

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**  
**GOVERNMENTAL ACCOUNTING STANDARDS BOARD**  
**STATEMENT NO. 68 REPORT**  
**AS OF JUNE 30, 2019**  
**FOR EMPLOYER REPORTING AS OF JUNE 30, 2020**

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Schedule of Pension Amounts by Entity

We have audited the entity allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by entity (Schedule) of the Los Angeles Fire and Police Pension Plan (Plan) administered by the Los Angeles Fire and Police Pension System (LAFPP) as of June 30, 2019, and the related notes.

### Management's Responsibility for the Schedule of Pension Amounts by Entity

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the entity allocations and specified column totals included in the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, the Schedule referred to above present fairly, in all material respects, the entity allocations, net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense of all participating entities for the Plan as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

We have audited, in accordance with accounting principle generally accepted in the United State of America, the financial statements of LAFPP as of and for the fiscal year ended June 30, 2019, and our report thereon, dated January 9, 2020 expressed an unmodified opinion on those financial statements.

### **Restriction on Use**

Our report is intended solely for the information and use of the LAFPP's management, the Board of Fire and Police Pension Commissioners, the Plan's participating entities and their auditors; and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Los Angeles, California  
October 23, 2020

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

Entity	Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense	
	Net Pension Liability	Changes of Assumptions or Other Inputs	Differences Between Expected and Actual Experience	Total Deferred Outflows of Resources	Changes of Assumptions or Other Inputs	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Differences Between Expected and Actual Experience	Total Deferred Inflows of Resources	Proportionate Shares of Plan Pension Expense	Total Pension Expense
Fire and Police Departments	\$1,729,476,357	\$624,386,266	\$79,368,141	\$703,754,407	\$ -	\$255,394,224	\$375,141,802	\$630,536,026	\$329,824,064	\$329,824,064
Harbor Port Police Department	7,259,664	2,850,979	575,266	3,426,245	-	992,469	1,761,954	2,754,423	2,757,433	2,757,433
Airport Department	1,568,342	277,627	1,671,529	1,949,156	-	100,851	14,442	115,293	1,270,613	1,270,613
Total of All Entities	\$1,738,304,363	\$627,514,872	\$81,614,936	\$709,129,808	\$ -	\$256,487,544	\$376,918,198	\$633,405,742	\$333,852,110	\$333,852,110

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 1 – PLAN DESCRIPTION**

The Los Angeles Fire and Police Pension Plan (Plan) is administered by the Los Angeles Fire and Police Pension System (LAFPP). LAFPP is a single employer public employee retirement system whose main function is to provide retirement benefits to the safety members employed by the City of Los Angeles. There are three participating entities in LAFPP: (1) the Harbor Port Police (an enterprise fund of the City of Los Angeles), (2) the Airport Department (an enterprise fund) and (3) City of Los Angeles' Fire and Police Departments.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Basis of Accounting**

Entities participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedule of Pension Amounts by Entity (Schedule) provide participating entities with the required information for financial reporting related to pensions provided through the Plan.

The accompanying Schedule was prepared in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of the Schedule 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 during the reporting period. Actual results could differ from those estimates.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 3 – NET PENSION LIABILITY**

The components of the net pension liability for all entities as of June 30, 2019 is as follows:

<b>Measurement Date</b>	<b>June 30, 2019</b>
<b>Reporting Date for Employer</b>	<b>June 30, 2020</b>
<hr/>	
Total Pension Liability:	
Service Cost	\$402,708,041
Interest	1,572,220,041
Change of Benefit Terms	(79,650,050)
Differences between Expected and Actual Experience	81,464,725
Change of Assumptions	357,369,205
Benefit Payments, Including Refunds of Member Contributions	(1,070,456,286)
Net Change in Total Pension Liability	1,263,655,676
Total Pension Liability – Beginning	21,736,849,050
Total Pension Liability - Ending	<u>\$23,000,504,726</u>
Plan’s Fiduciary Net Position:	
Employer Contributions	\$504,877,399
Employee Contributions	147,752,497
Net Investment Income	1,218,137,939
Benefit Payments, Including Refunds of Member Contributions	(1,070,456,286)
Administrative Expense	(20,243,955)
Net Change in Plan’s Fiduciary Net Position	780,067,594
Plan’s Fiduciary Net Position – Beginning	20,482,132,769
Plan’s Fiduciary Net Position – Ending	<u>\$21,262,200,363</u>
<b>Net Pension Liability - Ending</b>	<b><u>\$1,738,304,363</u></b>
Plan’s Fiduciary Net Position as a Percentage of the Total Pension Liability	92.44%

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 4 – ACTUARIAL METHODS AND ASSUMPTIONS**

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

The total pension liability as of June 30, 2019 was determined based on the June 30, 2018 actuarial valuation was re-measured as of June 30, 2019 to reflect the mortality assumption that the Board of Commissioners has approved for use in the pension funding valuation as of June 30, 2019. The updated assumptions were based on the Mortality Experience Study during the period from July 1, 2010 through June 30, 2019. The other actuarial assumptions were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016.

Significant actuarial assumption and other key inputs used to measure the total pension liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.25%, including inflation but net of investment expenses
Inflation Rate	3.00%
Projected Salary Increases	4.30% to 12.00% based on years of service, including inflation
Cost-of-Living Adjustments	3.00% of Tiers 1 through 6 retirement income

Mortality Rates used in the actuarial valuation are as follows:

Mortality Rates – Pre-Retirement Employee Mortality	Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Mortality Rates – Post-Retirement Healthy Mortality	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 Mortality	Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.
Beneficiary Mortality	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.

The Pub-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 4 – ACTUARIAL METHODS AND ASSUMPTIONS (Continued)**

Target Asset Allocation

The long-term expected rate of return on the Plan’s 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. This information is 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 (approved by the Board) and projected arithmetic real rates of return for each measurement class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption, are summarized in the following table as of June 2019:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Markets Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.37%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
<b>Total Portfolio</b>	<b>100.00%</b>	<b>5.11%</b>

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2019. 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 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 the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF PENSION AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 5 – AMORTIZATION OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Any differences between projected and actual investment earnings on pension plan investments are amortized over a period of five years beginning with the year in which they occur.

Current period differences between expected and actual experience and changes of assumptions are amortized over the average of the expected remaining service lives of all employees that are provided with pensions through LAFPP determined as of June 30, 2018 (the beginning of the measurement period ending June 30, 2019) and is 5.78 years. Prior period differences between expected and actual experience and changes of assumptions are continued to be amortized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

**NOTE 6 – ALLOCATION OF PENSION AMOUNTS TO INDIVIDUAL ENTITY**

The total pension liability for each individual entity is obtained from internal valuation results and is calculated separately for each of the members associated with the Fire and Police Departments, the Harbor Port Police Department and the Airport Department. The Plan's Fiduciary Net Position for each entity was estimated by adjusting the valuation value of assets for each entity by the ratio of the total Plan's Fiduciary Net Position to total Plan's valuation value of assets.

The following items are allocated based on the internal valuation results maintained and calculated separately for each of the members associated with the Fire and Police Departments, the Harbor Port Police Department and the Airport Department.

- 1) Net pension liability
- 2) Service cost
- 3) Interest on the total pension liability
- 4) Expensed portion of current-period benefit changes
- 5) Expensed portion of current-period difference between expected and actual experience in the total pension liability
- 6) Expensed portion of current-period change of assumptions or other inputs.
- 7) Member contributions
- 8) Projected earnings on plan investments
- 9) Expensed portion of current-period differences between actual and projected earnings on plan investments
- 10) Administrative expense
- 11) Recognition of beginning of year deferred outflows of resources as pension expense
- 12) Recognition of beginning of year deferred inflows of resources as pension expense

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**  
**GOVERNMENTAL ACCOUNTING STANDARDS BOARD**  
**STATEMENT NO. 75 REPORT**  
**AS OF JUNE 30, 2019**  
**FOR EMPLOYER REPORTING AS OF JUNE 30, 2020**

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Schedule of Other Postemployment Benefits Amounts by Entity

We have audited the entity allocations and the total for all entities of the columns titled net Other Postemployment Benefits (OPEB) liability, total deferred outflows of resources, total deferred inflows of resources, and total Other Postemployment Benefits (OPEB) expense (specified column totals) included in the accompanying schedule of Other Postemployment Benefits amounts by entity (Schedule) of the Los Angeles Fire and Police Other Postemployment Benefits Plan (Plan) administered by the Los Angeles Fire and Police Other Postemployment Benefits System (LAFPP) as of June 30, 2019, and the related notes.

### Management's Responsibility for the Schedule of Other Postemployment Benefits Amounts by Entity

Management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the entity allocations and specified column totals included in the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





## **Opinion**

In our opinion, the Schedule referred to above present fairly, in all material respects, the entity allocations, net Other Postemployment Benefits (OPEB) liability, total deferred outflows of resources, total deferred inflows of resources, and total Other Postemployment Benefits (OPEB) expense of all participating entities for the Plan as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

We have audited, in accordance with accounting principle generally accepted in the United State of America, the financial statements of LAFPP as of and for the fiscal year ended June 30, 2019, and our report thereon, dated January 9, 2020 expressed an unmodified opinion on those financial statements.

## **Restriction on Use**

Our report is intended solely for the information and use of the LAFPP's management, the Board of Fire and Police Pension Commissioners, the Plan's participating entities and their auditors; and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Los Angeles, California  
October 23, 2020

**LOS ANGELES FIRE AND POLICE OPEB SYSTEM**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS**  
**AS OF JUNE 30, 2019**

Entity	Net OPEB Liability	Deferred Outflows of Resources			Deferred Inflows of Resources				OPEB Expense	
		Changes of Assumptions or Other Inputs	Differences Between Expected and Actual Experience	Total Deferred Outflows of Resources	Changes of Assumptions or Other Inputs	Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	Differences Between Expected and Actual Experience	Total Deferred Inflows of Resources	Proportionate Shares of OPEB Pension Expense	Total OPEB Expense
Fire and Police Departments	\$1,579,875,363	\$156,111,179	\$21,700,539	\$177,811,718	\$ -	\$25,874,288	\$226,282,567	\$252,156,855	\$173,252,556	\$173,252,556
Harbor Port Police Department	3,017,519	949,878	221,206	1,171,084	22,254	149,446	456,643	\$628,343	1,082,318	1,082,318
Airport Department	594,748	127,435	509,700	637,135	-	13,358	236,563	\$249,921	504,224	504,224
Total of All Entities	\$1,583,487,630	\$157,188,492	\$22,431,445	\$179,619,937	\$22,254	\$26,037,092	\$226,975,773	\$253,035,119	\$174,839,098	\$174,839,098

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 1 – PLAN DESCRIPTION**

The Los Angeles Fire and Police Retiree Other Postemployment Benefits Plan (Plan) is administered by the Los Angeles Fire and Police Pension System (LAFPP). LAFPP is a single employer public employee retirement system whose main function is to provide retirement benefits to the safety members employed by the City of Los Angeles. There are three participating entities in LAFPP: (1) the Harbor Port Police Department (an enterprise fund of the City of Los Angeles), (2) Airport Department (an enterprise fund of the City of Los Angeles) and (3) City of Los Angeles' Fire and Police Departments.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Basis of Accounting**

Entities participating in the Plan are required to report Other Postemployment Benefits information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Schedule of Other Postemployment Benefits Amounts by Entity (Schedule) provide participating entities with the required information for financial reporting related to Other Postemployment Benefits provided through the Plan.

The accompanying Schedule was prepared in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of the Schedule 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 during the reporting period. Actual results could differ from those estimates.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**  
**NOTES TO THE SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS**  
**AS OF JUNE 30, 2019**

**NOTE 3 – NET OPEB LIABILITY**

The components of the net OPEB liability for all entities as of June 30, 2019 is as follows:

<b>Measurement Date</b>	<b>June 30, 2019</b>
<b>Reporting Date for Employer</b>	<b>June 30, 2020</b>
<hr/>	
Total OPEB Liability:	
Service Cost	\$74,089,629
Interest	260,513,119
Differences between Expected and Actual Experience	(249,567,518)
Change of Assumptions	85,910,802
Benefit Payments, Including Refunds of Member Contributions	(137,873,757)
Net Change in Total OPEB Liability	<u>33,072,275</u>
Total OPEB Liability – Beginning	<u>3,588,131,652</u>
Total OPEB Liability - Ending	<u><u>\$3,621,203,927</u></u>
Plan’s Fiduciary Net Position:	
Employer Contributions	\$188,019,917
Net Investment Income	111,188,618
Benefit Payments, Including Refunds of Member Contributions	(137,873,757)
Administrative Expense	(1,855,915)
Net Change in Plan’s Fiduciary Net Position	<u>159,478,863</u>
Plan’s Fiduciary Net Position – Beginning	<u>1,878,237,434</u>
Plan’s Fiduciary Net Position – Ending	<u><u>\$2,037,716,297</u></u>
<b>Net OPEB Liability - Ending</b>	<b><u><u>\$1,583,487,630</u></u></b>
Plan’s Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.27%

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM  
NOTES TO THE SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS  
AS OF JUNE 30, 2019**

**NOTE 4 – ACTUARIAL METHODS AND ASSUMPTIONS**

**Key Methods and Assumptions Used in Valuation of Total OPEB Liability**

The total OPEB liability as of June 30, 2019 was determined based on the June 30, 2019 actuarial valuation. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016 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 12, 2019.

Significant actuarial assumption and other key inputs used to measure the total OPEB liability:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.25%, including inflation but net of investment expenses
Inflation Rate	3.00%
Projected Salary Increases	4.30% to 12.00% based on years of service
Mortality Rates used in the actuarial valuation are as follows:	
Mortality Rates – Pre-Retirement	
Employee Mortality	Pub-2010 Safety Employee Headcount-Weighted-Median Mortality Table, projected generationally with two-dimensional Scale MP-2019.
Mortality Rates – Post-Retirement	
Healthy Mortality	Pub-2010 Safety Healthy Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 105% for males and 100% for females, projected generationally with two-dimensional Scale MP-2019.
Disabled Mortality	Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table, projected generationally with two-dimensional Scale MP-2019.
Beneficiary Mortality	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 105%, projected generationally with two-dimensional Scale MP-2019.

The Pub-2010 mortality tables and adjustments as shown above reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**  
**NOTES TO THE SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS**  
**AS OF JUNE 30, 2019**

**NOTE 4 – ACTUARIAL METHODS AND ASSUMPTIONS (Continued)**

Target Asset Allocation

The long-term expected rate of return on the Plan’s 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. This information is 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 (approved by the Board) and projected arithmetic real rates of return for measurement class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption, are summarized in the following table as of June 2019:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	16.00%	6.96%
Emerging Markets Equity	5.00%	9.28%
U.S. Core Fixed Income	12.00%	1.06%
High Yield Bonds	3.00%	3.65%
Real Estate	10.00%	4.37%
TIPS	5.00%	0.94%
Commodities	5.00%	3.76%
Cash	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	12.00%	7.50%
<b>Total Portfolio</b>	<b>100.00%</b>	<b>5.11%</b>

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2019. As contributions that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions and current Plan assets, when projected in accordance with the method prescribed by GASB 75, are expected to be sufficient to make all benefit payments to current members.

**LOS ANGELES FIRE AND POLICE PENSION SYSTEM**  
**NOTES TO THE SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS AMOUNTS**  
**AS OF JUNE 30, 2019**

**NOTE 5 – AMORTIZATION OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES**

Any differences between projected and actual investment earnings on the OPEB plan investments are amortized over a period of five years beginning with the year in which they occur.

Current period differences between expected and actual experience and changes of assumptions are amortized over the average of the expected remaining service lives of all employees that are provided with benefits through LAFPP determined as of June 30, 2018 (the beginning of the measurement period ending June 30, 2019) and is 7.13 years.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

**NOTE 6 – ALLOCATION OF OPEB AMOUNTS TO INDIVIDUAL ENTITY**

The total OPEB liability for each individual entity is obtained from internal valuation results and is calculated separately for each of the members associated with the Fire and Police Departments, the Harbor Port Police Department and the Airport Department. The Plan's Fiduciary Net Position for each entity was estimated by adjusting the valuation value of assets for each entity by the ratio of the total Plan's Fiduciary Net Position to total Plan's valuation value of assets.

The following items are allocated based on the internal valuation results maintained and calculated separately for each of the members associated with the Fire and Police Departments, the Harbor Port Police Department and the Airport Department.

- 1) Net OPEB liability
- 2) Service cost
- 3) Interest on the total OPEB liability
- 4) Expensed portion of current-period benefit changes
- 5) Expensed portion of current-period difference between expected and actual experience in the total OPEB liability
- 6) Expensed portion of current-period change of assumptions or other inputs.
- 7) Member contributions
- 8) Projected earnings on plan investments
- 9) Expensed portion of current-period differences between actual and projected earnings on plan investments
- 10) Administrative expense
- 11) Recognition of beginning of year deferred outflows of resources as OPEB expense
- 12) Recognition of beginning of year deferred inflows of resources as OPEB expense