



Los Angeles

Fire & Police Pensions

TO SERVE THOSE WHO PROTECT

General Information

*General Information is updated annually or as needed. The information contained in this report was updated for the fiscal year ending **June 30, 2010**, unless otherwise stated.*

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 fiscal year ending June 30, 2010, we provided benefits to approximately 13,437 active members and 13,331 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 ²	\$ 112,131,333	\$ 355,157,134	\$ 286,077,801
2010-11 ³	\$ 114,321,668	\$ 385,704,037	\$ 309,746,409

¹ Actual totals will be available upon completion of the June 30, 2010 actuarial valuation

² The income totals for FY 2009-10 are estimated amounts.

³ The income totals for FY 2010-11 are budgeted amounts.

NUMBER OF LAFPP EMPLOYEES

Total Positions: 110 / Filled: 100

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 ⁴	\$	14,866,000
2010-11 ⁵	\$	17,156,299

BOARD OF FIRE AND POLICE PENSION COMMISSIONERS⁶

9 Commissioners: 4 elected / 5 appointed

Commissioner	Appointed / Elected	Term Expires
Dean Hansell, President	Appointed by the Mayor	06/30/2015
Robert von Voigt, Vice President	Elected by Active Police Members	06/30/2015
George Aliano	Elected by Retired Police Members	06/30/2014
Sam Diannitto	Elected by Retired Fire Members	06/30/2015
Brenda Maull	Appointed by the Mayor	06/30/2012
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
Adlai Wertman	Appointed by the Mayor	06/30/2011

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. Article XVII (Tier 1) was extensively amended, and a New Pension System

⁴ Administrative expenditure for FY 2009-10 is an estimated amount.

⁵ Administrative expenditure for FY 2010-11 is a budgeted amount.

⁶ Board status as of August 5, 2010.

Article XVIII, (Tier 2) was adopted effective January 29, 1967.

1971. Articles XVII were amended effective July 1, 1971 to add two elected employee members to the Board of Pension Commissioners.

1974-1976. In 1974, Article XVII (Tier 1) and XVIII (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. Article XXXV (Tier 3), The Safety Members' Pension plan, was created effective December 8, 1980.

1982. Significant revisions to Articles XVII (Tier 1) and XVIII (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 the Safety Members Pension plan, Article XXXV (Tier 3).

1989. The System began pre-funding the health 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. Article XXXV, Plan 2 (Tier 4) was established effective July 1, 1997. All Article XXXV, Plan 1 (Tier 3) members hired between December 8, 1980 and June 30, 1997 were given until June 30, 1998 to make an irrevocable transfer to Plan 2 (Tier 4).

1999. As of June 30, 1999, the plan became fully actuarially funded for the first time at 104.7%.

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 7 to 9 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. Council Ordinance Number 177214, authorizing the transfer of Sworn Port Police Officers to Tier 5 of Fire and Police Pensions, became effective January 4, 2006. The ordinance gave current Port Police Officers the choice of transferring to Tier 5 or remaining in 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 their 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.

ACTUARIAL INFORMATION

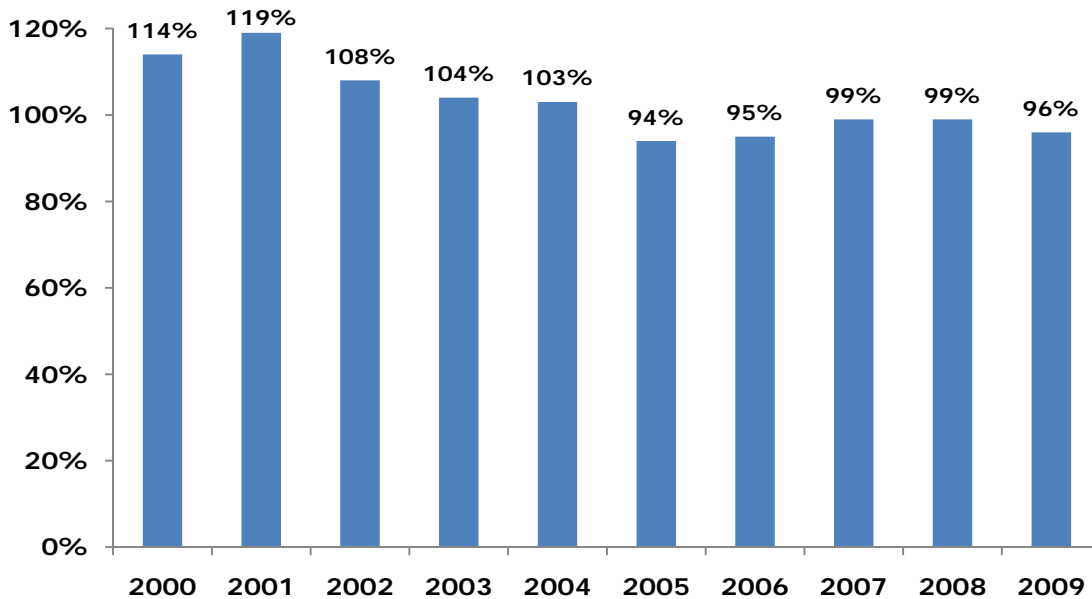
Two actuarial valuations of the assets and liabilities of pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries; the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress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

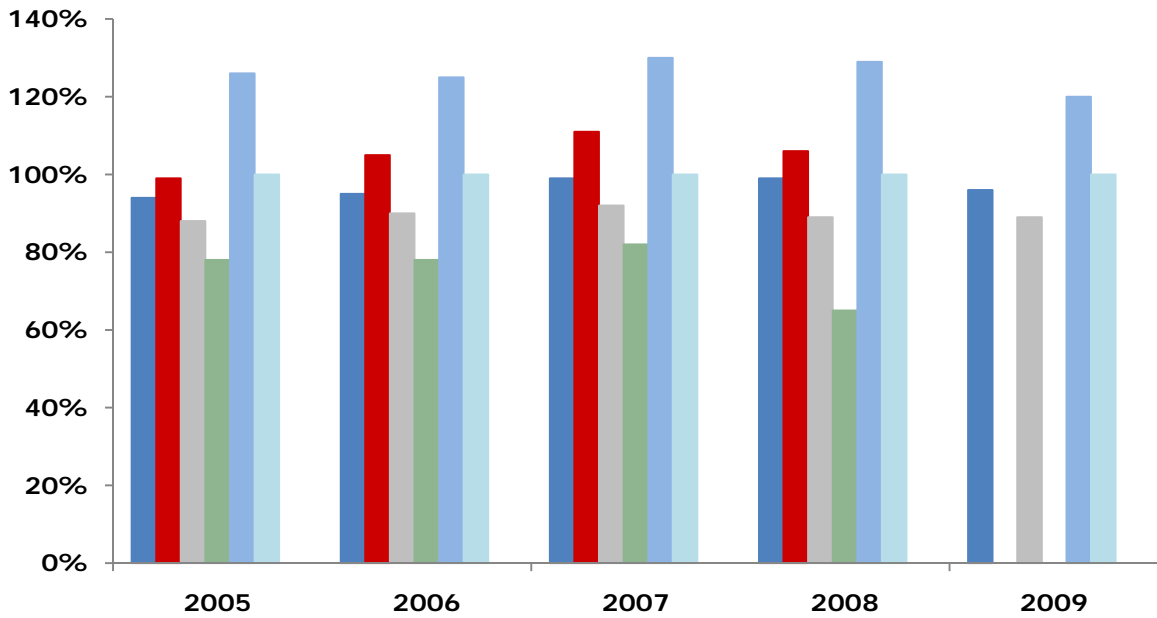
The actuarial study for the fiscal year ending June 30, 2009 determined that the System was 96.2% actuarially funded for pension benefits. The study for the recent fiscal year ending June 30, 2010 is in progress. Results are expected to be released in November 2010. The following displays the System’s funded ratios for the last 10 years:



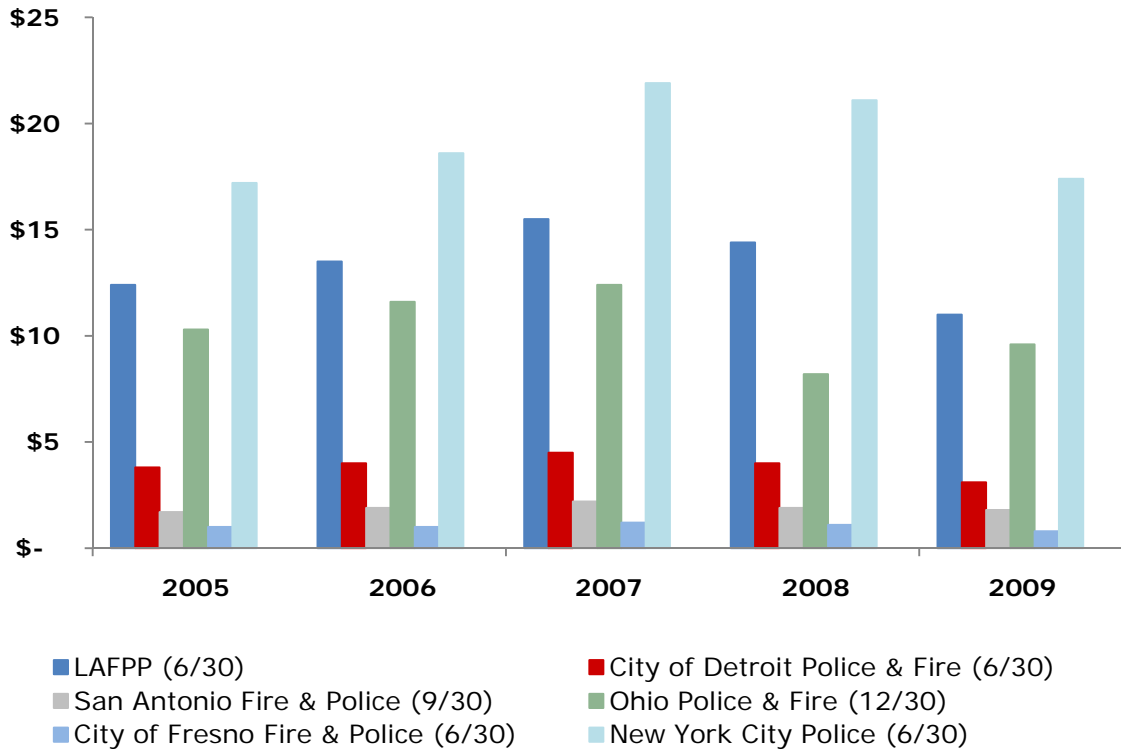
The following two charts show five-year comparisons of LAFPP’s funded ratios and market value of assets with other sworn pension systems as of each system’s

valuation effective date:⁷

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. As of the posting date of August 5, 2010, the 2009 funding status was not available for the City of Detroit or Ohio systems.