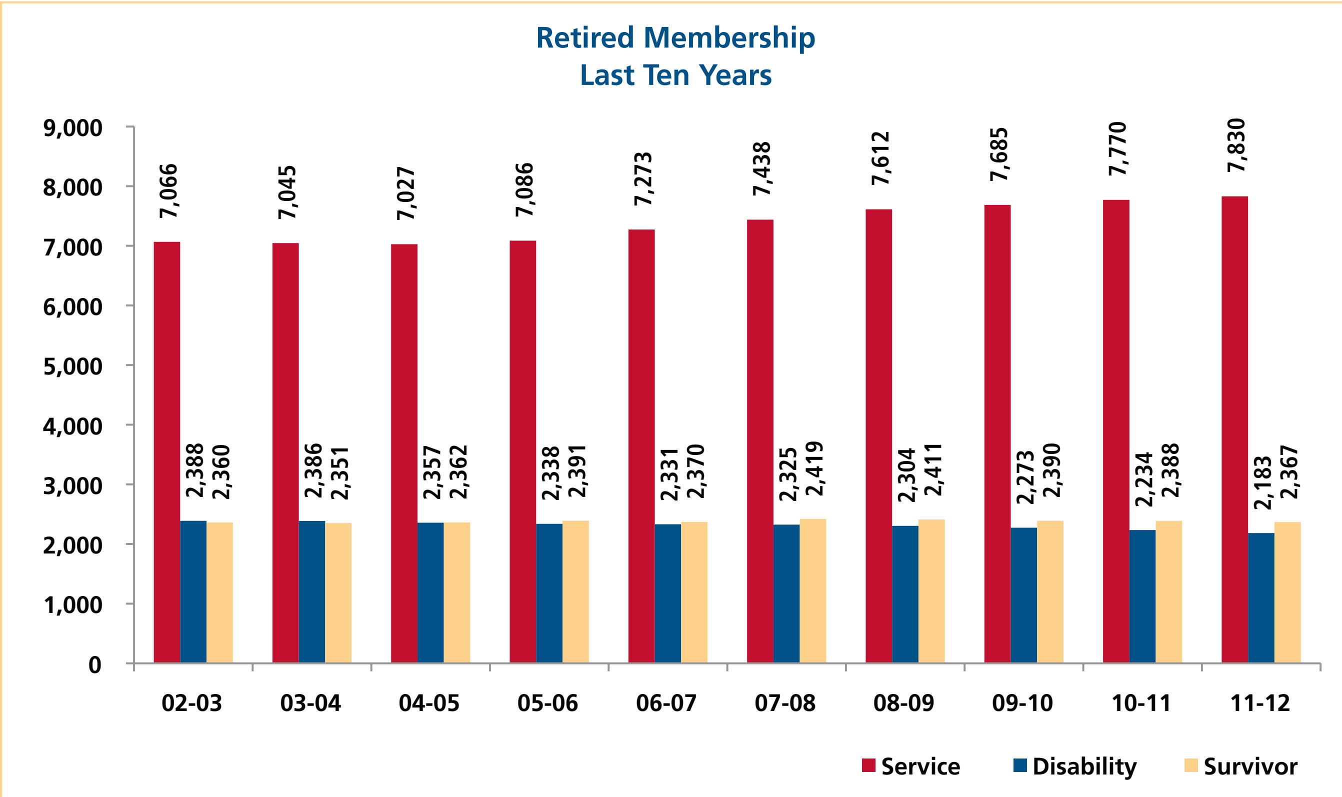


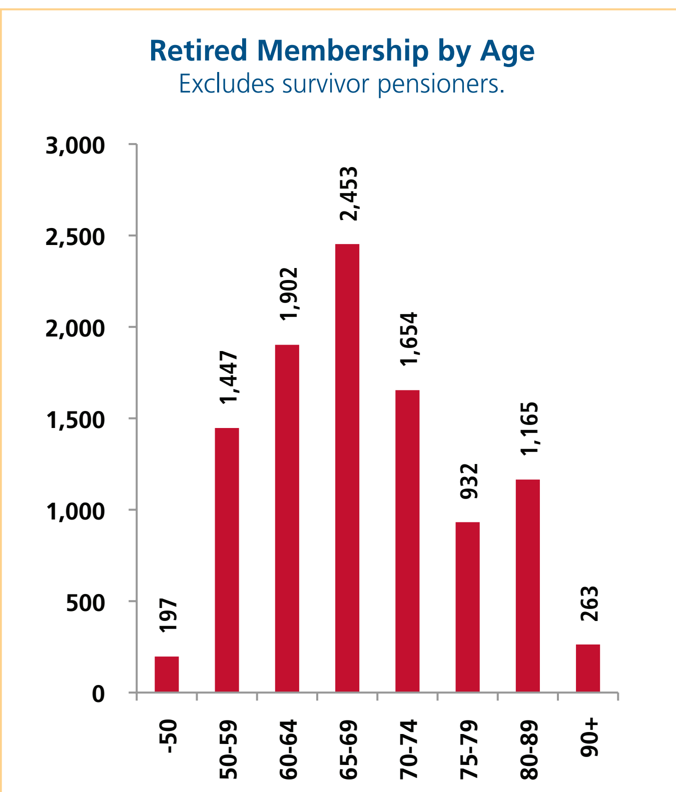


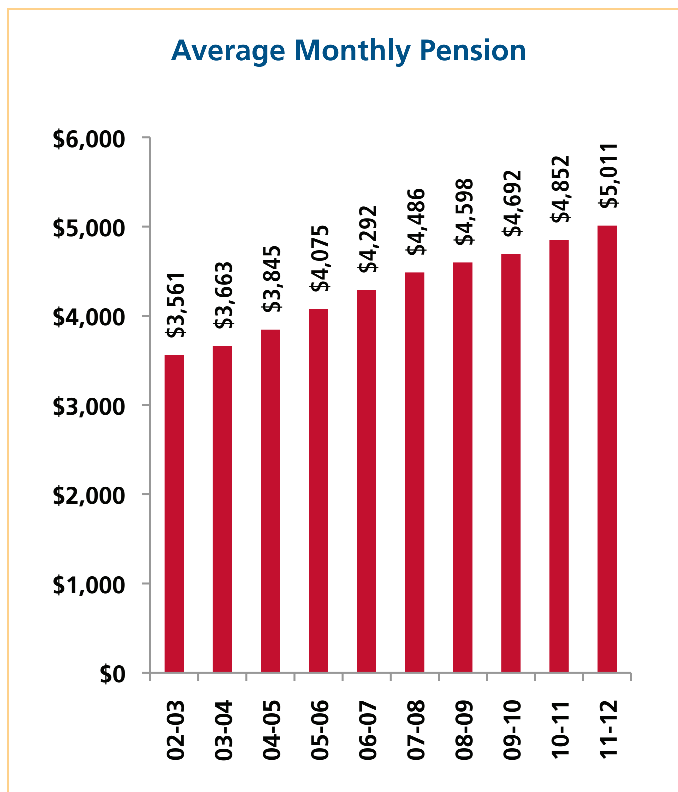
DROP vs. Service Retirement - Years of Service

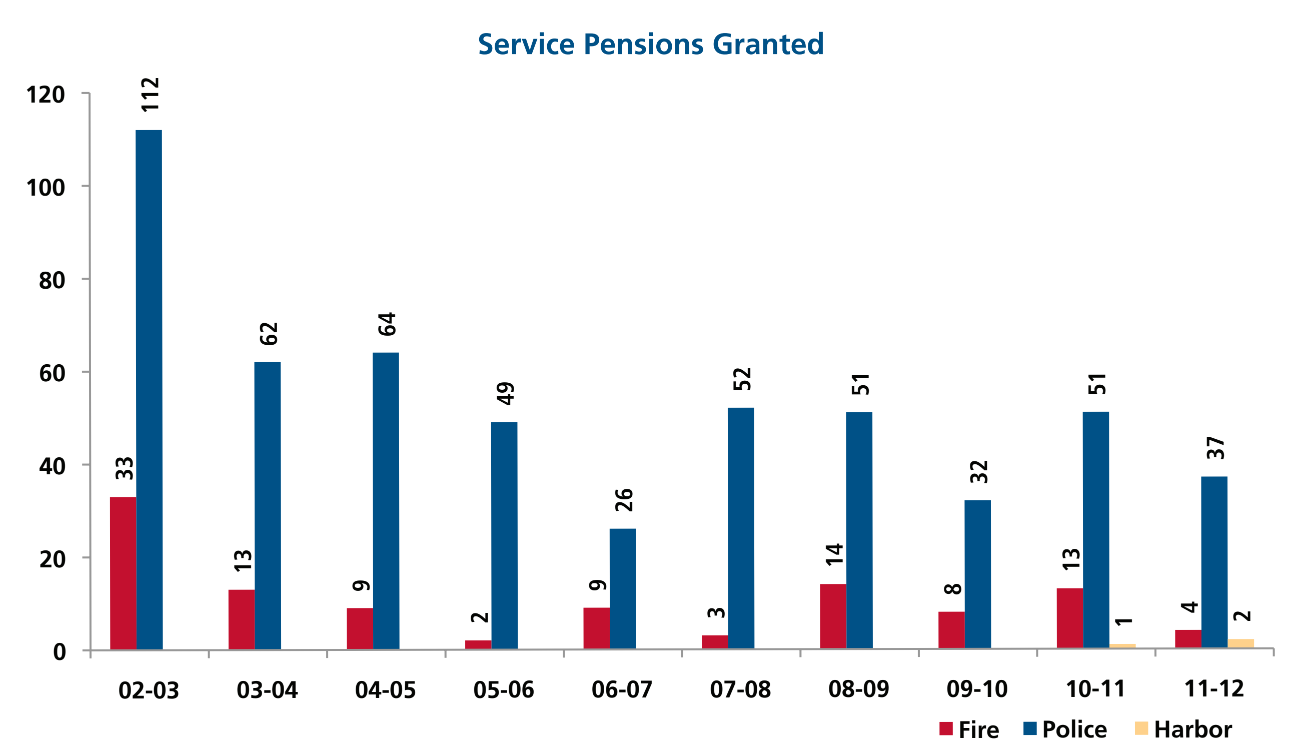


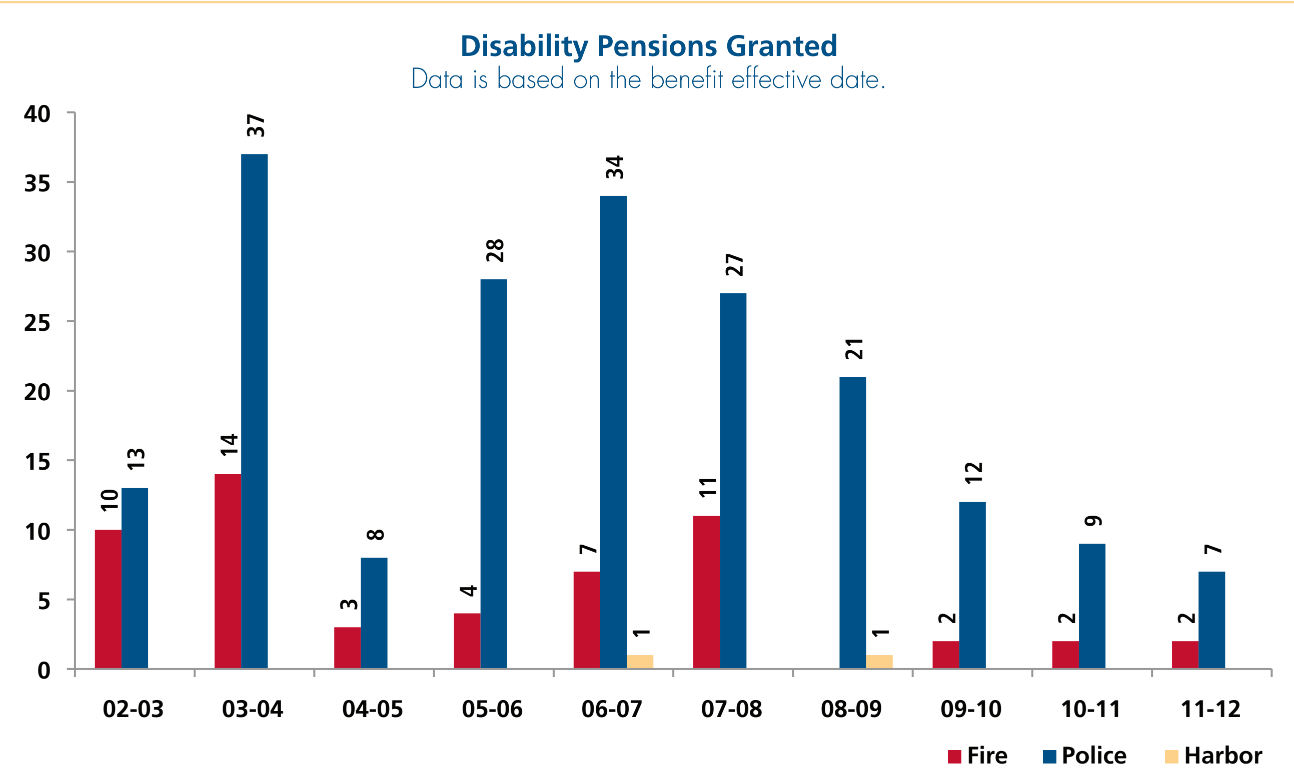


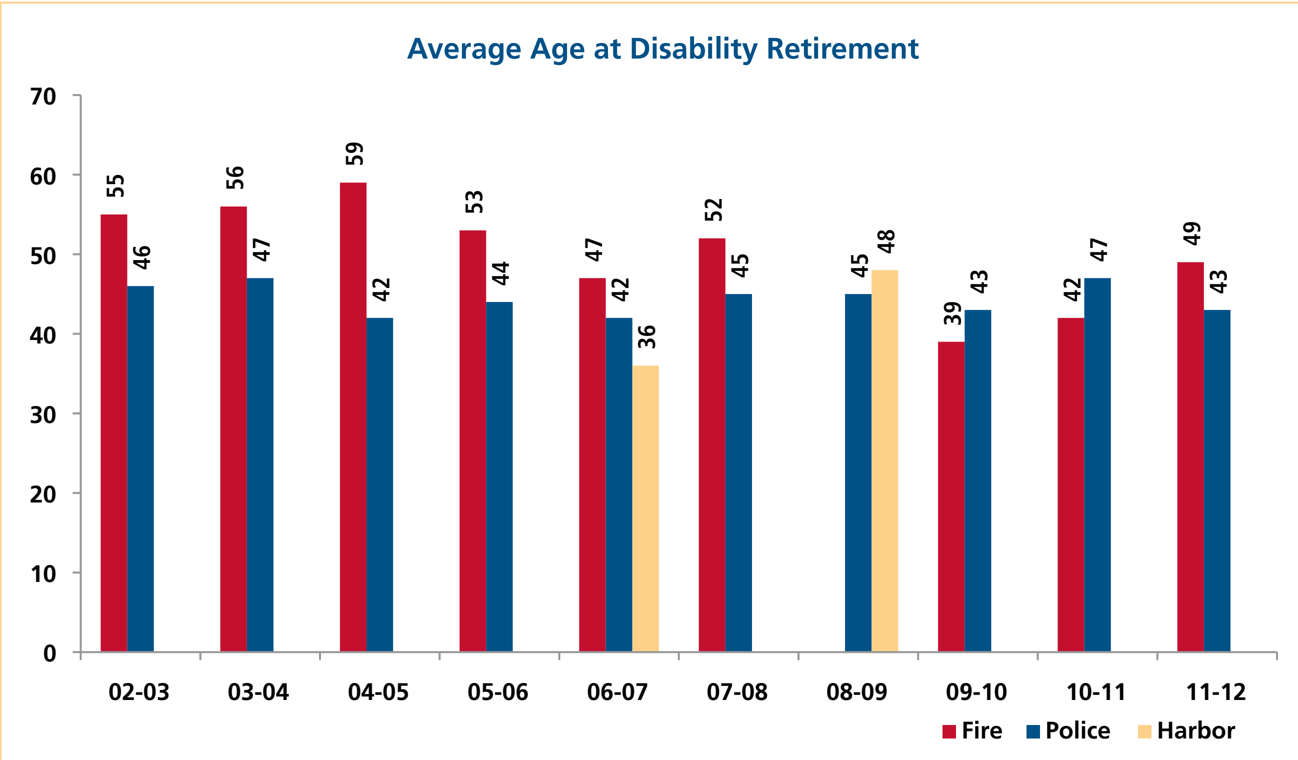

Retired Membership
Last Ten Years
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
7,066
2,388
2,360
7,045
2,386
2,351
7,027
2,357
2,362
7,086
2,338
2,391
7,273
2,331
2,370
7,438
2,325
2,419
7,612
2,304
2,411
7,685
2,273
2,390
7,770
2,234
2,388
7,830
2,183
2,367
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12
Service
Disability
Survivor

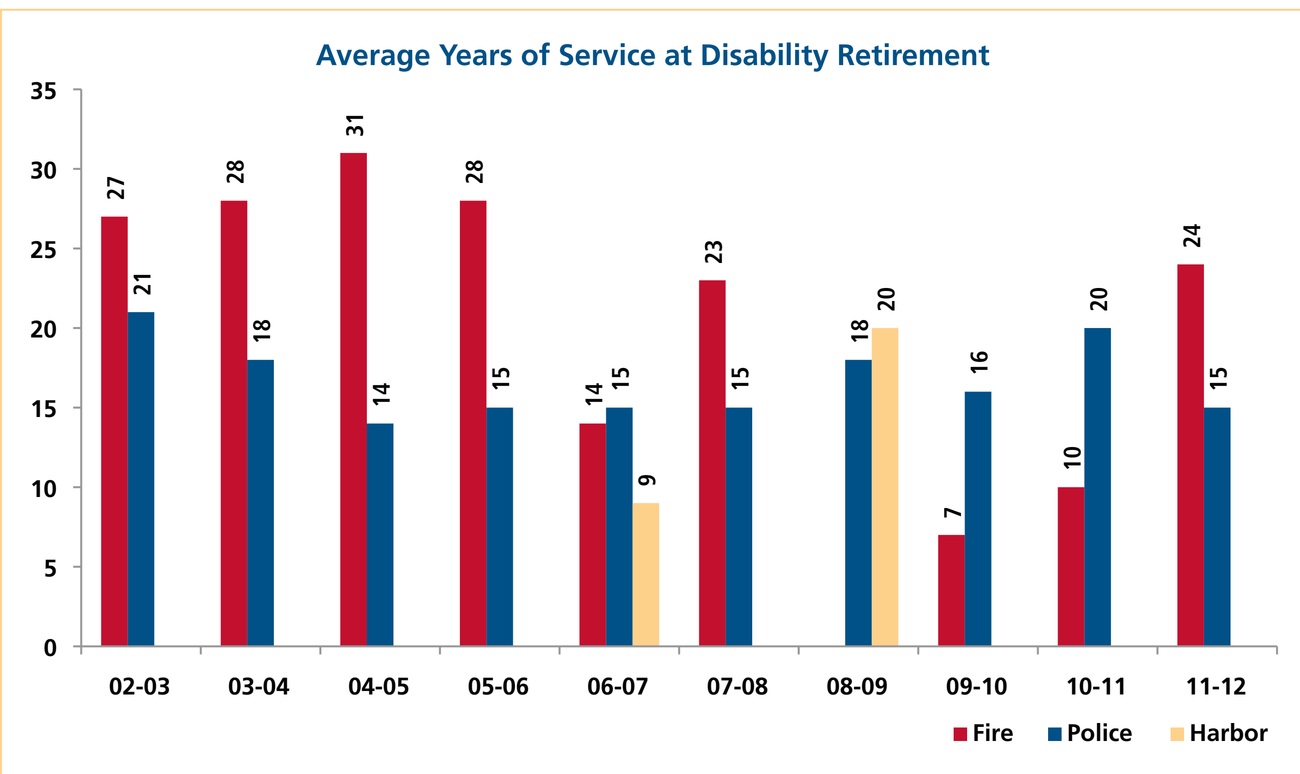

Retired Membership by Age
Excludes survivor pensioners.
3,000
2,500
2,000
1,500
1,000
500
0
197
1,447
1,902
2,453
1,654
932
1,165
263
-50
50-59
60-64
65-69
70-74
75-79
80-89
90+


Average Monthly Pension
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$3,561
$3,663
$3,845
$4,075
$4,292
$4,486
$4,598
$4,692
$4,852
$5,011
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12


Service Pensions Granted
120
100
80
60
40
20
0
33
112
13
62
9
64
2
49
9
26
3
52
14
51
8
32
13
51
1
4
37
2
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12
Fire
Police
Harbor


Disability Pensions Granted
Data is based on the benefit effective date.
40
35
30
25
20
15
10
5
0
10
13
14
37
3
8
4
28
7
34
1
11
27
21
1
2
12
2
9
2
7
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12
Fire
Police
Harbor


Average Age at Disability Retirement
70
60
50
40
30
20
10
0
55
46
56
47
59
42
53
44
47
42
36
52
45
45
48
39
43
42
47
49
43
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12
Fire
Police
Harbor


Average Years of Service at Disability Retirement
35
30
25
20
15
10
5
0
27
21
28
18
31
14
28
15
14
15
9
23
15
18
20
7
16
10
20
24
15
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
10-11
11-12
Fire
Police
Harbor

Service-Connected Disability Pensions by Type and Department*

Disability Pensions Granted	Fiscal Year 2007-2008			Fiscal Year 2008-2009**			Fiscal Year 2009-2010			Fiscal Year 2010-2011			Fiscal Year 2011-2012		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Physical Only	11	23	34	0	23	23	2	9	11	1	4	5	4	7	11
Physical/Psychiatric	0	2	2	0	2	2	0	1	1	1	3	4	0	1	1
Psychiatric Only	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0
Total	11	25	36	0	26	26	2	10	12	2	7	9	4	8	12

Types of Claims***	Fiscal Year 2007-2008			Fiscal Year 2008-2009**			Fiscal Year 2009-2010			Fiscal Year 2010-2011			Fiscal Year 2011-2012		
	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total	FD	PD	Total
Back	8	23	31	0	19	19	2	5	7	2	7	9	3	6	9
Neck	2	11	13	0	14	14	0	5	5	0	1	1	1	2	3
Knees	6	7	13	0	10	10	1	2	3	2	3	5	2	2	4
Other Orthopedic	6	14	20	0	15	15	1	9	10	0	6	6	2	5	7
Cardiovascular	3	7	10	0	5	5	0	1	1	0	4	4	1	1	2
Ulcer	1	6	7	0	3	3	0	1	1	2	0	2	0	1	1
Hypertension	3	5	8	0	4	4	0	1	1	0	5	5	0	3	3
Pulmonary	0	2	2	0	2	2	0	1	1	1	0	1	0	1	1
Cancer	0	2	2	0	1	1	0	1	1	0	0	0	1	1	2
Gun Shot Wound	0	1	1	0	1	1	0	0	0	0	0	0	0	0	0
HIV/AIDS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

* *Data is based on disability pensions approved by the Board during each fiscal year.*
** *Police totals for FY 08-09 include one Harbor Port Police Officer, with service-connected injuries and/or illnesses.*
*** *Will not equal the total number of disability pensions granted due to multiple claimed disabilities.*

Service- and Nonservice-Connected Disability Pensions by Department and Rank*

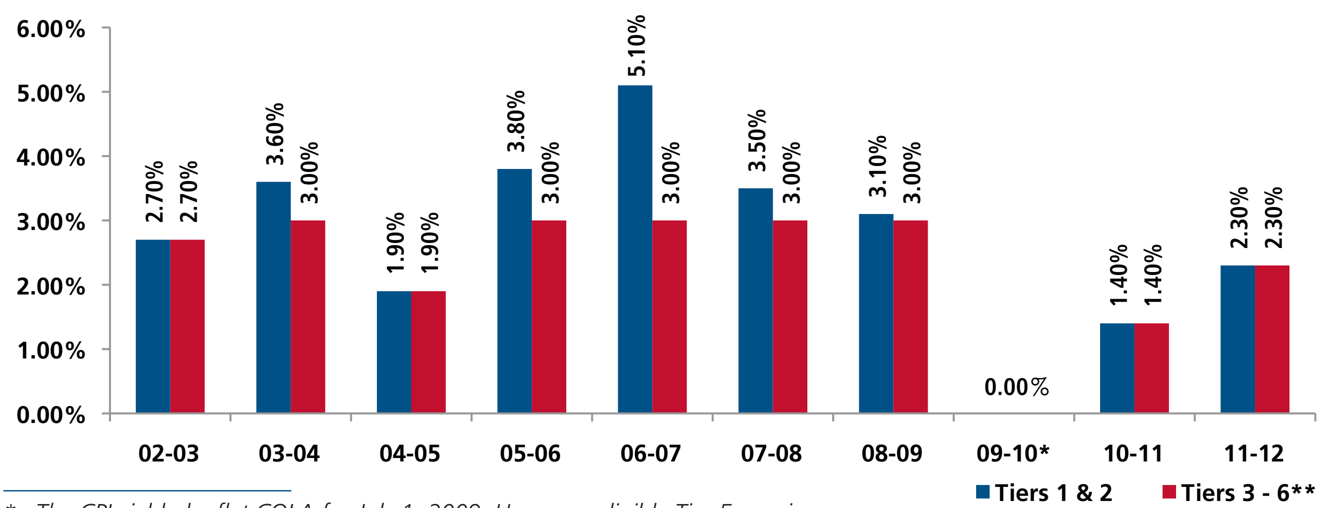
Fire	07-08	08-09	09-10	10-11	11-12
Firefighter	3	0	2	2	2
Apparatus Operator	0	0	0	0	0
Engineer	3	0	0	0	1
Inspector	1	0	0	0	0
Captain	4	0	0	0	1
Battalion Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Total	11	0	2	2	4

Police	07-08	08-09**	09-10	10-11	11-12
Police Officer	22	14	3	5	5
Sergeant	4	7	4	2	3
Detective	4	4	3	1	2
Lieutenant	1	0	0	0	0
Captain	0	1	0	1	0
Commander	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
Total	31	26	10	9	10

* *Data is based on disability pensions approved by the Board during each fiscal year.*
** *Police totals for FY 08-09 include one Harbor Port Police Officer, with service-connected injuries and/or illnesses.*

Cost of Living Adjustments – Effective July 1

The size of any year's Cost of Living Adjustment (COLA) is based on the Los Angeles-Riverside-Orange County Area Consumer Price Index (CPI) for All Urban Consumers as published by the Bureau of Labor Statistics for the previous one-year March through February period. Tier 1 and 2 members have an uncapped COLA, while members in Tiers 3, 4, 5 and 6 have a 3% maximum COLA. However, Tier 5 and 6 members have a COLA bank to "store" amounts above the 3% cap.



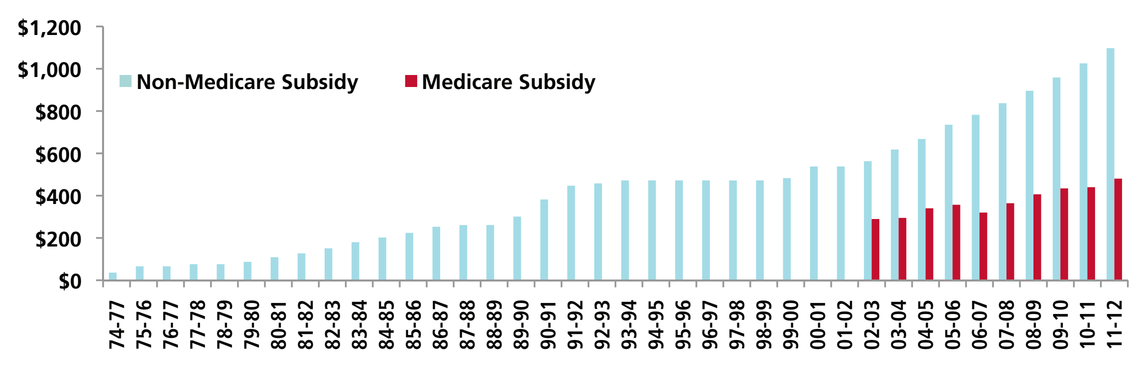
* *The CPI yielded a flat COLA for July 1, 2009. However, eligible Tier 5 pensioners, including Tier 5 DROP participants, received an increase of up to 3%, based on the accumulation in their COLA bank.*

** *Tier 6 became effective July 1, 2011.*

Maximum Health Insurance Premium Subsidy Benefit for Retired Members

In 1974, voters approved a Charter amendment to provide a health insurance premium subsidy benefit for pensioners. Effective July 1, 2005, the Los Angeles Administrative Code § 4.1154(e) grants the Board of Fire and Police Pension Commissioners the authority to raise the maximum non-Medicare health insurance premium subsidy for retired members on an annual basis. The Board may raise the subsidy by the lesser of 7% or the approved actuarially assumed rate for medical inflation for pre-65 health benefits for the fiscal year. Per the City Charter, the subsidy was previously linked to the subsidy for active members and retired civilians.

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



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Fiscal Year 2011-2012

Under City Attorney Carmen A. Trutanich, the Retirement Benefits Division of the Los Angeles City Attorney's Office, led by Managing Assistant City Attorney Alan L. Manning, along with Senior Assistant City Attorney Theresa Stamus, Deputy City Attorneys John C. Blair, Marie McTeague, and James Napier, and assisted by Legal Secretaries Martha Egure and Julie Cruz, provided day-to-day assistance on the myriad of legal issues facing the Department and the members and beneficiaries of the Plan.

As legal counsel to the Board of Fire and Police Pension Commissioners and the Department, the City Attorney's Office provided advice on a wide range of subjects, from Brown Act issues and public record requests to pension benefit and Deferred Retirement Option Plan (DROP) issues and compliance with tax regulations, state and municipal ethics laws and regulations, legal review of investments, and disability retirement requests. The City Attorney's Office also represented the Department in Superior Court cases.

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

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

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SUMMARY OF PLAN PROVISIONS

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SUMMARY OF PLAN PROVISIONS

Fire and Police Pension Plans

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

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

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

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

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

Tier 6
Effective July 1, 2011

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
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	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)	Final Average Salary (Two-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	40% at 20 years of service, plus 3% per year for years 21 through 25, 4% per year for years 26 through 30 and 5% per year for years 31 through 33 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	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)	Final Average Salary (Two-year average monthly salary)
c. Pension as a percentage of salary base	50% to 90% depending on severity of disability, with a minimum of member's service pension percentage rate	50% to 90% depending on severity of disability, with a minimum of member's service pension percentage rate	30% to 90% depending on severity of disability, with a minimum pension equal to the greater of 30% or 2% per year of service	30% to 90% depending on severity of disability, with a minimum pension equal to the greater of 30% or 2% per year of service	30% to 90% depending on severity of disability, with a minimum pension equal to the greater of 30% or 2% per year of service
3. Nonservice-Connected Disability					
a. Eligibility	Not work related Five years of service	Not work related Five years of service	Not work related Five years of service	Not work related Five years of service	Not work related Five years of service
b. Salary base	Non-Service Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Non-Service Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary)	Final Average Salary (Two-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	30% to 50% depending on severity of disability

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
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	Work related No age or service requirements
b. Salary base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members.*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of member's salary base	50% of Normal Pension Base Uncapped COLA	50% of Normal Pension Base Uncapped COLA OR 55% of Normal Pension Base with 25 years of service Uncapped COLA	**SERVICE-CONNECTED DEATH** 75% of Final Average Salary if service-connected death while active 3% cap on COLA, no COLA Bank **DEATH AFTER SERVICE-CONNECTED DISABILITY** 75% of Final Average Salary if death is due to service-connected cause(s) and occurs within 3 years after effective date of Service-Connected Disability pension. Otherwise, 60% of member's Service-Connected Disability pension 3% cap on COLA, no COLA Bank	**SERVICE-CONNECTED DEATH** ***Former Tier 2:*** 75% of Normal Pension Base if service-connected death while active 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 75% of Final Average Salary if service-connected death while active 3% cap on COLA, with COLA Bank **DEATH AFTER SERVICE-CONNECTED DISABILITY** ***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 75% of Final Average Salary if death is due to service-connected cause(s) and occurs within 3 years after effective date of Service-Connected Disability pension. Otherwise, 60% of member's Service-Connected Disability pension 3% cap on COLA, with COLA Bank	**SERVICE-CONNECTED DEATH** 80% of Final Average Salary if service-connected death while active 3% cap on COLA, with COLA Bank **DEATH AFTER SERVICE-CONNECTED DISABILITY** 80% of Final Average Salary if death is due to service-connected cause(s) and occurs within 3 years after effective date of Service-Connected Disability pension. Otherwise, 80% of member's Service-Connected Disability pension 3% cap on COLA, with COLA Bank

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
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	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21 3% cap on COLA, with COLA Bank
e. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, no COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank
5. Death While Eligible to Receive a Service Pension on Account of Years of Service					
a. Eligibility	20 years of service	20 years of service	***Tier 3:*** 10 years of service ***Tier 4:*** 20 years of service	20 years of service	20 years of service
b. Salary base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of member's salary base	100% of accrued service retirement member would have received, not to exceed 50% of Normal Pension Base Uncapped COLA	100% of accrued service retirement member would have received, not to exceed 55% of Normal Pension Base Uncapped COLA	80% of service retirement member would have received, not to exceed 40% of Final Average Salary 3% cap on COLA, no COLA Bank	***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 40% of Final Average Salary 3% cap on COLA, with COLA Bank	50% of Final Average Salary 3% cap on COLA, with COLA Bank

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
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	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21 3% cap on COLA, with COLA Bank
e. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, no COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank
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	Member was receiving a service pension
b. Salary base	Normal Pension Base (Final monthly salary rate)	Normal Pension Base (Final monthly salary rate)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members.*	Final Average Salary (Two-year average monthly salary)
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of member's salary base	Same as member's pension up to 50% of Normal Pension Base Uncapped COLA	Same as member's pension up to 55% of Normal Pension Base Uncapped COLA	60% of member's pension benefit 3% cap on COLA, no COLA Bank	***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 60% of member's pension benefit 3% cap on COLA, with COLA Bank	70% of member's pension benefit 3% cap on COLA, with COLA Bank

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
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	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21 3% cap on COLA, with COLA Bank
e. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, no COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank
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	Five years of service
b. Salary base	Non-Service Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Non-Service Connected Pension Base (Highest monthly salary as of member's retirement for basic rank of Firefighter III or Police Officer III, and the highest length of service pay)	Final Average Salary (One-year average monthly salary)	Final Average Salary (One-year average monthly salary) *Except as noted for former Tier 2 members.*	Final Average Salary (Two-year average monthly salary)

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
c. Eligible Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit as a percentage of member's salary base	40% of member's Nonservice-Connected Pension Base Uncapped COLA	40% of member's Nonservice-Connected Pension Base Uncapped COLA	**NONSERVICE-CONNECTED DEATH** 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the member would have received not to exceed 40% of Final Average Salary 3% cap on COLA, no COLA Bank **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** 60% of member's pension 3% cap on COLA, no COLA Bank	**NONSERVICE-CONNECTED DEATH** ***Former Tier 2:*** Same as Tier 2, except 3% cap on COLA, with COLA Bank ***All Other Tier 5:*** 30% of Final Average Salary or, if eligible to retire based on years of service, 40% of Final Average Salary 3% cap on COLA, with COLA Bank **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** ***Former Tier 2:*** Same as Nonservice-Connected Death benefit. ***All Other Tier 5:*** 60% of member's pension 3% cap on COLA, with COLA Bank	**NONSERVICE-CONNECTED DEATH** 50% of Final Average Salary ***Note:*** If member's death occurs while on military leave and is a result of his/her military duties, 50% of Final Average Salary 3% cap on COLA, with COLA Bank **DEATH AFTER NONSERVICE-CONNECTED DISABILITY** 70% of member's pension 3% cap on COLA, with COLA Bank
d. Eligible children's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS, the eligible children will receive a monthly pension equal to the pension the QSS would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21 Uncapped COLA	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 unless child is disabled before age 21 Uncapped COLA	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21 3% cap on COLA, no COLA Bank	If no QSS/QSDP, the eligible children will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive. Otherwise: • 25% for one child • 40% for two children • 50% for three or more children Pension not payable after child reaches age 18 (age 22 if in school full time) unless child is disabled before age 21 3% cap on COLA, with COLA Bank	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

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
e. Eligible dependent parent's benefit as a percentage of Qualified Surviving Spouse's (QSS) or Qualified Surviving Domestic Partner's (QSDP) benefit	If no QSS or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive Uncapped COLA	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, no COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank	If no QSS/QSDP or eligible children, the eligible dependent parent will receive a monthly pension equal to the pension the QSS/QSDP would have been eligible to receive 3% cap on COLA, with COLA Bank
8. Cost of Living (COLA)					
a. Generally applicable provisions	Full annual COLA increase or decrease COLAs compound, and are based upon the Consumer Price Index for local urban consumers Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death	Full annual COLA increase or decrease COLAs compound, and are based upon the Consumer Price Index for local urban consumers Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death	Annual COLA increase or decrease not to exceed 3% COLAs compound, and are based upon the Consumer Price Index for local urban consumers Pro rata adjustment in the first year of retirement City Council may grant discretionary COLA increases once every three years Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death	Annual COLA increase or decrease not to exceed 3% Amounts above 3% are banked to be credited during years when the Consumer Price Index is below 3% COLAs compound, and are based upon the Consumer Price Index for local urban consumers Pro rata adjustment in the first year of retirement City Council may grant discretionary COLA increases once every three years - member's COLA Bank is reduced Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death	Annual COLA increase or decrease not to exceed 3% Amounts above 3% are banked to be credited during years when the Consumer Price Index is below 3% COLAs compound, and are based upon the Consumer Price Index for local urban consumers Pro rata adjustment in the first year of retirement City Council may grant discretionary COLA increases once every three years - member's COLA Bank is reduced Survivors' pension includes the percentage of COLAs applied to the member's pension prior to death

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
b. Effective date of COLA:					
i. Service retirement	Annual adjustments commence on July 1 following the later of the effective date or the date the member would have been age 55	Annual adjustments commence on the July 1 following the later of the effective date or the date the member would have completed 25 years of service	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
ii. Service-connected disability, service-connected death	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
iii. Nonservice-connected disability	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension if earlier	Annual adjustments commence on the July 1 following the date the member would have completed 25 years of service or 5 years after the effective date of the member's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
iv. Nonservice-connected death, death while eligible for service retirement	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension if earlier	Annual adjustments commence on the July 1 following the date the member would have completed 26 years of service or 5 years after the effective date of the survivor's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date
v. Death after nonservice-connected disability, death after service-connected disability	Annual adjustments commence on the July 1 following the date the member would have been age 55 or 5 years after the effective date of the pension if earlier	Annual adjustments commence on the July 1 following the date the member would have completed 26 years of service or 5 years after the effective date of the survivor's pension if earlier	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date	Annual adjustments commence on the July 1 following the effective date

	Tier 1	Tier 2	Tiers 3 and 4	Tier 5	Tier 6
9. Member Contributions					
a. As a percentage of annual pay	6%	6% plus ½ cost of cost of living benefit up to 1% (currently 7%)	8%	9% City pays 1% of 9% if Plan is at least 100% actuarially funded	11% 2% of contribution will support funding of retiree health benefits
b. Cease after member attains	30 years of service	30 years of service	30 years of service	33 years of service	33 years of service ***Note:*** The 2% contribution will cease after member attains 25 years of service
10. Qualified Survivors					
a. Qualified Surviving Spouse (QSS) or Qualified Surviving 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 domestic partner at least one year prior to date of nonservice-connected death and as of date of death	Married or registered domestic partner at least one year prior to date of nonservice-connected death and as of date of death	Married or registered domestic partner at least one year prior to date of nonservice-connected death and as of date of death	Married or registered domestic partner at least one year prior to date of nonservice-connected death and as of date of death
ii. Service-connected death	Married as of the date of service-connected death	Married or registered 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	Married or registered the domestic partner as of the date of service-connected death
iii. Death after service pension	Married at least one year prior to the effective date of service pension and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of service pension/ DROP entry and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of service pension and as of date of death
iv. Death after nonservice-connected disability	Married at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death	Married or registered the domestic partner at least one year prior to the effective date of nonservice-connected disability pension and as of date of death

	Tier 1	Tier 2	Tiers 3 & 4	Tier 5	Tier 6
v. Death after service-connected disability	Dependent upon member's retirement status and cause 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	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 occurs first	Legitimate or adopted child of a deceased member, until age 18 or marries, whichever occurs first	Child or adopted child of a deceased member, until age 18 (22 if in school full time) or marries, whichever occurs first	Child or adopted child of a deceased member, until age 18 (22 if in school full time) or marries, whichever occurs first	Child or adopted child of a deceased member, until age 18 (22 if in school full time) or marries, whichever occurs first
c. Dependent child eligibility requirements	Legitimate or adopted child of a deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood	Legitimate or adopted child of a deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood	Child of a deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood	Child of a deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood	Child of a deceased member who, prior to turning age 21, became mentally or physically disabled and cannot earn a livelihood
d. Dependent parent eligibility requirements	Natural parent of a deceased member who had at least one-half of their necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay necessary living expenses without the pension	Natural parent of a deceased member who had at least one-half of their necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay necessary living expenses without the pension	Parent of a deceased member who had at least one-half of their necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay necessary living expenses without the pension	Parent of a deceased member who had at least one-half of their necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay necessary living expenses without the pension	Parent of a deceased member who had at least one-half of their necessary living expenses provided by the member for at least one year prior to the member's death and is unable to pay necessary living expenses without the pension

Miscellaneous Pension Provisions

11. Basic Death Benefit

Applicable to Tiers 3 - 6.

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

12. Deferred Pension Option

Applicable to Tiers 3, 5 and 6.

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

Tiers 5 and 6: Upon termination, can elect deferred pension option if member has at least 20 years of service and leaves contributions in Fund. At age 50, member is entitled to receive a service pension using the Tier 3 service pension percentages.

13. Deferred Retirement Option Plan (DROP)

Not applicable to Tier 1.

Tiers 2 and 4: At least 25 years of service
Tiers 3 and 5: At least 25 years of service and at least age 50
Tier 6: To be determined

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

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

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

14. Optional Form of Benefit for Qualified Surviving Spouse (QSS) / Qualified Surviving Domestic Partner (QSDP)

Applicable to Tiers 3 - 6.

At service or disability retirement, member may elect a higher QSS/QSDP benefit with a corresponding actuarial reduction in his/her retirement benefit.

15. Public Service Purchase (PSP) Program

Not applicable to Tier 1.

Members may purchase service credit for time served in the military or with other public agencies, subject to requirements and limitations established by the City Council.

Purchased service must be for a minimum of six months, but no more than four years of full-time, uninterrupted service.

Purchased service will only count toward increasing a member's monthly pension allowance and any survivorship benefits.

Purchases must be initiated and finalized prior to entering DROP or retiring, whichever occurs first.

Miscellaneous Pension Provisions (continued)
16. Return of Contributions with Interest
Tiers 1 and 2: On termination or death if no other benefits are payable Tiers 3, 5 and 6: On termination or death if no other benefits are payable, (except Basic Death Benefit) Tier 4: Upon death if no other benefits payable, (except Basic Death Benefit). No refund upon termination
17. Survivor Benefit Purchase Program
A retired member may make a one-time, irrevocable election to purchase a survivor benefit for a spouse married in retirement or a domestic partner declared in retirement by taking an actuarially reduced retirement benefit.
18. Vesting of Service Retirement
Tiers 1, 2, 5 and 6: After 20 years of service Tier 3: After 10 years of service Tier 4: No vesting until retirement (minimum of 20 years)

Health and Dental Insurance Premium Subsidy		
19. Health Subsidy	**Member**	**Qualified Surviving Spouse (QSS)/Qualified Surviving Domestic Partner (QSDP)**
a. Age	If retirement date is: 1. On or after 07/01/1998 – at least 55 years of age 2. Prior to 07/01/1998 – at least 60 years of age If member retired between 07/01/1988 and 07/01/1998 and had at least 20 years of service, member may be eligible for a Special MOU Subsidy prior to the age of 60	Member (retired sworn officer) must be at least 55 years of age, if he/she was still alive If member died in the line of duty, medical benefits are provided by the Personnel Department
b. Years of service	At least 10 years of service (YOS), except for a Tier 6 member who retires on a Service-Connected Disability Pension	Member (retired sworn officer) must have had at least 10 years of service (YOS)
c. Pension type	Service or Disability	Qualified Surviving Spouse/ Qualified Surviving Domestic Partner
d. Eligible plans	Medical subsidies may be applied to one of the following: 1. A City-approved association plan: – United Firefighters of Los Angeles City – Los Angeles Fire Relief Association – Los Angeles Police Relief Association – LACERS plans offered to Tier 5 Port Police retirees 2. Health Insurance Premium Reimbursement Program – Only available to residents who live outside a City-approved HMO plan service area or outside the state of California	Medical subsidies may be applied to one of the following: 1. A City-approved association plan: – United Firefighters of Los Angeles City – Los Angeles Fire Relief Association – Los Angeles Police Relief Association – LACERS plans offered to Tier 5 Port Police retirees 2. Health Insurance Premium Reimbursement Program – Only available to residents who live outside a City-approved HMO plan service area or outside the state of California

Health and Dental Insurance Premium Subsidy (continued)		
	Member	**Qualified Surviving Spouse (QSS)/Qualified Surviving Domestic Partner (QSDP)**
e. Medicare requirements	Most retirees qualify for Medicare at age 65 Exceptions occur where eligibility is granted before age 65 Enrollment in: – Medicare Part A: Required only if retiree is eligible for Part A free of charge – Medicare Part B: Required	Most QSS/QSDPs qualify for Medicare at age 65 Exceptions occur where eligibility is granted before age 65 Enrollment in: – Medicare Part A: Required only if QSS/QSDP is eligible for Part A free of charge – Medicare Part B: Required
f. Non-Medicare, Medicare Part B only subsidy formula	4% per YOS, up to a maximum of 25 YOS Subsidy may not exceed premium of insurance plan ***Note:*** Members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) elected not to opt-in during the designated period are subject to the maximum subsidy in effect on July 1, 2011	4% per YOS, up to a maximum of 25 YOS Subsidy may not exceed the single-party premium of insurance plan ***Note:*** QSS/QSDPs of members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) elected not to opt-in during the designated period are subject to the maximum subsidy in effect on July 1, 2011
g. Medicare subsidy formula	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy may not exceed premium of insurance plan Dependent subsidy may apply Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse standard Medicare Part B premium ***Note:*** Members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) elected not to opt-in during the designated period are subject to the maximum subsidy in effect on July 1, 2011	10-14 YOS – 75% of maximum subsidy 15-19 YOS – 90% of maximum subsidy 20+ YOS – 100% of maximum subsidy Subsidy may not exceed premium of insurance plan Must be enrolled in Medicare Parts A and B; and LAFPP will reimburse standard Medicare Part B premium ***Note:*** QSS/QSDPs of members in Tiers 2-5 who (1) enter DROP or retire after July 14, 2011 and (2) elected not to opt-in during the designated period are subject to the maximum subsidy in effect on July 1, 2011
h. Dependent coverage	The member subsidy may be used to cover spouses, domestic partners and children Children may be covered until age 19 or age 25 if in school full time	The QSS/QSDP may cover eligible dependents on their health plan. However, the subsidy may not exceed the single-party premium

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

Disclaimer

The "Summary of Plan Provisions" describes in informal language, the provisions of Tiers 1-6. The intent is to summarize legal texts in a clear and concise manner. If there is a difference between this guide and the legal text outlined in the City Charter, the Los Angeles City Administrative Code, the Internal Revenue Code or other laws, the legal text prevails.

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MILESTONES

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

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

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

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

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

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

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

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

1958 The California Supreme Court ruled that the 1928 Charter provisions for fixed pension did not apply to members employed prior to July 1, 1925 or to surviving spouses of members employed prior to January 27, 1927.

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

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

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

1. A pension equal to 55 percent of annual salary at retirement with 25 years of service plus an additional 3 percent for each year of service over 25, up to a maximum pension of 70 percent of salary at retirement with 30 years of service;
2. A 2 percent cap on the annual cost of living adjustment to all member and surviving spouse pensions that were based on length of service;
3. A minimum pension of $250 per month to be adjusted each year by the cost of living formula;
4. An extension of the amortization period for the unfunded liabilities to 70 years; and
5. Changes in the investment authority to provide for mortgage investments and public improvement financing.

1968 Overtime compensation was excluded from computation of contributions and benefits under Tiers 1 and 2.

1969 Amendments to Tiers 1 and 2 effective May 2, 1969 applied cost of living adjustments to disability and survivor pensions. Service pensioners were allowed to apply for return-to-active duty under certain conditions and restrictions.

The authorized limit for common stock investments was raised to 50 percent of fund assets.

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

1974 Tier 1 and 2 amendments enabled the City Council to adopt ordinances providing health insurance premium subsidy benefits and other programs for eligible pensioners.

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

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

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

1980 A new Tier 3 Safety Members' pension plan, (formerly Article XXXV, Plan 1) was created effective December 8, 1980. It provided for a pension at age 50 with 10 years of service based on a formula of 2 percent per year of service up to 20 years and 3 percent for each additional year up to a maximum pension of 70 percent of annual salary at retirement; refund of member contributions with interest upon termination; and a surviving spouse pension equal to 60 percent of the member's pension.

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

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

2. The investment of 35 percent of fund assets in short-term securities;
3. The appointment of a securities custodian bank;
4. A requirement to retain investment advisors registered under the Investment Advisor Act;
5. The selling and repurchasing of covered call options; and
6. Authority to conduct transactions and exchanges of securities without specific prior Board approval, within established guidelines.

1982 Significant revisions to Tiers 1 and 2 provided a 3 percent cap on the cost of living adjustment for all future service earned by active members and a refund of member contributions upon termination.

Cost of living adjustments were prorated for the first year of retirement.

Paramedics and civilian ambulance drivers were transferred from the Los Angeles City Employees' Retirement System to Tier 3.

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

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

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

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

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

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

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

Retired Tier 2 members may be recalled for up to one year after retirement.

1995 The amount of salary to be used to calculate pension benefits was capped at $150,000 (adjusted annually) for members hired on or after July 1, 1996.

The City Council was authorized to enact ordinances required to maintain the tax-qualified status of Tier 3 under federal law.

1996 In January 1996, a new federal law prohibited states from taxing retirement income of nonresidents.

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

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

Tier 3 and 4 members retiring on or after July 1, 2000 at a rank no higher than Fire Captain or Police Lieutenant shall receive some pension credit for prior hazard pay even if no hazard pay was received during the 12-month period used to determine Final Average Salary for pension purposes.

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

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

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

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

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

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

1. The official department name became the Department of Fire and Police Pensions.
2. The plans were reorganized under a new Charter Article number. Articles XVII, XVIII, XXXV Plan 1 and XXXV Plan 2 are referred to as Tiers 1, 2, 3 and 4, respectively.
3. The Board of Commissioners was expanded from seven to nine members to include an elected retired fire member and an elected retired police member.
4. The Board selects the General Manager, subject to confirmation by the Mayor and Council, and may remove the General Manager, subject to confirmation by the Mayor.
5. Assistant General Manager positions are appointed on an exempt basis.
6. The powers, duties and responsibilities of the Board are more expressly recognized and include:
   a. language consistent with the provisions of California Constitution Article XVI, Section 17;
   b. the prudent person investment standard;
   c. sole and exclusive power to provide actuarial services;
   d. control over litigation and settlement of litigation that involves policies and funds under Board control; and
   e. deletion of the Council's right to veto any Board decisions.
7. The definition of dependent parent was revised so that United States residency at the time of member death is no longer an eligibility requirement.

2001 Charter changes were approved to:

1. Enable the City Council to establish by ordinance a Deferred Retirement Option Plan (DROP).
2. Combine all tiers into a single plan for funding purposes.
3. Require the City Council to create by ordinance a Tier 5 effective January 1, 2002.
4. Allow surviving spouses who remarried prior to December 5, 1996 to collect "surviving spouse" benefits.
5. Enable the City Council to provide by ordinance a dental subsidy for retirees.

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

The Deferred Retirement Option Plan (DROP) became effective May 1, 2002. DROP is a voluntary program whereby a member with a minimum of 25 years of service (members of Tiers 3 and 5 must also be at least age 50) may file for a service pension but continue to work and earn salary and benefits as an active member. The monthly service pension a 5 percent per annum return, payable upon exiting DROP. Participation in DROP is limited to a maximum of 5 years.

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

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

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

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

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

2005 On January 20, 2005, an ordinance became operational allowing former Tier 2 members who had prior service as paramedics or civilian ambulance personnel under the Los Angeles City Employees' Retirement System to purchase this period of service.

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

The second amendment provided the following:

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

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

2006 An ordinance was effective January 4, 2006, which gave current Port Police Officers the choice of transferring to Tier 5 or remaining the Los Angeles City Employees' Retirement System. Persons appointed on or after January 8, 2006 as specified in the ordinance become members of Tier 5 upon graduation from academy training required by the Harbor Department.

The actuarial valuation of 2005 found the Plan less than fully funded for pension benefits. As required by Administrative Code Section 4.2014, Tier 5 member contributions were increased to 9 percent effective July 1, 2006.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Established a Tier 6 for new members effective July 1, 2011. As a result of pension reform, Tier 6 participants will be required to contribute 2 percent more than the maximum 9 percent Tier 5 member contribution for a total of 11 percent. The additional 2 percent will be contributed in exchange for the retiree health benefits provided to members of other tiers who were retired as of April 8, 2011.
2. Removed the amortization policies for each Tier in the Fire and Police Pension System from the Charter and the Administrative Code. These policies shall instead be adopted by the Board of Fire and Police Pension Commissioners upon the advice of its consulting actuary.

On July 15, 2011, City Council adopted an ordinance to permanently freeze the retiree non-Medicare and Medicare health insurance premium subsidy benefits at the rates in effect on July 1, 2011 for members who enter DROP or retire on or after July 15, 2011. The ordinance also provided, per letters of agreement signed by each labor organization, an election period whereby the affected members could elect to unfreeze their retiree medical subsidy by making additional 2 percent "opt-in" contributions. The freeze does not apply to Tier 6 members, as they are required to contribute the additional 2 percent.

2012 On May 15, 2012, the Council approved an Office of the City Administrative Officer (CAO) report that recommended consolidating the Department of General Services (GSD), Office of Public Safety (OPS) into the Police Department (LAPD). The consolidation was adopted with an effective date of July 1, 2012. OPS employees who successfully transition to a regular LAPD sworn classification may make a one-time, irrevocable election to opt out of the Los Angeles City Employees' Retirement System and become members of the Fire and Police Pension System.

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