

**LOS ANGELES FIRE AND
POLICE PENSION SYSTEM**

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

LOS ANGELES FIRE AND POLICE PENSION SYSTEM

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Pension Plan and Health Subsidy Plan, administered by the Los Angeles Fire and Police Pension System (the System), which comprise the statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements for each plan.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the respective financial statements for each plan, based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Plan and Health Subsidy Plan administered by the System as of June 30, 2021 and 2020, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 19, 2021

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

This Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles Fire and Police Pension System (the System or LAFPP) is an overview of its fiscal operations for the year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with the Financial Statements and the Notes to the Financial Statements. Amounts contained in this discussion have been rounded to facilitate readability.

FINANCIAL HIGHLIGHTS

- Net position at the close of the fiscal year ended June 30, 2021, was \$27.86 billion and \$2.89 billion for the Pension Plan and Health Subsidy Plan, respectively. All of the net position was available to meet the System's obligations to members and their beneficiaries.
- Net position increased by \$6.47 billion or 30.2% and increased by \$744.86 million or 34.8% for the Pension Plan and Health Subsidy Plan, respectively.
- As of June 30, 2021, the date of the most recent funding actuarial valuations, the funding ratios of the Pension Plan and Health Subsidy Plan were 96.8% and 64.7%, respectively.
- Additions to the Pension Plan's net position increased by \$6.40 billion or 501.1% from \$1.28 billion to \$7.67 billion, due primarily to the net appreciation in the fair value of investments in fiscal year 2021 relative to fiscal year 2020.
- Deductions from the Pension Plan's net position increased by \$66.40 million or 5.8% over fiscal year 2020 from \$1.14 billion to \$1.21 billion in fiscal year 2021.
- Additions to the Health Subsidy Plan's net position increased by \$647.54 million or 257.7% from \$251.31 million to \$898.86 million, due to the net appreciation in the fair value of investments in fiscal year 2021 relative to fiscal year 2020.
- Deductions from the Health Subsidy Plan's net position increased by \$8.41 million or 5.8% over fiscal year 2020 from \$145.58 million to \$154.0 million in fiscal year 2021.
- The total pension liability for the Pension Plan at June 30, 2021, was \$25.16 billion, and the fiduciary net position was \$27.86 billion. Thus, the net pension asset for the Pension Plan was \$2.70 billion, and the fiduciary net position as a percentage of the total pension liability was 110.74%
- The total Other Post-Employment Benefits (OPEB) liability for the Health Subsidy Plan at June 30, 2021, was \$3.79 billion, and the fiduciary net position was \$2.89 billion. Thus, the net OPEB liability for the Health Subsidy Plan was \$904.86 million, and the fiduciary net position as a percentage of the total OPEB liability was 76.14%.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The *Statement of Fiduciary Net Position* 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 Fiduciary Net Position* reports additions to and deductions from the fiduciary net position 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 14 to 50 of this report.

The *Required Supplementary Information* (RSI) section includes the following six schedules:

Pension Plan:

- Schedule of Changes in Net Pension Liability and Related Ratio
- Schedule of Employer Contributions
- Notes to Schedule of Employer Contribution
- Schedule of Investment Returns
- Schedule of Employer's Net Pension Liability

Health Subsidy Plan:

- Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to Schedule of Employer Contribution
- Schedule of Investment Returns
- Schedule of Employer's Net Other Postemployment Benefits Liability

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

FINANCIAL ANALYSIS

Pension Plan

Fiduciary Net Position

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

Condensed Statement of Fiduciary Net Position				
(\$ in Thousands)				
	2021	2020	Change	% Change
Cash	\$ 6,442	\$ 1,861	\$ 4,581	246.2%
Receivables/Prepayments	175,836	367,205	(191,369)	-52.1%
Investments	28,914,759	23,020,542	5,894,217	25.6%
Capital Assets	22,048	24,104	(2,056)	-8.5%
Total Assets	29,119,085	23,413,712	5,705,373	24.4%
Liabilities	1,256,778	2,016,779	(760,001)	-37.7%
Net Position	\$ 27,862,307	\$ 21,396,933	\$ 6,465,374	30.2%

Net position increased by \$6.47 billion (30.2%) to \$27.86 billion from fiscal year 2020. Total assets increased in value by \$5.71 billion (24.4%) when compared with the prior fiscal year 2020, attributable to appreciation of investments due to favorable market conditions.

Condensed Statement of Fiduciary Net Position				
(\$ in Thousands)				
	2020	2019	Change	% Change
Cash	\$ 1,861	\$ 2,766	\$ (905)	-32.7%
Receivables/Prepayments	367,205	467,108	(99,903)	-21.4%
Investments	23,020,542	21,990,502	1,030,040	4.7%
Capital Assets	24,104	24,195	(91)	-0.4%
Total Assets	23,413,712	22,484,571	929,141	4.1%
Liabilities	2,016,779	1,222,371	794,408	65.0%
Net Position	\$ 21,396,933	\$ 21,262,200	\$ 134,733	0.6%

Net position increased by \$134.73 million (0.6%) to \$21.40 billion from fiscal year 2019. Total assets increased in value by \$929.14 million (4.1%) when compared with the prior fiscal year 2019, attributable to appreciation of investments despite the market conditions.

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

Pension Plan (Continued)

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position (\$ in Thousands)			
	2021	2020	Change	% Change
Additions				
Employer Contributions	\$ 543,819	\$ 516,638	\$ 27,181	5.3%
Member Contributions	157,786	153,787	3,999	2.6%
Net Investment Income	6,971,432	605,869	6,365,563	1050.7%
Other Income	673	375	298	79.5%
Total Additions	7,673,710	1,276,669	6,397,041	501.1%
Deductions				
Pension Benefits	1,182,407	1,116,722	65,685	5.9%
Refund of Contributions	4,556	4,530	26	0.6%
Administrative Expenses	21,372	20,685	687	3.3%
Total Deductions	1,208,335	1,141,937	66,398	5.8%
Net Increase	6,465,375	134,732	6,330,643	4698.7%
Net Position, Beginning of Year	21,396,932	21,262,200	134,732	0.6%
Net Position, End of Year	\$ 27,862,307	\$ 21,396,932	\$ 6,465,375	30.2%

Additions to Fiduciary Net Position

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 2021 totaled \$701.61 million, up by \$31.18 million or 4.65% over fiscal year 2020. The employer's contribution for fiscal year 2021 was \$543.82 million compared to \$516.64 million for fiscal year 2020. The increase in employer's contributions was due to the increase in required contribution. The increase in members' contribution was due to an increase in general wage growth.

Net investment income amounted to \$6.97 billion, an increase in net investment income of \$6.37 billion or 1050.7% when compared with \$605.87 million from fiscal year 2020. Investment income increased in fiscal year 2021 due to the net appreciation in the fair value of investments in fiscal year 2021 relative to fiscal year 2020.

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

Pension Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Deductions from Fiduciary Net Position

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

Deductions for the fiscal year ended June 30, 2021, totaled \$1.21 billion, up by \$66.40 million or 5.8% over fiscal year 2020. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of service retirements and Deferred Retirement Option Plan (DROP) exits compared to fiscal year 2020.

Condensed Statement of Changes in Fiduciary Net Position (\$ in Thousands)				
	2020	2019	Change	% Change
Additions				
Employer Contributions	\$ 516,638	\$ 504,877	\$ 11,761	2.3%
Member Contributions	153,787	147,753	6,034	4.1%
Net Investment Income	605,869	1,217,329	(611,460)	-50.2%
Other Income	375	363	12	3.3%
Total Additions	<u>1,276,669</u>	<u>1,870,322</u>	<u>(593,653)</u>	-31.7%
Deductions				
Pension Benefits	1,116,722	1,065,979	50,743	4.8%
Refund of Contributions	4,530	4,478	52	1.2%
Administrative Expenses	20,685	20,244	441	2.2%
Total Deductions	<u>1,141,937</u>	<u>1,090,701</u>	<u>51,236</u>	4.7%
Net Increase	134,732	779,621	(644,889)	-82.7%
Net Position, Beginning of Year	<u>21,262,200</u>	<u>20,482,579</u>	<u>779,621</u>	3.8%
Net Position, End of Year	<u>\$ 21,396,932</u>	<u>\$ 21,262,200</u>	<u>\$ 134,732</u>	0.6%

Additions to Fiduciary Net Position

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 2020 totaled \$670.42 million, up by \$17.79 million or 2.7% over fiscal year 2019. The employer's contribution for fiscal year 2020 was \$516.64 million compared to \$504.88 million for fiscal year 2019. The increase in employer's contributions was due to the increase in required

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

Pension Plan (Continued)

Changes in Fiduciary Net Position (Continued)

contribution. The increase in members' contribution was due to an increase in membership in Tier 6 and general wage growth.

Net investment income amounted to \$605.87 million, a decrease in net investment income of \$611.46 million or 50.2% when compared with \$1.22 billion from fiscal year 2019. Investment income decreased in fiscal year 2020 due to less appreciation in the fair value of investments in fiscal year 2020 relative to fiscal year 2019.

Deductions from Fiduciary Net Position

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

Deductions for the fiscal year ended June 30, 2020, totaled \$1.14 billion, up by \$51.24 million or 4.7% over fiscal year 2019. The increase was due primarily to the increase in retiree benefit payments resulting from an increase in the number of service retirements and Deferred Retirement Option Plan (DROP) exits compared to fiscal year 2019.

Health Subsidy Plan

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

Fiduciary Net Position

	Condensed Statement of Fiduciary Net Position			
	(\$ in Thousands)			
	2021	2020	Change	% Change
Cash	\$ 665	\$ 185	\$ 480	259.5%
Receivables/Prepayments	29,899	48,120	(18,221)	-37.9%
Investments	2,984,117	2,293,222	690,895	30.1%
Capital Assets	2,275	2,401	(126)	-5.2%
Total Assets	3,016,956	2,343,928	673,028	28.7%
Liabilities	128,646	200,480	(71,834)	-35.8%
Net Position	<u>\$ 2,888,310</u>	<u>\$ 2,143,448</u>	<u>\$ 744,862</u>	34.8%

Net position increased by \$744.86 million (34.8%) to \$2.89 billion from fiscal year 2020. Total assets increased in value by \$673.03 million (28.7%) when compared with the prior fiscal year 2020, attributable to appreciation of investments due to favorable market conditions.

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

Health Subsidy Plan (Continued)

Fiduciary Net Position

	Condensed Statement of Fiduciary Net Position (\$ in Thousands)			
	2020	2019	Change	% Change
Cash	\$ 185	\$ 264	\$ (79)	-29.9%
Receivables/Prepayments	48,120	54,680	(6,560)	-12.0%
Investments	2,293,222	2,095,842	197,380	9.4%
Capital Assets	2,401	2,306	95	4.1%
Total Assets	2,343,928	2,153,092	190,836	8.9%
Liabilities	200,480	115,376	85,104	73.8%
Net Position	\$ 2,143,448	\$ 2,037,716	\$ 105,732	5.2%

Net position increased by \$105.73 million (5.2%) to \$2.14 billion from fiscal year 2019. The assets increase in value by \$190.84 million (8.9%) when compared with the prior year 2019, attributable to appreciation of investments due to favorable market conditions.

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position (\$ in Thousands)			
	2021	2020	Change	% Change
Additions				
Contributions	\$ 200,424	\$ 193,213	\$ 7,211	3.7%
Net Investment Income	698,367	58,065	640,302	1102.7%
Other	67	36	31	86.1%
Total Additions	898,858	251,314	647,544	257.7%
Deductions				
Benefits Payment	151,855	143,600	8,255	5.7%
Administrative Expenses	2,141	1,982	159	8.0%
Total Deductions	153,996	145,582	8,414	5.8%
Net Increase	744,862	105,732	639,130	604.5%
Net Position, Beginning of Year	2,143,448	2,037,716	105,732	5.2%
Net Position, End of Year	\$ 2,888,310	\$ 2,143,448	\$ 744,862	34.8%

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

Health Subsidy Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Additions to Fiduciary Net Position

Total additions to net position increased by \$647.54 million compared to fiscal year 2020. This is due primarily to the net appreciation in the fair value of investments which increased by \$640.3 million or 1,102.7% over fiscal year 2020. For fiscal year 2021, net investment income was \$698.37 million compared to \$58.07 million in fiscal year 2020.

Deductions from Fiduciary Net Position

Deductions represent medical and dental insurance subsidies paid for pensioners and their beneficiaries and administrative expenses. Current year deductions were \$154.0 million, \$8.41 million or 5.8% more than the total deductions of fiscal year 2020. This is due primarily to an increase in the medical insurance subsidies and an increase in the number of eligible pensioners and beneficiaries.

	Condensed Statement of Changes in Fiduciary Net Position (\$ in Thousands)			
	2020	2019	Change	% Change
Additions				
Contributions	\$ 193,213	\$ 188,020	\$ 5,193	2.8%
Net Investment Income	58,065	111,635	(53,570)	-48.0%
Other	36	-	36	N/A
	251,314	299,655	(48,341)	-16.1%
Deductions				
Benefits Payment	143,600	137,874	5,726	4.2%
Administrative Expenses	1,982	1,856	126	6.8%
Total Deductions	145,582	139,730	5,852	4.2%
Net Increase	105,732	159,925	(54,193)	-33.9%
Net Position, Beginning of Year	2,037,716	1,877,791	159,925	8.5%
Net Position, End of Year	\$ 2,143,448	\$ 2,037,716	\$ 105,732	5.2%

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

Health Subsidy Plan (Continued)

Changes in Fiduciary Net Position (Continued)

Additions to Fiduciary Net Position

Total additions to net position decreased by \$48.34 million compared to fiscal year 2019. This is due primarily to lesser appreciation in the fair value of investments which decreased by \$53.57 million or 48.0% over fiscal year 2019. For fiscal year 2020, net investment income was \$58.06 million compared to \$111.63 million in fiscal year 2019.

Deductions from Fiduciary Net Position

Deductions represent medical and dental insurance subsidies paid for pensioners and their beneficiaries and administrative expenses. Deductions for fiscal year 2020 were \$145.58 million, \$5.85 million or 4.2% more than the total deductions of fiscal year 2019. This is due primarily to an increase in the medical insurance subsidies and an increase in the number of eligible pensioners and beneficiaries.

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

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 LAFPP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Raymond P. Ciranna, General Manager
Los Angeles Fire and Police Pension System
701 E. Third Street, Suite 200
Los Angeles, CA 90013

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2021 AND 2020

	2021			2020		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ASSETS						
Cash	\$ 6,441,606	\$ 664,799	\$ 7,106,405	\$ 1,860,753	\$ 185,361	\$ 2,046,114
Receivables						
Accrued Interest and Dividends	66,784,232	6,892,396	73,676,628	58,355,762	5,813,186	64,168,948
Contributions	5,163,342	-	5,163,342	9,804,546	-	9,804,546
Due from Brokers	103,888,114	10,721,662	114,609,776	299,043,956	29,789,656	328,833,612
Total Receivables	175,835,688	17,614,058	193,449,746	367,204,264	35,602,842	402,807,106
Prepaid benefits	992	12,284,726	12,285,718	992	12,517,232	12,518,224
Investments at Fair Value						
Temporary	1,648,612,637	170,143,317	1,818,755,954	1,401,803,112	139,642,454	1,541,445,566
U.S. Government Obligations	2,498,210,183	257,825,130	2,756,035,313	2,080,198,516	207,221,701	2,287,420,217
Domestic Corporate Bonds	2,186,714,140	225,677,511	2,412,391,651	2,492,026,079	248,246,444	2,740,272,523
Foreign Bonds	87,463,613	9,026,589	96,490,202	60,093,307	5,986,274	66,079,581
Domestic Stocks	10,785,370,508	1,113,092,713	11,898,463,221	7,895,255,071	786,496,182	8,681,751,253
Foreign Stocks	5,417,893,208	559,147,917	5,977,041,125	3,867,682,357	385,284,246	4,252,966,603
Real Estate	1,466,561,009	151,354,872	1,617,915,881	1,307,944,276	130,292,583	1,438,236,859
Alternative Investments	3,930,570,918	405,650,399	4,336,221,317	2,658,132,583	264,793,361	2,922,925,944
Total Investments	28,021,396,216	2,891,918,448	30,913,314,664	21,763,135,301	2,167,963,245	23,931,098,546
Capital Assets	22,047,887	2,275,429	24,323,316	24,104,160	2,401,168	26,505,328
Securities Lending Collateral	893,362,910	92,198,571	985,561,481	1,257,406,411	125,258,187	1,382,664,598
TOTAL ASSETS	29,119,085,299	3,016,956,031	32,136,041,330	23,413,711,881	2,343,928,035	25,757,639,916
LIABILITIES						
Accounts Payable and Accrued Expenses	17,286,180	1,784,002	19,070,182	17,891,396	1,782,275	19,673,671
Benefits in Process of Payment	21,339,845	1,143,549	22,483,394	16,957,243	1,264,960	18,222,203
Due to Brokers	127,195,710	13,127,098	140,322,808	547,728,773	54,562,719	602,291,492
Mortgage Payable	197,559,887	20,388,958	217,948,845	176,761,668	17,608,345	194,370,013
Security Deposit	33,633	3,471	37,104	33,743	3,361	37,104
Securities Lending Collateral	893,362,910	92,198,571	985,561,481	1,257,406,411	125,258,187	1,382,664,598
TOTAL LIABILITIES	1,256,778,165	128,645,649	1,385,423,814	2,016,779,234	200,479,847	2,217,259,081
NET POSITION IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	\$ 27,862,307,134	\$ 2,888,310,382	\$ 30,750,617,516	\$ 21,396,932,647	\$ 2,143,448,188	\$ 23,540,380,835

The accompanying notes are an integral part of these financial statements.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2021 AND 2020

	2021			2020		
	Pension	Health Subsidy	Combined	Pension	Health Subsidy	Combined
ADDITIONS						
Contributions						
Employer Contributions	\$ 543,818,747	\$ 200,424,568	\$ 744,243,315	\$ 516,638,053	\$ 193,213,520	\$ 709,851,573
Member Contributions	157,785,911	-	157,785,911	153,786,863	-	153,786,863
Total Contributions	<u>701,604,658</u>	<u>200,424,568</u>	<u>902,029,226</u>	<u>670,424,916</u>	<u>193,213,520</u>	<u>863,638,436</u>
Investment Income (Loss)						
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	6,540,739,198	655,221,746	7,195,960,944	233,990,401	22,425,057	256,415,458
Interest	124,782,839	12,500,182	137,283,021	153,181,153	14,680,500	167,861,653
Dividends	274,205,974	27,468,717	301,674,691	260,827,637	24,997,071	285,824,708
Net Real Estate Income	48,061,972	4,814,632	52,876,604	39,454,915	3,781,261	43,236,176
Income from Alternative Investments	106,308,036	10,649,458	116,957,494	14,533,531	1,392,857	15,926,388
Securities Lending Income	4,753,731	476,207	5,229,938	6,134,849	587,949	6,722,798
Less: Securities Lending Expense	(664,318)	(66,548)	(730,866)	(857,699)	(82,200)	(939,899)
Other Income	(3,080,018)	(308,542)	(3,388,560)	(277,852)	(26,629)	(304,481)
Subtotal	<u>7,095,107,414</u>	<u>710,755,852</u>	<u>7,805,863,266</u>	<u>706,986,935</u>	<u>67,755,866</u>	<u>774,742,801</u>
Less: Investment Manager Expense	<u>(123,675,279)</u>	<u>(12,389,231)</u>	<u>(136,064,510)</u>	<u>(101,117,833)</u>	<u>(9,690,881)</u>	<u>(110,808,714)</u>
Net Investment Income	<u>6,971,432,135</u>	<u>698,366,621</u>	<u>7,669,798,756</u>	<u>605,869,102</u>	<u>58,064,985</u>	<u>663,934,087</u>
Other Income						
Donations	-	-	-	-	-	-
Miscellaneous	672,618	67,380	739,998	375,381	35,975	411,356
Total Other Income	<u>672,618</u>	<u>67,380</u>	<u>739,998</u>	<u>375,381</u>	<u>35,975</u>	<u>411,356</u>
TOTAL ADDITIONS	<u>7,673,709,411</u>	<u>898,858,569</u>	<u>8,572,567,980</u>	<u>1,276,669,399</u>	<u>251,314,480</u>	<u>1,527,983,879</u>
DEDUCTIONS						
Pension Benefits	1,182,406,486	-	1,182,406,486	1,116,721,637	-	1,116,721,637
Payment of Health Subsidy	-	139,044,388	139,044,388	-	132,755,800	132,755,800
Payment of Medicare Reimbursement	-	12,811,006	12,811,006	-	10,844,349	10,844,349
Refund of Contributions	4,556,135	-	4,556,135	4,530,043	-	4,530,043
Administrative Expenses	21,372,303	2,140,981	23,513,284	20,685,435	1,982,440	22,667,875
TOTAL DEDUCTIONS	<u>1,208,334,924</u>	<u>153,996,375</u>	<u>1,362,331,299</u>	<u>1,141,937,115</u>	<u>145,582,589</u>	<u>1,287,519,704</u>
NET INCREASE	6,465,374,487	744,862,194	7,210,236,681	134,732,284	105,731,891	240,464,175
NET POSITION HELD IN TRUST FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	21,396,932,647	2,143,448,188	23,540,380,835	21,262,200,363	2,037,716,297	23,299,916,660
End of Year	<u>\$ 27,862,307,134</u>	<u>\$ 2,888,310,382</u>	<u>\$ 30,750,617,516</u>	<u>\$ 21,396,932,647</u>	<u>\$ 2,143,448,188</u>	<u>\$ 23,540,380,835</u>

The accompanying notes are an integral part of these financial statements.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS

The Los Angeles Fire and Police Pension System (the System or LAFPP) was established by the City of Los Angeles (the City) in 1899 and operates under the provisions of the City Charter and Administrative Code. The System is a single employer public employee retirement system whose main function is to provide retirement benefits to the safety members employed by the City.

The System is administered by a Board of Fire and Police Pension Commissioners (Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the System and two commissioners elected by Fire members of the System. Under the provisions of the City Charter and Administrative Code and the State Constitution, the Board has the responsibility to administer the Pension Plan and Health Subsidy Plan.

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 and Airport 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. 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.

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 August 6, 1999. 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 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 6 was established for all firefighters, police and Harbor Port Police officers hired on or after July 1, 2011. Tier 6 includes sworn officers from the Department of General Services who transferred to Los Angeles Police Department (LAPD) classifications and elected to opt out of LACERS by the December 12, 2014 deadline. Effective January 7, 2018, Tier 6 also includes all new Airport police officers, as well as any Airport police officers hired prior to January 7, 2018 who elected to transfer to Tier 6 from LACERS at their own expense.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

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-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.

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 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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan (Continued)

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 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.

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; Section 4.2018 of the Administrative Code; and related ordinances. Health subsidy benefits are available to members and their covered dependents (e.g., spouses/domestic partners and/or children) on disability and service retirement. Effective January 1, 2000, qualified surviving spouses/domestic partners are eligible for health subsidy benefits. Members who retire from the System with at least 10 years of service are eligible for health subsidy benefits. For retirement effective dates prior to July 1, 1998, regular benefits begin at age 60. For retirement effective dates on or after July 1, 1998, regular benefits begin at age 55. Tier 6 members who retire on a service-connected disability pension are eligible for a minimum health subsidy at age 55 if they have fewer than 10 years of service.

Administrative Code Section 4.1154 (e) provides that, on an annual basis beginning in 2006, the 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. The maximum monthly subsidy for fiscal years 2021 and 2020 was \$1,920.41 and \$1,820.29, respectively. The System also reimburses the basic Medicare Part B premium for any pensioner enrolled in Medicare Parts A and B, and eligible to receive a subsidy.

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

Effective July 1, 2008, actual employer contributions and benefit payments relating to health subsidy benefits are separately accounted for in order to comply with Internal Revenue Code Section 401(h).

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

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 meet minimum age and service requirements for a health subsidy. The pensioner or qualified surviving spouse/domestic partner must reside either outside California or in the State of California but not within a Board-approved health plan zip code service area. They may not be enrolled in a Board-approved plan. Effective April 6, 2017, pensioners or qualified surviving spouses/domestic partners may reside anywhere and be eligible to participate in this program.

The reimbursement paid is a percentage of the maximum health subsidy. The System also reimburses the basic Medicare Part B premium for any pensioner or qualified surviving spouse/domestic partner eligible to receive a subsidy and enrolled in Medicare Parts A and B.

Dental Subsidy Plan

Members who retire from the System with at least 10 years of service, are age 55 years or older, and are enrolled in a Board-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 insurance based on the lower of the dental subsidy in effect for LACERS or active Safety Members. The maximum monthly subsidy was \$44.60 for calendar years 2021 and 2020. In determining the dental subsidy, members receive 4% for each whole year of service, up to 100% of the maximum.

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, 5, and 6 who have at least 25 years of service and who are at least age 50 are eligible for DROP.

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%.

Effective February 1, 2019, for members who enroll on or after this date, participation in DROP will be suspended for any calendar month in which a participant does not spend at least 112 hours on “active duty” status. However, if a participant sustains a serious injury on duty and is admitted to the hospital for at least three consecutive days as a result of the injury, their participation will not be suspended during the first 12 calendar months following the date of injury. If a member’s DROP participation is suspended, he/she is eligible to participate in DROP for a maximum of 30 additional months beyond his/her original five-year

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Deferred Retirement Option Plan (Continued)

participation period. The participation period can only be extended for as many months as the member's participation was suspended and no interest is credited to the member's DROP account following the initial five-year participation period.

Once the DROP participation period ends, enrolled members must terminate active employment. They then receive the 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, 2021 and 2020, 1,484 and 1,478 pensioners, respectively, were enrolled in the DROP program, with total estimated values of the DROP accounts of approximately \$370,857,105 and \$353,643,961, 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 at 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 health subsidy, as allowed by an applicable Memorandum of Understanding.

Members who opted-in to make the additional two-percent pension contributions are entitled to the current maximum health 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 PENSION AND HEALTH SUBSIDY PLANS INCLUDE DETAILED PROVISIONS, MEMBERS SHOULD REFER TO THE LEGAL TEXT OF THE CITY CHARTER AND LOS ANGELES CITY ADMINISTRATIVE CODE FOR MORE COMPLETE INFORMATION.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – DESCRIPTION OF THE PLANS (Continued)

Pension Plan Membership

The components of the System’s Pension Plan membership at June 30, 2021 and 2020, are as follows:

	2021	2020
Active Nonvested:		
Tier 1	-	-
Tier 2	-	-
Tier 3	-	-
Tier 4	30	71
Tier 5	4,442	4,886
Tier 6	3,848	3,925
	8,320	8,882
Active Vested:		
Tier 1	-	-
Tier 2	5	5
Tier 3	542	615
Tier 4	168	151
Tier 5	3,785	3,829
Tier 6	3	4
	4,503	4,604
Pensioners and Beneficiaries:		
Tier 1	212	236
Tier 2	6,564	6,845
Tier 3	843	776
Tier 4	365	346
Tier 5	5,540	5,087
Tier 6	3	1
	13,527	13,291
Vested Terminated		
Tier 3	38	47
Tier 5	245	256
Tier 6	350	272
	633	575
	26,983	27,352

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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).

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 by Moody's Investors Service and Standard & Poor's, respectively, 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 Fiduciary Net Position.

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. The use of leverage and short selling is a common characteristic.

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 Fiduciary Net Position 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 fair 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 estimated fair value. The fair values of private equity investments are estimated by the investment managers based on consideration of various factors, including current net position 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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Method Used to Value Investments (Continued)

The sole hedge fund investment is valued by the fund manager based upon the information received from individual hedge funds in which monies are invested. 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 with periodic external valuations.

Cash

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

Capital Assets

Capital assets include land, building, improvements, computer/software, furniture and fixtures that are used in operation. Assets with an individual cost of at least \$5,000 and an estimated useful life of more than one year are capitalized. Capital assets are valued at acquisition cost plus the cost of improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the building and improvements (20-year), computer/software (10-year) and furniture and fixtures (5-year). The System acquired the Neptune Building in fiscal year 2013 and occupied as the headquarters in fiscal year 2016. Recorded values of land and building were assigned based on a ratio obtained from the November 2016 independent appraisal report.

Mortgage Payable

Effective July 1, 2017, mortgage payable is stated at fair value. The fair value of mortgage loans payable is presented at the amount at which the liability could be transferred to a market participant, exclusive of direct transaction costs such as prepayment penalties. The fair value of mortgage loans payable have been determined by giving consideration to one or more of the following criteria as appropriate: (i) interest rates and/or interest rate spreads for loans of comparable quality and maturity, (ii) the value of the underlying collateral, (iii) the credit risk of the borrower based on key elements of the real estate investment's valuation, (iv) market based loan-to-value and debt-service-coverage ratios relative to each mortgage loan payable valuation, and (v) key terms such as assumability, recourse provisions and guaranties. These inputs are considered within a discounted cash flow model used to determine the estimated fair value of mortgage loans payable. Prior to July 1, 2017, mortgage payable consists of the outstanding unpaid principal balance on the loans.

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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – NEW ACCOUNTING STANDARDS

Implementation of the following GASB statements effective beginning fiscal year 2020.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. LAFPP implemented this statement without material impact.

Issued in August 2018, GASB Statement No. 90, *Majority Equity Interests- An Amendment of GASB Statements No. 14 and 61* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. LAFPP implemented this statement without material impact.

NOTE 4 – 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. Tiers 3 and 4 members are required to contribute 8% of salary. Tier 5 members are required to contribute 9% of salary. However, the City shall pay 1% of 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. Airport police officers who transferred to Tier 6 from LACERS are required to contribute to the System at their same LACERS contribution rates until they retire.

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, and 5, any "unfunded liability" resulting from plan amendments shall be amortized over a 25-year period, and actuarial experience gains and losses shall be amortized over a 20-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. Charter Amendment G, effective April 8, 2011, now provides that with the advice of the consulting actuary, the Board shall establish amortization policies for unfunded actuarial accrued liabilities and surpluses for all Tiers.
- 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, 2021 and 2020, were as follows (\$ in thousands):

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 – FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

Fiscal Year Ended June 30, 2021

	Fire and Police						Harbor Port Police		LAWA
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6	Tier 6
Pension Entry Age Normal Cost	\$ -	\$ 235	\$15,181	\$ 6,354	\$229,871	\$ 51,976	\$ 2,682	\$ 456	\$ 1,350
Pension Unfunded Supplemental Present Value Amount	14,150	5,371	(474)	7,267	150,571	39,768	814	170	118
Pension Administrative Expense	-	11	959	363	12,942	3,418	146	31	88
Health subsidy entry age Normal cost	-	28	3,956	1,451	50,036	21,151	787	185	617
Health subsidy unfunded actuarial accrued liability annual amount	1,393	63,505	5,529	3,475	36,863	9,736	186	39	44
Health Administrative Expenses	-	1	77	29	1,040	275	12	2	7
Total	<u>\$15,543</u>	<u>\$69,151</u>	<u>\$25,228</u>	<u>\$18,939</u>	<u>\$481,323</u>	<u>\$126,324</u>	<u>\$ 4,627</u>	<u>\$ 883</u>	<u>\$ 2,224</u>

During fiscal year 2021, total contributions of \$744.24 million from the employer and \$157.79 million 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, 2019. For the Pension Plan, fiscal year 2021 employer contributions included \$308.11 million for entry age normal cost, \$217.76 million for the unfunded supplemental present value annual amount, and \$17.96 million for pension administrative expense. For the Health Subsidy Plan, fiscal year 2021 employer contributions consisted of \$78.21 million for entry age normal cost, \$120.77 million for the unfunded actuarial accrued liability annual amount, and \$1.44 million for health administrative expense.

Fiscal Year Ended June 30, 2020

	Fire and Police						Harbor Port Police		LAWA
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6	Tier 6
Pension Entry Age Normal Cost	\$ -	\$ 369	\$14,749	\$ 6,148	\$219,107	\$38,257	\$ 2,619	\$ 368	\$ 993
Pension Unfunded Supplemental Present Value Amount	14,561	13,690	-	7,738	148,938	31,159	778	134	121
Pension Administrative Expense	-	17	967	367	12,666	2,650	148	25	69
Health subsidy entry age Normal cost	-	42	3,910	1,424	47,610	15,544	764	144	441
Health subsidy unfunded actuarial accrued liability annual amount	1,566	64,580	5,803	3,422	38,337	8,021	161	28	58
Health Administrative Expenses	-	1	78	29	1,018	213	12	2	6
Total	<u>\$16,127</u>	<u>\$78,699</u>	<u>\$25,507</u>	<u>\$19,128</u>	<u>\$467,676</u>	<u>\$95,844</u>	<u>\$ 4,482</u>	<u>\$ 701</u>	<u>\$ 1,688</u>

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – FUNDING POLICY AND CONTRIBUTION INFORMATION (Continued)

During fiscal year 2020, total contributions of \$709.85 million from the employer and \$153.79 million 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, 2018. For the Pension Plan, fiscal year 2020 employer contributions included \$282.61 million for entry age normal cost, \$217.12 million for the unfunded supplemental present value annual amount, and \$16.91 million for pension administrative expense. For the Health Subsidy Plan, fiscal year 2020 employer contributions consisted of \$69.88 million for entry age normal cost, \$121.98 million for the unfunded actuarial accrued liability annual amount, and \$1.36 million for health administrative expense.

NOTE 5 – NET PENSION LIABILITY

The components of the System’s net pension liability (NPL) at June 30, 2021 and 2020, were as follows:

	2021	2020
Total Pension Liability	\$ 25,160,777,262	\$ 23,969,714,355
Less: Fiduciary Net Position	27,862,307,134	21,396,932,648
Net Pension Liability (Asset)	\$ (2,701,529,872)	\$ 2,572,781,707
Fiduciary Net Position as a Percentage of the Total Pension Liability	110.74%	89.27%

The NPL was measured as of June 30, 2021 and June 30, 2020 and determined based upon plan assets as of each measurement date and upon rolling forward to each measurement date the total pension liability (TPL) from the actuarial valuation as of June 30, 2020 and 2019 respectively.

Actuarial Assumptions

The TPL as of June 30, 2021 and June 30, 2020 that were measured by actuarial valuations as of June 30, 2020 and June 30, 2019, respectively, used the following actuarial assumptions, which were based on the July 1, 2016 through June 30, 2019 Experience Study Report dated May 13, 2020, applied to all periods included in the measurement as of June 30, 2021 and 2020:

Inflation Rate	2.75%
Projected Salary Increase	Ranges from 4.15% to 12.25% based on years of service, including inflation.
Investment Return Rate	7.00%, including inflation but net of pension plan investment expenses.
Real Across-the-Board Salary Increase	0.50%
Cost of Living Adjustments (COLAs)	2.75% of Tiers 1 - 6 retirement income.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – NET PENSION LIABILITY

Mortality

Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Disabled: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.

Beneficiary: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table multiplied by 105%, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Investment Return Rate

The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before reduction for investment expenses, used in the derivation of the long-term expected investment return rate assumption for June 30, 2021 and 2020 are summarized in the following table. This information may change every three years based on the actuarial experience study.

Asset Class	Target Allocation Percentage		Long Term Expected Real Rate of Return	
	2021	2020	2021	2020
Large Cap U.S. Equity	23.00%	23.00%	5.40%	5.40%
Small Cap U.S. Equity	6.00%	6.00%	6.20%	6.20%
Developed International Equity	16.00%	16.00%	6.54%	6.54%
Emerging Markets Equity	5.00%	5.00%	8.78%	8.78%
U.S. Core Fixed Income	13.00%	13.00%	1.07%	1.07%
High Yield Bonds	3.00%	3.00%	3.31%	3.31%
Real Estate	7.00%	7.00%	4.65%	4.65%
Treasury Inflation Protected Securities (TIPS)	4.00%	4.00%	0.62%	0.62%
Commodities	5.00%	5.00%	3.05%	3.05%
Cash	1.00%	1.00%	0.01%	0.01%
Unconstrained Fixed Income	2.00%	2.00%	1.37%	1.37%
Private Equity	12.00%	12.00%	8.25%	8.25%
Real Estate Investment Trusts (REITS)	3.00%	3.00%	4.40%	4.40%
Total Portfolio	100.00%	100.00%	4.99%	4.99%

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – NET PENSION LIABILITY

Discount Rate

The discount rate used to measure the TPL was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2021 and 2020.

Sensitivity Analysis

The following presents the NPL of the System as of June 30, 2021 and 2020, calculated using the discount rate of 7.00% for 2021 and 2020, as well as what the System’s NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Sensitivity Analysis (Continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NPL as of June 30, 2021	\$ 814,268,204	\$ (2,701,529,872)	\$ (5,555,520,445)
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NPL as of June 30, 2020	\$ 5,922,721,361	\$ 2,572,781,707	\$ (146,429,639)

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY

The components of the System’s net Other Postemployment Benefits (OPEB) liability at June 30, 2021 and 2020, were as follows:

	2021		2020
Total OPEB Liability	\$ 3,793,174,035	\$	3,709,858,281
Less: Fiduciary Net Position	2,888,310,382	\$	2,143,448,187
Net OPEB Liability	\$ 904,863,653	\$	1,566,410,094
Fiduciary Net Position as a Percentage of the Total OPEB Liability	76.14%		57.78%

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

The Net OPEB Liability (NOL) was measured as of June 30, 2021 and June 30, 2020. The Health Subsidy's Net Position was valued as of the measurement date, while the Total OPEB Liability (TOL) was determined based upon the results of the funding actuarial valuation as of June 30, 2021 and 2020.

Actuarial Assumptions

The TOL as of June 30, 2021 and 2020 were determined by actuarial valuations as of June 30, 2021 and 2020, respectively. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the Board adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and the health assumptions letter dated September 8, 2021. They are the same as the assumptions used in the June 30, 2021 funding actuarial valuation.

The following actuarial assumptions were applied to all periods included in the measurements as of June 30, 2021 and 2020:

Inflation Rate	2.75%
Projected Salary Increase	Ranges from 4.15% to 12.25% based on years of service, including inflation.
Investment Return Rate	7.00%, including inflation but net of investment expenses.
Real Across-the-Board Salary Increase	0.50%
Cost of Living Adjustments (COLAs)	2.75% of Tiers 1-6 retirement income.
Mortality	<p>Healthy: Pub-2010 Safety Healthy Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.</p> <p>Disabled: Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.</p> <p>Beneficiary: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 105%, projected generationally with the two-dimensional mortality improvement scale MP-2019.</p>

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Investment Return Rate

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before reduction for investment expenses, used in the derivation of the long-term expected investment return rate assumption for June 30, 2021 and 2020 are summarized in the following table. This information may change every three years based on the actuarial experience study.

Asset Class	Target Allocation Percentage		Long Term Expected Real Rate of Return	
	2021	2020	2021	2020
Large Cap U.S. Equity	23.00%	23.00%	5.40%	5.40%
Small Cap U.S. Equity	6.00%	6.00%	6.20%	6.20%
Developed International Equity	16.00%	16.00%	6.54%	6.54%
Emerging Markets Equity	5.00%	5.00%	8.78%	8.78%
U.S. Core Fixed Income	13.00%	13.00%	1.07%	1.07%
High Yield Bonds	3.00%	3.00%	3.31%	3.31%
Real Estate	7.00%	7.00%	4.65%	4.65%
Treasury Inflation Protected Securities (TIPS)	4.00%	4.00%	0.62%	0.62%
Commodities	5.00%	5.00%	3.05%	3.05%
Cash	1.00%	1.00%	0.01%	0.01%
Unconstrained Fixed Income	2.00%	2.00%	1.37%	1.37%
Private Equity	12.00%	12.00%	8.25%	8.25%
Real Estate Investment Trusts (REITS)	3.00%	3.00%	4.40%	4.40%
Total Portfolio	<u>100.00%</u>	<u>100.00%</u>	<u>4.99%</u>	<u>4.99%</u>

Discount Rate

The discount rate used to measure the TOL was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future members and their beneficiaries are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefits payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2021 and June 30, 2020.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Sensitivity Analysis

The following presents the NOL of the System as of June 30, 2021 and 2020, calculated using the discount rate of 7.00, as well as what the System’s NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
NOL as of June 30, 2021	\$ 1,477,432,841	\$ 904,863,653	\$ 442,549,325
	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
NOL as of June 30, 2020	\$ 2,126,363,981	\$ 1,566,410,094	\$ 1,114,093,597

Sensitivity Analysis to Changes in Trend Rate

The following presents the NOL of the Health Subsidy Plan of the System as of June 30, 2021, as well as what the System’s NOL would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
NOL as of June 30, 2021	\$ 422,856,037	\$ 904,863,653	\$ 1,513,968,861
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
NOL as of June 30, 2020	\$ 1,093,547,454	\$ 1,566,410,094	\$ 2,163,866,259

Additional information from the actuarial valuations as of June 30, 2021 and 2020 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Non-Medicare Medical Plan	7.50%, then graded down to an ultimate of 4.50% over 12 years	4.75%, then 6.50% then graded down to an ultimate of 4.50% over 8 years
Medicare Medical Plan	6.50%, then graded down to an ultimate of 4.50% over 8 years	4.50%, then 6.00% graded down to an ultimate of 4.50% over 6 years
Dental	4.00%	4.00%
Medicare Part B	4.50%	4.50%
Medical Subsidy Trend	For employees not subject to subsidy freeze. For all non-Medicare retirees, increase at lesser of 7.00% or non-Medicare 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, 2021 and 2020 (e.g., Fire Kaiser), increase with medical trend. For Medicare retirees with 2-party premium greater than the maximum subsidy as of July 1, 2021 and 2020 (e.g., Police Blue Cross PPO), increase with lesser of 7.00% or medical trend.	

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Sensitivity Analysis to Changes in Trend Rate (Continued)

The following assumptions were adopted by the Board based on the July 1, 2016 through June 30, 2019 actuarial experience study for June 30, 2021 and June 30, 2020 actuarial valuations:

Actuarial Cost Method	Entry age normal, level percent of pay.			
Administrative Expenses	Out of the total 1.40% of payroll in administrative expense, 0.11% of payroll payable biweekly is allocated to the Retiree Health Plan. This is equal to 0.11% of payroll payable at beginning of the year.			
Spouse Age Difference	Males are assumed to be 3 years older than a female spouse.			
Participation		Participation for Future Retirees Under 65 (Percentage)	Participation for Future Retirees Over 65 (Percentage)	Participation for Current Retiree Age 55-64 Without Subsidy Upon Attaining Age 65 (Percentage)
	Service Range (Years)			
	10-14	45%	80%	63.64%
	15-19	65%	85%	57.14%
	20-24	80%	85%	25.00%
	25 and over	95%	95%	0.00%
Medicare Coverage	100% of future retirees are assumed to elect Medicare Parts A and B.			
Dental Coverage	85% of future retirees are assumed to elect dental coverage.			
Spousal Coverage	Of future retirees receiving a medical subsidy, 75% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date with a subsidy, spousal/domestic partner coverage is based on census data.			
Implicit Subsidy	Based on information provided in 2019 by the health consultant retained by Los Angeles Firemen’s Relief Association (LAFRA), we understand that retirees under age 65 enrolled in the Fire Kaiser Medical Plan are presently underwritten with the actives enrolled in that plan. LAFPP has made a decision to include the implicit subsidy in the employer’s contribution rate starting with the June 30, 2019 funding valuation. No implicit subsidy needs to be valued for the other medical plans 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.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Sensitivity Analysis to Changes in Trend Rate (Continued)

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

For fiscal year 2021:

Plan	Maximum Subsidies							
	For Participants under 65				For Participants 65 and Over			
	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse
Fire Medical	85%	\$1,958.82	\$ 1,958.82	\$ 853.39	85%	\$ 564.92	\$ 863.71	\$ 564.92
Fire Kaiser	10%	1,958.82	1,958.82	853.39	15%	564.92	499.64	564.92
UFLAC Select HMO	2.50%	1,958.82	1,958.82	853.39	0%	564.92	1,004.06	564.92
UFLAC HDHP	2.50%	1,958.82	1,958.82	853.39	0%	564.92	1,004.06	564.92
Police Blue Cross PPO	60%	1,958.82	1,958.82	853.39	75%	564.92	1,151.06	564.92
Police Blue Cross HMO	15%	1,958.82	1,958.82	853.39	10%	564.92	1,189.56	564.92
Police Kaiser	25%	1,958.82	1,958.82	853.39	15%	564.92	402.04	564.92
Dental	85%	44.60	44.60	-	100%	44.60	44.60	-
Medicare	N/A	-	-	-	100%	148.50	148.50	-

For fiscal year 2020:

Plan	Maximum Subsidies							
	For Participants under 65				For Participants 65 and Over			
	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse	Assumed Election %	Single	Married/with Domestic Partner	Surviving Spouse
Fire Medical	85%	\$1,920.41	\$ 1,920.41	\$ 853.39	85%	\$ 550.57	\$ 859.46	\$ 550.57
Fire Kaiser	10%	1,920.41	1,920.41	853.39	15%	550.57	556.26	550.57
UFLAC Select HMO	2.50%	1,920.41	1,920.41	853.39	0%	550.57	715.29	550.57
UFLAC HDHP	2.50%	1,920.41	1,920.41	853.39	0%	550.57	982.78	550.57
Police Blue Cross PPO	60%	1,920.41	1,920.41	853.39	75%	550.57	1,360.87	550.57
Police Blue Cross HMO	15%	1,920.41	1,920.41	853.39	10%	550.57	1,174.85	550.57
Police Kaiser	25%	1,920.41	1,920.41	853.39	15%	550.57	465.88	550.57
Dental	85%	44.60	44.60	-	100%	44.60	44.60	-
Medicare	N/A	-	-	-	100%	144.60	144.60	-

Note: The System pays the lower of the member's subsidy or member's medical plan premium.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Health Subsidy Plan Membership

The component of the Health Subsidy Plan membership at June 30, 2021 and 2020, are as follows:

	2021	2020
Retired Members	9,750	9,596
Beneficiaries	1,689	1,693
Vested Terminated Members	948	875
Active Members	12,823	13,486
	25,210	25,650

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS

Cash and Temporary Investments

The System considers investments purchased with a maturity of 12 months or less to be temporary investments. At June 30, 2021, cash and temporary investments consisted of \$7,106,405 cash held by the City Treasurer’s office and \$1,818,755,954 in collective short-term investment funds (STIF). At June 30, 2020, cash and temporary investments consisted of \$2,046,114 cash held by the City Treasurer’s office and \$1,541,445,566 in collective short-term investment funds (STIF). Cash held by the City Treasurer’s office is pooled with funds of other City agencies and is not individually identifiable. The temporary investments are not leveled and not included in the following fair value measurements hierarchy table.

Fair Value of Investments

The System measures and categorizes its investments using fair value measurements guidelines established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The levels of valuation inputs are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in an active market
- Level 2 – Observable inputs other than quoted market prices; and,
- Level 3 – Unobservable inputs.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

At June 30, 2021, the System has the following recurring fair value measurements (\$ in thousands):

	<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Debt Securities				
U.S. Treasuries	\$ 2,272,640	\$ -	\$ 2,272,640	\$ -
U.S. Agencies	435,048	-	435,048	-
Municipal/Provincial Bonds	18,145	-	18,145	-
Collateralized Debt Obligations	296,854	-	296,854	-
Commercial Paper	35,352	-	35,352	-
Corporate Bonds	2,154,490	-	2,145,354	9,136
Total Debt Securities	<u>5,212,529</u>	<u>-</u>	<u>5,203,393</u>	<u>9,136</u>
Equity Securities				
Common Stock	17,767,470	17,748,496	8,547	10,427
Preferred Stock	107,782	104,265	-	3,517
Other	253	48	-	205
Total Equity Securities	<u>17,875,505</u>	<u>17,852,809</u>	<u>8,547</u>	<u>14,149</u>
Real Estate	<u>712,623</u>	<u>256,545</u>	<u>-</u>	<u>456,078</u>
Derivatives	<u>4,644</u>	<u>-</u>	<u>4,645</u>	<u>(1)</u>
Total Investments by Fair Value	<u>\$ 23,805,301</u>	<u>\$ 18,109,354</u>	<u>\$ 5,216,585</u>	<u>\$ 479,362</u>
Investment measured at the net asset value (NAV)				
Private Equity Partnerships	\$ 4,220,495			
Real Estate	905,293			
Hedge Funds	111,082			
Corporate Debt Securities	52,388			
Total Investments Measured at NAV	<u>\$ 5,289,258</u>			

Note: Temporary investments of \$1,819 million are not included in the fair value hierarchy above.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities such as U.S. Treasuries, U.S. Agencies, municipal bonds, collateralized debt obligations, commercial paper, corporate bonds and other equity securities are classified in Level 2. They are valued using quoted prices for identical securities in markets that are not active. The value prices observed used market-based inputs.

Debt securities, namely collateralized debt obligations and corporate bonds, classified in Level 3 are valued using unobservable inputs which can be extrapolated data, proprietary models or indicative quotes. Other equity securities classified in Level 3 are valued using uncorroborated indicative quotes.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Fair Value of Investments (continued)

Real estate corporate accounts investments are valued based on an independent appraisal or other methods using various techniques including models. Real estate corporate accounts are scheduled for independent appraisal on a rolling 3-year period.

The System’s investments such as private equity partnerships, comingled real estate funds, hedge funds, asset/mortgage-backed security funds and commercial mortgages are valued using the net asset value (NAV). Real estate pooled investments are valued based on an independent appraisal or other methods using various techniques including models. Hedge funds generally do not have readily obtainable market values and take the form of limited partnerships. Valuation is either based on the partnerships audited financial statements or from the most recently available internal valuation.

Investments measured at the NAV (\$ in thousands):

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private Equity funds and Partnerships	\$ 4,220,495	\$ 2,242,944	N/A	-
Real Estate ⁽¹⁾	905,293	376,269	Quarterly	90 -179 days
Hedge Funds	111,082		Quarterly	90 days
Corporate Debt Securities	<u>52,388</u>		Anytime	-
Total Investments measured at NAV	<u>\$ 5,289,258</u>			

⁽¹⁾This type investment includes \$857 million of comingled real estate committed and funded that can be redeemed quarterly with 90 to 179 days redemption notice period.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Investment Policy

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 Board’s adopted allocation policy effective during fiscal years 2021 and 2020 were as follow:

<u>Asset Class</u>	<u>2021</u>	<u>2020</u>
Large Cap U.S. Equity	23.00%	23.00%
Small Cap U.S. Equity	6.00%	6.00%
Developed International Equity	16.00%	16.00%
Emerging Markets Equity	5.00%	5.00%
U.S. Core Fixed Income	12.00%	13.00%
High Yield Bonds	3.00%	3.00%
Real Estate	7.00%	7.00%
Treasury Inflation Protected Securities (TIPS)	5.00%	4.00%
Commodities	1.00%	5.00%
Cash	1.00%	1.00%
Unconstrained Fixed Income	2.00%	2.00%
Private Equity	14.00%	12.00%
Private Credit	2.00%	0.00%
Real Estate Investment Trusts (REITS)	3.00%	3.00%
Total Portfolio	<u>100.00%</u>	<u>100.00%</u>

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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Credit Risk (continued)

As of June 30, 2021, the quality ratings of the System’s fixed income investments in U.S. Government obligations and domestic corporate and foreign bonds are as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage</u>
AAA	\$ 2,379,167,922	49.71%
AA	114,457,628	2.39%
A	475,862,353	9.94%
BBB	762,269,788	15.93%
BB	398,360,486	8.31%
B	290,928,805	6.08%
CCC	59,264,956	1.24%
CC	799,830	0.02%
C	769,120	0.02%
Not Rated	304,008,745	6.35%
Subtotal	4,785,889,633	<u>100.00%</u>
U.S. Government Issued or Guaranteed Securities	479,027,533	
Total Fixed Income Investments	<u>\$ 5,264,917,166</u>	

As of June 30, 2020, the quality ratings of the System’s fixed income investments in U.S. Government obligations and domestic corporate and foreign bonds are as follows:

<u>Quality Rating</u>	<u>Fair Value</u>	<u>Percentage</u>
AAA	\$ 1,883,785,686	43.13%
AA	110,021,876	2.52%
A	589,308,870	13.49%
BBB	835,240,280	19.12%
BB	371,501,626	8.50%
B	254,534,234	5.83%
CCC	72,481,622	1.66%
CC	8,760,485	0.20%
C	4,038,699	0.09%
Not Rated	238,123,140	5.45%
Subtotal	4,367,796,518	<u>100.00%</u>
U.S. Government Issued or Guaranteed Securities	725,975,803	
Total Fixed Income Investments	<u>\$ 5,093,772,321</u>	

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the System's deposits and collateral securities in the possession of an outside party would not be recoverable. Deposits are exposed if they are not insured or are not collateralized. As of June 30, 2021 and 2020, the System's exposure to custodial credit risk comprised of foreign currencies held outside the custodial bank amounted to \$14,085,788 and \$9,731,278, respectively.

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, 2021 and 2020, 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, 2021 and 2020, the System's sole hedge fund investment of \$111,081,619 and \$102,749,908, private equity of \$4,225,139,697 and \$2,820,179,036, and commingled real estate funds of \$905,292,725 and \$780,297,799, 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, 2021 and 2020, 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. The System manages its exposure to interest rate risk by requiring a fixed income investment manager to maintain the effective duration of their portfolio within a specified range of (1) the Bloomberg Barclays US Aggregate Bond Index for core fixed income investments, (2) the Bloomberg 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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Fiscal Year 2021		
Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	\$ 164,588,782	10.09
Bank Loans	35,352,270	5.58
Commercial Mortgage-Backed	90,638,789	22.92
Corporate Bonds	2,020,363,906	11.34
Corporate Convertible Bonds	9,766,032	13.33
Government Agencies Bonds	77,810,416	8.19
Government Bonds	1,067,606,830	10.53
Government Mortgage Backed Securities	378,537,144	21.78
Government Issued Commercial Mortgage-Backed	8,514,853	3.71
Index Linked Government Bonds	1,286,759,088	9.02
Municipal/Provincial Bonds	30,964,051	23.85
Non-Government Backed Collateralized Mortgage Obligations	41,626,903	23.37
Asset/Mortgage Backed Securities/Other Fixed Income Funds	52,388,102	N/A
Total Fixed Income Investments	<u>\$ 5,264,917,166</u>	

Fiscal Year 2020		
Investment Type	Fair Value	Weighted Average Maturity (in Years)
Asset Backed Securities	\$ 112,038,876	12.4
Bank Loans	20,612,742	4.95
Commercial Mortgage-Backed	62,833,755	22.49
Corporate Bonds	2,174,919,533	12.1
Corporate Convertible Bonds	6,795,713	17.76
Government Agencies Bonds	66,692,494	9.48
Government Bonds	677,022,512	13.92
Government Mortgage Backed Securities	626,170,088	23.67
Government Issued Commercial Mortgage-Backed	13,906,396	4.45
Index Linked Government Bonds	1,211,763,434	9.13
Municipal/Provincial Bonds	24,782,028	54.9
Non-Government Backed Collateralized Mortgage Obligations	64,676,607	20.36
Sukuk	411,968	1.75
Asset/Mortgage Backed Securities/Other Fixed Income Funds	31,146,175	N/A
Total Fixed Income Investments	<u>\$ 5,093,772,321</u>	

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. The following are asset-backed investments by investment type:

Investment Type	2021 Fair Value	2020 Fair Value
Asset Backed Securities	\$ 164,588,784	\$ 112,038,876
Commercial Mortgage-Backed	90,638,789	62,833,755
Government Agencies Bonds	77,810,416	66,692,494
Government Mortgage Backed Securities	378,537,144	626,170,088
Index Linked Government Bonds	1,286,759,088	1,211,763,434
Non-Government Backed Collateralized Mortgage Obligations	41,626,903	64,676,607
	<u>\$ 2,039,961,124</u>	<u>\$ 2,144,175,254</u>

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 16% of the total portfolio for non-U.S. investments in equities for fiscal years 2021 and 2020. 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, 2021 and 2020 are as follows:

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Foreign Currency Risk (Continued)

Foreign Currency Type	2021	2020
United Arab Emirates Dirham	\$ 3,878,540	\$ -
Australian Dollar	233,195,634	162,908,588
Brazilian Real	142,235,844	71,917,571
British Pound Sterling	758,488,320	577,648,189
Canadian Dollar	193,695,618	122,363,463
Chilean Peso	2,822,159	2,639,801
Colombian Peso	1,287,532	1,128,539
Czech Koruna	4,775,790	3,390,443
Danish Krone	124,618,172	74,662,488
Euro	1,568,538,814	1,109,052,505
HK offshore Chinese Yuan Renminbi	46,204,738	19,473,978
Hong Kong Dollar	654,361,852	440,464,734
Hungarian Forint	1,963,437	1,461,144
Indian Rupee	168,510,376	98,465,315
Indonesian Rupiah	23,585,668	21,691,397
Japanese Yen	836,009,827	661,876,873
Kenyan Shilling	7,893,264	5,730,402
Malaysian Ringgit	10,723,451	10,456,144
Mexican Peso	59,759,032	36,335,396
New Israeli Shekel	16,535,728	9,375,530
New Taiwan Dollar	238,731,334	165,703,908
New Zealand Dollar	6,712,935	13,228,964
Norwegian Krone	28,304,346	22,456,573
Philippine Peso	5,882,638	5,021,418
Polish Zloty	8,814,193	4,643,313
Qatari Riyal	3,694,632	-
Singapore Dollar	40,269,553	40,590,016
South African Rand	55,077,072	46,622,587
South Korean Won	267,083,475	183,412,944
Swedish Krona	149,741,187	100,209,980
Swiss Franc	382,746,272	251,937,147
Thai Baht	20,350,504	17,889,348
Turkish Lira	3,517,233	4,039,132
	<u>\$ 6,070,009,170</u>	<u>\$ 4,286,797,830</u>

Note: The foreign currency total comprises foreign stocks, foreign bonds, and currency holdings.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS (Continued)

Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on the investment of the Pension Plan and Health Subsidy Plan, gross of investment expense, for the years ended June 30, 2021 and 2020, was 32.56% and 3.04%, respectively. The source for the rate of return was the June 30, 2021 and 2020 Monthly Returns Analysis provided by the custodian bank, Northern Trust.

NOTE 8 – 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 the 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 Fiduciary Net Position.

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

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 – SECURITIES LENDING (Continued)

As of June 30, 2021 and 2020, the fair value of securities on loan was \$1,568,607,084 and \$1,599,939,446, respectively, and the fair value of collateral received was \$1,614,260,735 and \$1,633,668,501, respectively. Of the \$1,614,260,735 collateral received as of June 30, 2021, \$985,561,481 was cash collateral and \$628,699,254 represented the fair value of non-cash collateral; and of the \$1,633,668,501 collateral received as of June 30, 2020, \$1,382,664,598 was cash collateral and \$251,003,903 represented the fair 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 Fiduciary Net Position.

The following represents the balances relating to the securities lending transactions as of June 30, 2021 and 2020:

Fair value of collateral received for loaned securities as of June 30, 2021:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	\$ 293,817,228	\$ 55,779,810	\$ 349,597,038
Domestic Corporate Fixed Income Securities	206,526,707	29,294,463	235,821,170
Domestic Equities	430,062,687	468,000,822	898,063,509
International Fixed Income Securities	5,866,560	-	5,866,560
International Equities	49,288,299	75,624,159	124,912,458
	<u>\$ 985,561,481</u>	<u>\$ 628,699,254</u>	<u>\$ 1,614,260,735</u>

Fair value of loaned securities as of June 30, 2021:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency	\$ 287,681,538	\$ 54,588,066	\$ 342,269,604
Domestic Corporate Fixed Income Securities	201,640,608	28,606,798	230,247,406
Domestic Equities	419,180,717	456,087,075	875,267,792
International Fixed Income Securities	5,430,997	-	5,430,997
International Equities	45,440,842	69,950,443	115,391,285
	<u>\$ 959,374,702</u>	<u>\$ 609,232,382</u>	<u>\$ 1,568,607,084</u>

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 – SECURITIES LENDING (Continued)

Fair value of collateral received for loaned securities as of June 30, 2020:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency Securities	\$ 292,486,517	\$ 23,668,581	\$ 316,155,098
Domestic Corporate Fixed Income Securities	227,862,321	5,992,991	233,855,312
Domestic Equities	800,411,773	142,925,427	943,337,200
International Fixed Income Securities	2,920,259	-	2,920,259
International Equities	58,983,728	78,416,904	137,400,632
	<u>\$ 1,382,664,598</u>	<u>\$ 251,003,903</u>	<u>\$ 1,633,668,501</u>

Fair value of loaned securities as of June 30, 2020:

Securities Lent	Cash	Non-Cash	Total Collateral Securities
U.S. Government and Agency	\$ 285,087,010	\$ 23,119,919	\$ 308,206,929
Domestic Corporate Fixed Income Securities	224,097,011	5,873,598	229,970,609
Domestic Equities	788,735,862	140,927,314	929,663,176
International Fixed Income Securities	2,757,870	-	2,757,870
International Equities	55,658,437	73,682,425	129,340,862
	<u>\$ 1,356,336,190</u>	<u>\$ 243,603,256</u>	<u>\$ 1,599,939,446</u>

For the fiscal years ended June 30, 2021 and 2020, securities lending income amounted to \$5,229,938 and \$6,722,798, respectively, while securities lending expenses amounted to \$730,866 and \$939,899, respectively.

NOTE 9 – DERIVATIVE INSTRUMENTS

The System, through its outside investment managers, holds investments in swaps, options, rights, and warrants and 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.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 – DERIVATIVE INSTRUMENTS (Continued)

The fair 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.

For options, swaps, rights, and warrants pricing would come from the exchange they are traded on if they are exchange traded securities.

They can also trade as over the counter securities and the market values would then be determined by the value of a reference security or value that would typically be publicly priced. For assets traded over the counter and held at the custodian bank an independent pricing service is involved in calculating the price of the derivative security using the value of the reference security or reference value.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2021, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2021 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2021		Notional Amount
	Classification		Classification	Amount	
Investment Derivatives:					
Futures - Shorts	N/A	\$ -	Investment	\$ -	\$ (232,091,720)
Futures - Longs	Investment Revenue	49,503,715	Investment	-	241,038,262
Forwards	Investment Loss	(775,596)	Investment	(1,171,232)	-
Options	Investment Revenue	486,026	Investment	362	(17,774)
Rights/Warrants	Investment Loss	(373,230)	Investment	252,341	-
Swaps	Investment Revenue	98,923,274	Investment	4,446,915	-

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2020 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2020		Notional Amount
	Classification		Classification	Amount	
Investment Derivatives:					
Futures - Shorts	N/A	\$ -	Investment	\$ -	\$ (117,544,122)
Futures - Longs	Investment Loss	(19,089,808)	Investment	-	168,458,859
Forwards	Investment Revenue	93,960	Investment	(410,904)	-
Options	Investment Loss	(25,139)	Investment	(52,433)	-
Rights/Warrants	Investment Revenue	1,464,943	Investment	1,088,235	-
Swaps	Investment Loss	(50,163,699)	Investment	3,525,580	-

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 – CAPITAL ASSETS

The System's capital assets include land, building, computer/software, and furniture and fixtures.

The following is a summary of the System's capital assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital Assets Not Depreciated/Amortized		
Land	\$ 6,465,660	\$ 6,465,660
Total Capital Assets Not Depreciated/Amortized	<u>6,465,660</u>	<u>6,465,660</u>
Capital Assets Depreciated/Amortized		
Building	18,777,794	18,777,794
Computer/Software under Development	5,010,487	5,581,608
Furniture and fixtures	<u>1,297,014</u>	<u>1,297,014</u>
Total Capital Assets Depreciated/Amortized	<u>25,085,295</u>	<u>25,656,416</u>
Less: Accumulated Depreciation/Amortization		
Building	(4,928,528)	(3,989,638)
Computer/Software under Development	(1,002,097)	(524,648)
Furniture and fixtures	<u>(1,297,014)</u>	<u>(1,102,462)</u>
Total Accumulated Depreciation/Amortization	<u>(7,227,639)</u>	<u>(5,616,748)</u>
Total Capital Assets Depreciated/Amortized, Net	<u>17,857,656</u>	<u>20,039,668</u>
Total Capital Assets, Net	<u>\$ 24,323,316</u>	<u>\$ 26,505,328</u>

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – MORTGAGES PAYABLE

Mortgages are secured by real estate. For fiscal year 2021, interest rates range from 2.56% to 4.30% per annum. The average monthly principal and interest payments range from \$40,874 to \$86,424. For fiscal year 2020, interest rates range from 2.90% to 4.30% per annum. The average monthly principal and interest payments range from \$52,890 to \$95,501.

The mortgages mature from January 2022 to November 2032. Principal and interest payments due under such mortgages are as follows for the years ending June 30:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 21,267,393	\$ 6,617,070	\$ 27,884,463
2023	553,869	6,304,039	6,857,908
2024	37,593,299	5,533,482	43,126,781
2025	29,050,000	4,300,066	33,350,066
2026	-	4,084,006	4,084,006
2027-2031	109,810,000	13,742,037	123,552,037
2032-2033	19,160,000	653,995	19,813,995
	<u>\$ 217,434,561</u>	<u>\$ 41,234,695</u>	<u>\$ 258,669,256</u>

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

The following is a summary of mortgage payable activities for the years ended June 30, 2021 and 2020:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Fair Value</u> <u>June 30, 2021</u>
Mortgage Payable	\$ 194,537,009	\$ 23,960,000	\$ 1,062,448	\$ 217,434,561	\$ 217,948,845
	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Fair Value</u> <u>June 30, 2020</u>
Mortgage Payable	\$ 179,749,386	\$ 34,250,000	\$ 19,462,377	\$ 194,537,009	\$ 194,370,013

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 – 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 \$2,115,353,061 and \$2,090,045,997 as of June 30, 2021 and 2020, respectively.

The City Charter and the Administrative Code 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 \$2,619,213,000 and \$2,062,430,000 at June 30, 2021 and 2020, respectively.

Retiree Health Subsidy Freeze Litigation

In 2019-2020, there were two cases before the courts that involved the retiree health insurance premium subsidy program that LAFPP administers (“retiree medical subsidy”). Both pending actions were brought by the Los Angeles Police Protective League against the Board and the City.

The two cases (the “LAPPL I Action” and the “LAPPL II Action”) both seek to determine what retiree medical subsidy benefit the additional 2% salary contribution provides members who make the contribution under the unions’ and City’s 2011 Letter of Agreement (“LOA”). The union plaintiffs argue that the 2% contribution grants members the ceiling amount under LAAC § 4.1167, meaning either 7% or the medical trend rate for that year with no discretion reserved to the Board to grant anything lower. The City argues that the 2% contribution gives member only the right to get out from under the Freeze Ordinance and participate in the process that existed under LAAC § 4.1154(e) prior to the 2011 Freeze Ordinance. Under the pre-Freeze Ordinance process, the LAFPP Board may exercise its discretion in setting the annual subsidy rate and can set it up to the maximum amount of 7% or the medical trend rate, whichever is lower.

In the LAPPL I Action, on April 15, 2016, the plaintiffs agreed to dismiss LAFPP from the action in exchange for LAFPP’s agreement to be bound by the final judgment rendered in the case. Until a court of competent jurisdiction renders a final judgement on the interpretation of the LOA, LAFPP has a fiduciary duty to follow LAAC § 4.1154(e) as written, and must continue to exercise its discretion in setting the retiree medical subsidy as it did before the 2011 Freeze Ordinance.

The LAPPL Action I proceeded to trial, and on November 1, 2016, the trial court ruled in favor of the plaintiffs, finding that the language of the LOA was unambiguous without weighing the conflicting evidence regarding the interpretation of the LOA and the parties’ intent. The City appealed, and on October 30, 2018, the Second District Court of Appeal reversed and remanded the case for further proceedings consistent with the Court of Appeal’s decision. In its decision, the Court of Appeal found that the provisions at issue in the LOA were ambiguous, which required the trial court to consider and weigh the evidence of the parties’ intent in its interpretation of the provisions, which the trial court did not do. Upon remand back to the Superior Court, on February 15, 2019, the case was reassigned to Judge Holly Fujie for further trial proceedings.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Retiree Health Subsidy Freeze Litigation (Continued)

While the LAPPL Action I was pending on appeal, on August 10, 2017, the unions filed a second action (“LAPPL Action II”). The LAPPL Action II raises the same issues as the LAPPL Action I regarding the 2% contribution, and asserts a new breach of fiduciary duty claim, which preserves the unions’ rights to challenge LAFPP’s 2017 discretionary action to set the subsidy should the unions lose in the pending LAPPL Action I. On July 3, 2018, the LAPPL filed a First Amended Complaint, asserting the same claims based on LAFPP’s 2018 discretionary action in setting the subsidy. The union filed a Second Amended Complaint to add LAFPP’s 2019 and 2020 discretionary actions in setting the subsidy. The union later sought to file a Third Amended Complaint to add LAFPP’s 2021 discretionary actions in setting the subsidy, and on or around August 11, 2021, the parties stipulated to permit the union to file its Third Amended Complaint.

Upon remand of the LAPPL I Action, the City filed a motion to consolidate the two actions before Judge Fujie, which the Court granted. Given the similarities between the two LAPPL Actions and the dispositive effect of the first action on the second, the trial court has stayed the LAPPL Action II pending of the outcome of LAPPL I. On September 20, 2019, Judge Fujie held a status conference following consolidation and ordered that the case be heard in phases. In Phase One, the LOA interpretation issues common to LAPPL I and LAPPL II are to be heard in a trial before Judge Fujie, and upon resolution of Phase One, the Court will then address the residual fiduciary duty claims against LAFPP unique to LAPPL II.

On September 20, 2021, the bench trial began in the LAPPL Action I. The court held trial for two days, and then continued the trial to October 28, 2021 due to scheduling issues. The trial resumed on October 28, 2021 and concluded that day. At the close of trial, the court instructed the parties to each prepare a Proposed Statement of Decision and to file and serve them sixty (60) days after the trial transcript becomes ready. Within sixty (60) days thereafter, the court further instructed the parties to file and serve their respective Response Briefs to the opposing party’s Proposed Statement of Decision. After the parties have filed their Proposed Statement of Decisions and respective responses thereto, the trial court will issue its Proposed Statement of Decision for comment from the parties before the court will issue its Final Statement of Decision.

Current Status of the Retiree Medical Subsidy

As a result of the outcome in the Fry Action, which concluded in the 2016-2017 fiscal year, LAFPP continues to provide a subsidy frozen at the 2011 levels to current and future retired members who chose not to “opt-in” and contribute an additional 2% of their salaries in order to avoid the consequences of the Freeze Ordinance.

With regard to the LAPPL Action I and LAPPL Action II, until a final judgment is rendered on the LOA issues, LAFPP will continue to abide by its fiduciary duty to follow LAAC § 4.1154(e) as written and to set and implement the retiree health insurance premium subsidy increases in the same manner as it did prior to the 2011 Freeze Ordinance for members who opted-in to pay the 2% contribution. This means that LAFPP continues to exercise its discretion provided under the Los Angeles Administrative Code to set the subsidy up to and including the medical trend rate or 7%, whichever is lower, until the courts render final judgment.

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 – 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 Fiduciary Net Position.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and contributed to the deterioration and instability in financial markets. As a result, the Plan's investment portfolio has experienced volatility in fair market value since June 30, 2021. However, because the values of the Plan's investments have and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. The value of the Plan's investments has a direct impact on its funded status. As a result of any declines in market value the Plan Sponsor may need to make greater cash contributions to fund the Plan in the future. However, the actual impact, if any, on future required contributions or Plan liquidity cannot be determined at this time.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 19, 2021, which is the date the financial statements were available to be issued and, no events have occurred that require consideration or adjustments in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIO
(\$ in Thousands)
(Unaudited)

	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Total Pension Liability:								
Service Cost	\$ 455,362	\$ 410,559	\$ 402,708	\$ 390,743	\$ 367,600	\$ 365,956	\$ 368,700	\$ 368,018
Interest	1,668,212	1,654,964	1,572,220	1,502,656	1,436,068	1,399,576	1,384,527	1,392,552
Benefit Payments	(1,186,963)	(1,121,252)	(1,070,456)	(994,800)	(930,078)	(990,363)	(918,909)	(858,986)
Experience Losses (Gains)	254,452	(23,348)	81,465	21,700	(320,404)	(595,188)	(310,882)	(234,638)
Assumption Changes	-	48,286	357,369	-	695,450	-	-	(69,482)
Benefit Changes	-	-	(79,650)	-	-	-	-	-
Other ⁽¹⁾	-	-	-	2,505	-	-	-	-
Net Change	1,191,063	969,209	1,263,656	922,804	1,248,636	179,981	523,436	597,464
Total Pension Liability at Beginning of Year	23,969,714	23,000,505	21,736,849	20,814,045	19,565,409	19,385,428	18,861,992	18,264,528
Total Pension Liability at End of Year (a)	\$ 25,160,777	\$ 23,969,714	\$ 23,000,505	\$ 21,736,849	\$ 20,814,045	\$ 19,565,409	\$ 19,385,428	\$ 18,861,992
Fiduciary Net Position:								
Employer Contributions	\$ 543,819	\$ 516,638	\$ 504,877	\$ 459,632	\$ 454,309	\$ 478,385	\$ 480,332	\$ 440,698
Member Contributions	157,786	153,787	147,753	145,112	128,900	129,734	126,771	124,395
Net Investment Income	6,972,104	606,244	1,218,138	1,892,870	2,260,130	159,313	686,470	2,617,090
Benefit Payments	(1,186,963)	(1,121,252)	(1,070,456)	(994,800)	(930,078)	(990,363)	(918,909)	(858,986)
Administrative Expenses	(21,372)	(20,685)	(20,244)	(19,908)	(20,816)	(19,346)	(17,815)	(13,865)
Other ⁽¹⁾	-	-	-	2,505	-	-	-	-
Net Change (Gain)	6,465,374	134,732	780,068	1,485,411	1,892,445	(242,277)	356,849	2,309,332
Fiduciary Net Position at Beginning of Year	21,396,933	21,262,201	20,482,133	18,996,722	17,104,277	17,346,554	16,989,705	14,680,373
Fiduciary Net Position at End of Year (b) ⁽²⁾	\$ 27,862,307	\$ 21,396,933	\$ 21,262,201	\$ 20,482,133	\$ 18,996,722	\$ 17,104,277	\$ 17,346,554	\$ 16,989,705
Net Pension Liability/(Asset) (a)-(b)	\$ (2,701,530)	\$ 2,572,781	\$ 1,738,304	\$ 1,254,716	\$ 1,817,323	\$ 2,461,132	\$ 2,038,874	\$ 1,872,287
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.74%	89.27%	92.44%	94.23%	91.27%	87.42%	89.48%	90.07%
Covered Employee Payroll	\$ 1,603,349	\$ 1,509,613	\$ 1,487,978	\$ 1,451,996	\$ 1,397,245	\$ 1,351,788	\$ 1,316,969	\$ 1,308,149
Plan Net Position Liability as a Percentage of Covered Employee Payroll	-168.49%	170.43%	116.82%	86.41%	130.06%	182.06%	154.82%	143.12%

Notes to Schedule:

GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

(1) Includes employer and employee contributions transferred from the Los Angeles City Employees' Retirement System (LACERS) for the Airport Police Officers who elected to join the System in Tier 6.

(2) Excludes the transfer of employer and employee contributions referenced in footnote (1).

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ in Thousands)
(Unaudited)

Fiscal Year Ending	Actuarially Determined Contribution	Actual Fiscal Year Contribution	Deficiency (Excess)	Covered Payroll ⁽³⁾	Contribution as % of Payroll ⁽¹⁾
6/30/2021	\$ 543,819	\$ 543,819	-	\$ 1,603,349	34%
6/30/2020	516,638	516,638	-	1,509,613	34%
6/30/2019	504,877	504,877	-	1,487,978	34%
6/30/2018	459,632 ⁽²⁾	459,632 ⁽²⁾	-	1,451,996	32%
6/30/2017	454,309	454,309	-	1,397,245	33%
6/30/2016	478,385	478,385	-	1,351,788	35%
6/30/2015	480,332	480,332	-	1,316,969	36%
6/30/2014	440,698	440,698	-	1,308,149	34%
6/30/2013	375,448	375,448	-	1,277,031	29%
6/30/2012	321,593	321,593	-	1,213,396	27%

Notes to Schedule:

- ⁽¹⁾ Contribution rate as a percentage of covered payroll reflects discount applied when the employer prepays its contributions. This rate has been “backed” into by dividing the actual contributions by the budgeted covered payroll.
- ⁽²⁾ Figures excluded amounts transferred from the Los Angeles City Employees’ Retirement System (LACERS) for the Airport Police members who elected to join the Pension Plan in Tier 6.
- ⁽³⁾ Covered payroll represents payroll in which contributions to the Pension Plan are based.

See accompanying independent auditor’s report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Methods and assumptions used to establish “actuarially determined contribution” (ADC) rates:

The assumptions used in establishing the ADC for the year ended June 30, 2021 were based on the June 30, 2019 funding valuation.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Actuarial Cost Method.
Amortization Method	For Tier 1, level dollar amortization is used with last period 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, Harbor Port Police, or Airport).
Remaining Amortization Period	Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 20 years. Plan changes are amortized over 15 years.
Asset Valuation Method	The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis and 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: June 30, 2019 Valuation	
Investment Rate of Return	7.25%, net of investment expenses
Inflation Rate	3.00%
Administrative Expenses:	Out of the total 1.25% of payroll in administrative expense, 1.16% of payroll payable biweekly is allocated to the Pension Plan. This is equal to 1.12% of payroll payable at beginning of the year.
Real Across-the-Board Salary	0.50%
Projected Salary Increases	Ranges from 4.30% to 12.00% based on years of service
Cost of Living Adjustments	3.0% of retirement income for all Tiers.

See accompanying independent auditor’s report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Gross of Investment Expense	32.56%	3.04%	6.21%	9.21%	13.27%	1.04%	4.15%	17.84%

Notes to Schedule:

GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The source for the rate of return was the June 30 Investment Hierarchy and Monthly Returns Analysis provided by the custodian bank, Northern Trust. For the fiscal years 2014 through 2021, the custodian bank did not have all information related to investment expense to calculate the money-weighted rate of return net of investment expense.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN
SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY
(\$ in Thousands)
(Unaudited)

<u>Date</u>	<u>Discount Rate</u>	<u>Total Pension Liability (TPL)</u>	<u>Fiduciary Net Position (FNP)</u>	<u>Net Pension Liability (NPL)</u>	<u>Funded Status (FNP/TPL)</u>	<u>Covered Payroll</u>	<u>NPL %Pay</u>
6/30/2021	7.00%	\$25,160,777	\$ 27,862,307	\$ (2,701,530)	110.7%	\$1,603,349	-168%
6/30/2020	7.00%	23,969,714	21,396,933	2,572,781	89.3%	1,509,613	170%
6/30/2019	7.25%	23,000,505	21,262,200	1,738,304	92.4%	1,487,978	117%
6/30/2018	7.25%	21,736,849	20,482,133	1,254,716	94.2%	1,451,996	86%
6/30/2017	7.25%	20,814,045	18,996,721	1,817,323	91.3%	1,397,245	130%
6/30/2016	7.50%	19,565,409	17,104,276	2,461,132	87.4%	1,351,788	182%
6/30/2015	7.50%	19,385,428	17,346,554	2,038,874	89.5%	1,316,969	155%
6/30/2014	7.50%	18,861,992	16,989,705	1,872,287	90.1%	1,308,149	143%
6/30/2013	7.75%	16,989,705	14,680,373	3,584,155	86.4%	1,277,031	281%

Notes to Schedule:

GASB Statement No. 67 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIO
(\$ in Thousands)
(Unaudited)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability:						
Service Cost	\$ 80,618	\$ 79,394	\$ 74,090	\$ 69,940	\$ 65,407	\$ 61,292
Interest	260,018	263,088	260,513	243,769	231,285	222,424
Benefit Payments	(151,855)	(143,600)	(137,874)	(130,722)	(122,561)	(116,678)
Experience Losses (Gains)	8,191	(190,525)	(249,568)	(16,532)	(144,022)	(50,071)
Assumption Changes	(113,656)	80,297	85,911	63,332	248,049	-
Other ¹⁾	-	-	-	517	-	-
Net Change	83,316	88,654	33,072	230,304	278,158	116,967
Total OPEB Liability at Beginning of Year	3,709,858	3,621,204	3,588,132	3,357,828	3,079,670	2,962,703
Total OPEB Liability at End of Year (a)	<u>\$ 3,793,174</u>	<u>\$ 3,709,858</u>	<u>\$ 3,621,204</u>	<u>\$ 3,588,132</u>	<u>\$ 3,357,828</u>	<u>\$ 3,079,670</u>
Fiduciary Net Position:						
Employer Contributions	\$ 200,425	\$ 193,213	\$ 188,020	\$ 178,462	\$ 165,170	\$ 150,315
Net Investment Income	698,434	58,101	111,188	166,040	189,420	12,771
Benefit Payments	(151,856)	(143,600)	(137,874)	(130,722)	(122,561)	(116,678)
Administrative Expenses	(2,141)	(1,982)	(1,856)	(1,745)	(1,747)	(1,551)
Other ¹⁾	-	-	-	517	-	-
Net Change (Gain)	744,862	105,732	159,478	212,552	230,282	44,857
Fiduciary Net Position at Beginning of Year	2,143,448	2,037,716	1,878,238	1,665,686	1,435,404	1,390,547
Fiduciary Net Position at End of Year (b) ²⁾	<u>\$ 2,888,310</u>	<u>\$ 2,143,448</u>	<u>\$ 2,037,716</u>	<u>\$ 1,878,238</u>	<u>\$ 1,665,686</u>	<u>\$ 1,435,404</u>
Net OPEB Liability/(Asset) (a)-(b)	<u>\$ 904,864</u>	<u>\$ 1,566,410</u>	<u>\$ 1,583,488</u>	<u>\$ 1,709,894</u>	<u>\$ 1,692,142</u>	<u>\$ 1,644,266</u>
Plan fiduciary net position as a percentage of the total OPEB liability	76.14%	57.78%	56.27%	52.35%	49.61%	46.61%
Covered employee payroll	\$ 1,603,349	\$ 1,509,613	\$ 1,487,978	\$ 1,451,996	\$ 1,397,245	\$ 1,351,788
Plan net position liability as a percentage of covered employee payroll	56.44%	103.76%	106.42%	117.76%	121.11%	121.64%

Notes to Schedule:

GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

(1) Includes employer contributions transferred from the Los Angeles City Employees' Retirement System (LACERS) for the Airport Police members who elected to join the System in Tier 6.

(2) Excludes the transfer of employer contributions referenced in footnote 1.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF EMPLOYER CONTRIBUTION
(\$ in Thousands)
(Unaudited)

Fiscal Year Ending	Actuarially Determined Contribution	Actual Fiscal Year Contribution	Deficiency (Excess)	Covered Payroll ⁽²⁾	Contribution as % of Payroll
2021	\$ 200,425	\$ 200,425	-	\$ 1,603,349	13%
2020	193,213	193,213	-	1,509,613	13%
2019	188,020	188,020	-	1,487,978	13%
2018	178,462 ⁽¹⁾	178,462 ⁽¹⁾	-	1,451,996	12%
2017	165,170	165,170	-	1,397,245	12%
2016	150,315	150,315	-	1,351,788	11%
2015	148,477	148,477	-	1,316,969	11%
2014	138,107	138,107	-	1,308,149	11%
2013	132,939	132,939	-	1,277,031	10%
2012	122,972	122,972	-	1,213,396	10%

Notes to Schedule:

- ⁽¹⁾ Exclude the transfer of employer contributions for all new Airport Police members from the Los Angeles City Employees' Retirement System (LACERS) who elected to join the Pension Plan in Tier 6.
- ⁽²⁾ Covered payroll represents payroll in which contributions to the Pension Plan are based.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
HEALTH SUBSIDY PLAN
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Methods and assumptions used to establish “actuarially determined contribution” (ADC) rates:

The assumptions used in establishing the ADC for the year ended June 30, 2021 were based on the June 30, 2019 funding valuation.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method.
Amortization method	For Tier 1, level dollar amortization is used with last period 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).
Remaining amortization period	Actuarial gains/losses are amortized over 20 years. Assumption changes are amortized over 20 years. Plan changes are amortized over 15 years.
Asset valuation method	The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis and 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: June 30, 2019 valuation	
Investment rate of return	7.25%, net of investment expenses
Inflation rate	3.00%
Administrative Expenses:	Out of the total 1.25% of payroll in administrative expense, 0.09% of payroll payable biweekly is allocated to the Retiree Health Plan. This is equal to 0.09% of payroll payable at beginning of the year.
Real across-the-board salary	0.50%
Projected salary increases	Ranges from 4.30% to 12.00% based on years of service
Other assumptions	Same as those used in the June 30, 2019 funding actuarial valuations.

See accompanying independent auditor’s report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Gross of Investment Expense	32.56%	3.04%	6.21%	9.21%	13.27%	1.04%	4.15%	17.84%

Notes to Schedule:

GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

The money-weighted rate of return expresses investment performance, gross of investment expense, adjusted for the changing amounts actually invested. The source for the rate of return was the June 30 Investment Hierarchy and Monthly Returns Analysis provided by the custodian bank, Northern Trust. For the fiscal years 2014 through 2021, the custodian bank did not have all information related to investment expense to calculate the money-weighted rate of return net of investment expense.

See accompanying independent auditor's report

LOS ANGELES FIRE AND POLICE PENSION SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
HEALTH SUBSIDY PLAN
SCHEDULE OF EMPLOYER'S NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
(\$ in Thousands)
(Unaudited)

<u>Date</u>	<u>Discount Rate</u>	<u>Total OPEB Liability (TOL)</u>	<u>Fiduciary Net Position (FNP)</u>	<u>Net OPEB Liability (NOL)</u>	<u>Funded Status (FNP/TOL)</u>	<u>Covered Payroll</u>	<u>NOL %Pay</u>
6/30/2021	7.00%	\$ 3,793,174	\$ 2,888,310	\$ 904,864	76.1%	\$ 1,603,349	56%
6/30/2020	7.00%	3,709,858	2,143,448	1,566,410	57.8%	1,509,613	104%
6/30/2019	7.25%	3,621,204	2,037,716	1,583,488	56.3%	1,487,978	106%
6/30/2018	7.25%	3,588,132	1,878,237	1,709,895	52.3%	1,451,996	118%
6/30/2017	7.25%	3,357,828	1,665,686	1,692,142	49.6%	1,397,245	121%
6/30/2016	7.50%	3,079,670	1,435,404	1,644,266	46.6%	1,351,788	122%

Notes to Schedule:

GASB Statement No. 74 requires this information be reported for 10 years. Additional years will be displayed as the information is available.

Fiduciary Net Position – The fiduciary net position is calculated based on financial information available to the actuary for the presentation of the actuarial valuation and does not include subsequent adjustments.

See accompanying independent auditor's report



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, financial statements of the Pension Plan and Health Subsidy Plan, administered by the Los Angeles Fire and Police Pension System (the System), which comprise the statements of fiduciary net position as of June 30, 2021, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements for each plan, and have issued our report thereon dated November 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
November 19, 2021