



Los Angeles

Fire & Police Pensions

TO SERVE THOSE WHO PROTECT

General Information

*General Information is updated annually, and as needed. Except where noted, information in this report has been updated for the quarter ending **September 30, 2011**.*

MISSION

Our mission is to advance the health and retirement security of those who dedicate their careers to serve and protect the people of Los Angeles.

BACKGROUND

Los Angeles Fire and Police Pensions, (LAFPP) is a City department solely dedicated to administering the defined benefit retirement plan for all sworn (fire, police and certain port police) employees of the City of Los Angeles. As of the quarter ending September 30, 2011, we provided benefits to approximately 13,309 active members and 13,384 retirees and survivors.¹

LAFPP is a defined benefit retirement plan that pays a specified, life-long monthly benefit. This plan provides service, disability and survivor pension benefits. Pension benefits are based on the member's final average compensation and years of service.

LAFPP has been providing retirement benefits to eligible members and their beneficiaries since June 7, 1899. In 1974, we began providing subsidy payments for health insurance to eligible retirees and to qualified survivors in 1976. Years later in 2001, eligible retirees began receiving a dental subsidy. This benefit is payable to members only.

INCOME TOTALS OVER THE PAST 10 FISCAL YEARS

Year	Member Contributions	Employer Contributions	Investment and Other Income
2001-02	\$ 63,445,503	\$ 102,947,209	\$ 18,685,927
2002-03	\$ 70,953,454	\$ 98,029,049	\$ (68,158,607)
2003-04	\$ 73,439,319	\$ 135,702,867	\$ 878,479,167
2004-05	\$ 75,785,506	\$ 166,895,621	\$ 1,018,653,000
2005-06	\$ 79,402,694	\$ 174,859,083	\$ 1,272,651,572
2006-07	\$ 91,263,474	\$ 279,608,763	\$ 1,293,584,198
2007-08	\$ 98,074,219	\$ 326,656,184	\$ 1,082,858,801
2008-09	\$ 103,685,447	\$ 325,391,488	\$ (355,323,081)
2009-10	\$ 106,480,004	\$ 355,157,134	\$ 575,537,982
2010-11 ²	\$ 105,443,210	\$ 388,773,459	\$ 260,869,630
2011-12 ³	\$ 107,682,801	\$ 471,384,436	\$ 255,359,422

¹ Membership totals are unaudited.

² The income totals for FY 2010-11 are unaudited amounts.

³ The income totals for FY 2011-12 are budgeted amounts.

NUMBER OF LAFPP EMPLOYEES

Total Positions⁴: 116

TOTAL LAFPP ADMINISTRATIVE EXPENDITURES

2001-02	\$	7,979,684
2002-03	\$	7,851,982
2003-04	\$	9,130,663
2004-05	\$	9,552,993
2005-06	\$	9,617,352
2006-07	\$	11,630,121
2007-08	\$	12,373,185
2008-09	\$	13,362,266
2009-10	\$	13,561,437
2010-11 ⁵	\$	15,680,549
2011-12 ⁶	\$	16,932,535

BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

9 Commissioners: 4 elected / 5 appointed

Commissioner	Appointed / Elected	Term Expires
Robert von Voigt, President	Elected by Active Police Members	06/30/2015
Brenda Maull, Vice President	Appointed by the Mayor	06/30/2012
George Aliano	Elected by Retired Police Members	06/30/2014
Rafael Bernardino, Jr.	Appointed by the Mayor	06/30/2016
Sam Diannitto	Elected by Retired Fire Members	06/30/2015
Dean Hansell	Appointed by the Mayor	06/30/2015
Wayne Moore	Appointed by the Mayor	06/30/2014
Ruben Navarro	Elected by Active Fire Members	06/30/2012
Raúl Pérez	Appointed by the Mayor	06/30/2013

⁴ Total budgeted positions as of July 1, 2011.

⁵ Administrative expenditure for FY 2010-11 is an estimated amount.

⁶ Administrative expenditure for FY 2011-12 is a budgeted amount.

LAFPP HIGHLIGHTS

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.

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

1923. The pension system was first funded on an actuarial basis effective January 29, 1923.

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

1971. Tiers 1 and 2 were amended effective July 1, 1971 to add two elected employee members to the Board of Pension Commissioners.

1974-1976. In 1974, Tier 1 and Tier 2 amendments enabled the City Council to adopt ordinances providing subsidy payments for health insurance and other programs for eligible pensioners. The ordinance was later amended, effective September 30, 1976 to include the spouse and dependents of eligible members.

1980. A new Tier 3 Safety Members' pension plan, (formerly Article XXXV, Plan 1) was created effective December 8, 1980.

1982. Significant revisions to Tier 1 and Tier 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. Paramedics and civilian ambulance drivers were transferred from the City Employees' Retirement System to Tier 3.

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

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

1996. 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.

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.

The new City Charter became effective July 1, 2000. Some key changes affecting the Pension System were:

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

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

(3) The Board of Commissioners was expanded from seven to nine members to include an elected retired fire member and an elected retired police member.

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

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

2001. Charter changes were approved to:

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

(2) Enable the City Council to provide by ordinance a dental subsidy for retirees, effective January 1, 2002.

(3) Enable the City Council to establish by ordinance a Deferred Retirement Option Plan (DROP), which became effective May 1, 2002.

(4) Combine all tiers into a single plan for funding purposes.

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

2006. An ordinance was effective January 4, 2006, which gave current Port Police Officers the choice of transferring to Tier 5 or remaining in LACERS, their current retirement system. Persons appointed on or after January 8, 2006 as specified in the ordinance became members of Tier 5 upon graduation from academy training required by the Harbor Department.

2007. On March 6, 2007, voters passed a Charter amendment giving the City Council authority to establish by ordinance a voluntary Public Service Purchase (PSP) Program.

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.

2008. The Public Service Purchase (PSP) ordinance was adopted by the City Council on April 8, 2008, and became effective April 22, 2008.

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 to Fire or Police Chief prior to exiting DROP, shall be allowed to rescind his/her DROP election.

(2) November 4, 2008 - Removal of a definitive ending date for DROP; and a member must be on active duty status at the time of entry into DROP.

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

- (1) Retired members shall be allowed to purchase a survivor benefit for a spouse married or a domestic partner declared in retirement.
- (2) Dependent children shall not lose their survivor benefit if they are subsequently adopted or marry. The Board may also provide additional options for the payment of benefits to the dependent child.

2010. On April 1, 2010, the Board retained Northern Trust Benefit Payment Services as the issuer for monthly pension payments. The Department issued pension payments utilizing the new benefit payment system for the first time in October 2010.

2011. On March 8, 2011, Los Angeles voters approved Charter Amendment G. A key provision of this measure was the establishment of a new Tier 6 within the Fire and Police Pension Plan effective July 1, 2011.

On July 15, 2011, the City Council adopted an ordinance to permanently freeze the retiree health subsidies and reimbursements at the July 1, 2011 rates for LAFPP members who:

- (1) Retire or enter DROP on or after July 15, 2011; and
- (2) Opt not to make a contribution for vesting increases in the maximum health subsidy benefit, as allowed by an applicable Memorandum of Understanding.

ACTUARIAL INFORMATION

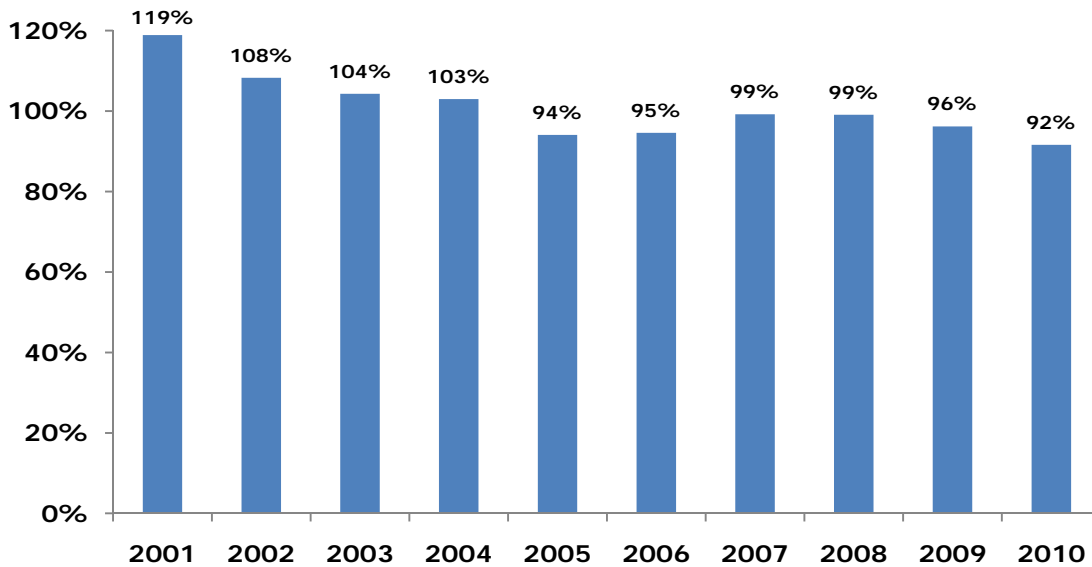
Two actuarial valuations of the assets and liabilities of pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries; the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress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

The funding progress is often measured by a pension plan’s funded status. The funded status is defined as the accumulation of assets that have been set aside for the payment of retirement benefits to its employees. It is usually expressed as a ratio, known as the funded ratio:

$$\text{Funded Ratio} = \frac{\text{Plan Assets}}{\text{Plan Liabilities}} \times 100$$

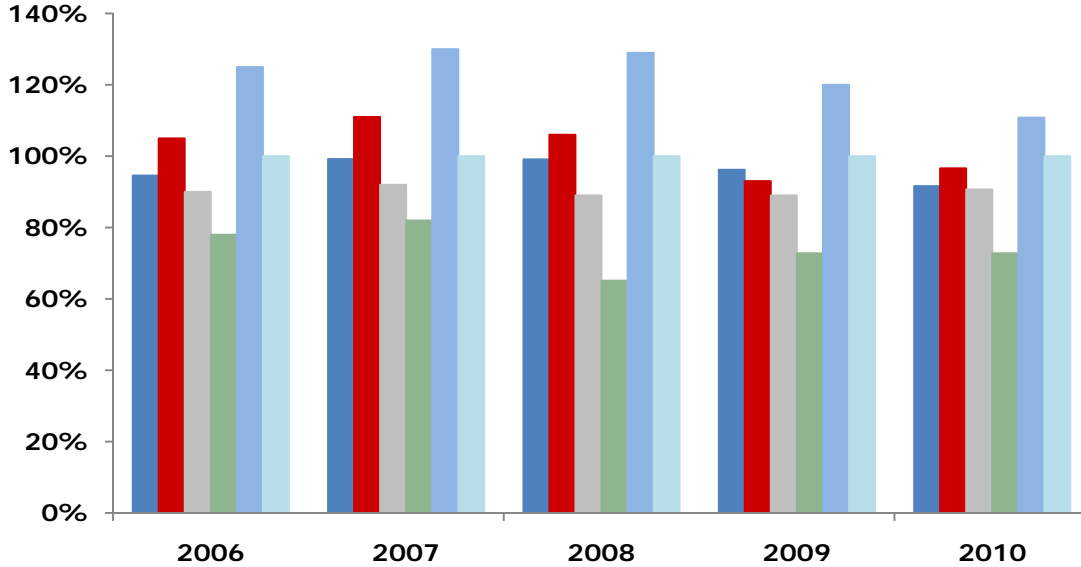
The funded status is important because it forecasts whether or not the plan is fully funded. A fully funded plan is one in which the market value of the plan’s assets is enough to cover at least 100 percent of current benefits earned by employees. This occurs when the plan’s assets are greater than its liabilities, yielding a funding ratio of 100 percent or more. If however, the plan’s assets are less than its liabilities, an unfunded actuarial accrued liability (UAAL) occurs, and the funding ratio is less than 100 percent.

The actuarial study for the fiscal year ending June 30, 2010 determined that the System was 91.6% actuarially funded for pension benefits. The study for this last fiscal year ending June 30, 2011 is currently in progress. The results will be released upon completion of the study. The following displays the System’s funded ratios for the last 10 years:

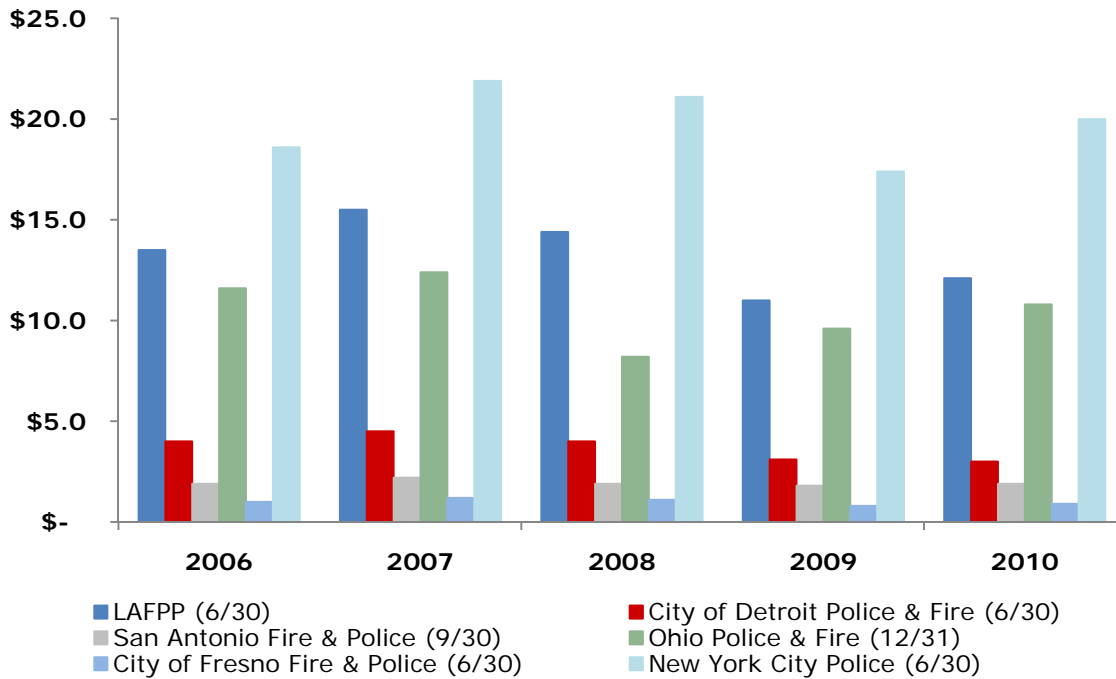


The following two charts show five-year comparisons of LAFPP’s funded ratios and market value of assets with other sworn pension systems as of each system’s valuation effective date⁷:

Funded Ratio



**Market Value of Assets
(IN BILLIONS)**



⁷ Information cited from each System’s financial reports. The actuarial valuation methods used to determine the funding ratio may differ amongst the systems. The market values of assets may not be an equitable comparison.