

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 7, 2011

To: The City Council
The Office of the Mayor

From: Miguel A. Santana, City Administrative Officer



Subject: **RETIREE HEALTH SUBSIDIES (C.F. 10-1868)**

RECOMMENDATION

In light of escalating General Fund pension costs, it is recommended that the retiree medical subsidies for the Los Angeles Fire and Police Pensions System (LAFPP) and the Los Angeles City Employees' Retirement System (LACERS) be permanently frozen for members who retire on or after July 1, 2011. The maximum medical subsidies would be frozen for LAFPP members at \$1,097/month and \$1,190/month for LACERS members. These maximum subsidy amounts currently provide two-party coverage in certain healthcare plans. It is further recommended that the City Attorney, with the assistance of the CAO, be instructed to report back to the City Council within 30 days with an Ordinance modifying the Los Angeles Administrative Code to permanently freeze the LAFPP and LACERS medical subsidies at their current levels. The estimated five-year savings to the General Fund is \$525 million.

Under EERC approved bargaining instructions, the CAO has been negotiating with various bargaining units to mitigate rising pension costs, and has reached a tentative agreement with the Coalition of Los Angeles City Unions. Should any tentative agreements ultimately be ratified, the provisions bargained under the successor Memoranda of Understanding (MOU) will supersede any recommendations outlined in this report that may eventually be approved by the City Council and Mayor.

SUMMARY

This report supplements the report issued by the Office of the City Administrative Officer (CAO) on December 1, 2010, regarding the June 30, 2010, actuarial valuations of employee pension and health benefits. (Attachment A) At that time, it was recommended the retiree medical subsidy be frozen at the current rate for retirees of the LAFPP for a period of at least three fiscal years. This item was eventually referred to the Executive Employee Relations Committee (EERC) for consideration.

It is anticipated that next fiscal year, the City's General Fund will contribute a total of \$726 million to the pension systems - \$387 million to LAFPP and \$339 million to LACERS. The most recent projections indicate these contributions, including contributions towards retiree healthcare, will continue to significantly rise over the course of the next several years. For example, the General Fund is projected to contribute \$1.2 billion towards LACERS and LAFPP in Fiscal Year 2014-15.

Active members of LAFPP and LACERS contribute a portion of their salaries towards the pension systems, however, do not currently contribute towards retiree healthcare benefits. Retiree healthcare benefits are almost completely funded by a combination of City contributions and the investment returns from each system. The "normal cost"¹ of providing retiree healthcare benefits in Fiscal Year 2011-12 for LACERS is approximately 4.14% of the civilian payroll and approximately 4.6% of the sworn payroll for LAFPP. To ensure sustainability of providing retiree healthcare benefits, it would be prudent to pursue implementation of an active member contribution. Such contribution necessitates agreement with labor unions representing LAFPP and LACERS members.

As an alternative to mitigating escalating pension costs with labor, the CAO, under the direction of the EERC, has commissioned actuarial studies to determine the cost impacts of freezing the retiree medical subsidy for future retirees of the LAFPP and LACERS. Specifically, the actuary studied the impact of freezing the current medical subsidy under two scenarios: 1) a three-year freeze; and, 2) a permanent freeze. Under both scenarios, the freeze would apply only to future retirees of the retirement systems as of July 1, 2011. Any LAFPP or LACERS members who retired before July 1, 2011, would not be impacted by the freeze. Attachment B is a copy of the LAFPP study, and Attachment C is a copy of the LACERS study. Attachment D summarizes the estimated General Fund cost savings for each scenario.

Based on the actuarial study results, it is anticipated the City's General Fund contribution to the retirement systems will decrease by up to \$112 million after the first year of implementing a freeze and will continue to realize savings of this magnitude on an annual basis. Due to the way retirement systems are actuarially valued and funded, it is typical for retirement plan changes to impact the plan sponsor after new actuarial assumptions are integrated into the subsequent plan valuation. This leads to a one-year time lag.

While every effort will be made to pursue General Fund savings in Fiscal Year 2011-12, it is important to note the recommendations in this report, if approved by the City Council and Mayor, will more than likely commence affecting the General Fund in Fiscal Year 2012-13. Delaying the implementation of the freeze beyond July 1, 2011, may postpone the General Fund savings impact to Fiscal Year 2013-14.

¹ "Normal Cost" represents the actual cost of pension benefits allocated to the current plan year.

BACKGROUND

The City has two retirement systems that receive contributions from the City's General Fund - LAFPP and LACERS. LAFPP provides retirement benefits to sworn employees of the Police Department, Fire Department, and Harbor Department. LACERS provides retirement benefits to civilian employees in all City departments, except the Department of Water and Power. Pension benefits are funded by a combination of City contributions, employee contributions, and investment returns. Since employee contributions are more or less set at fixed rates, when investment returns are not sufficient to cover the benefit costs, the General Fund is obligated to make up for the difference. The retirement systems' actuary conducts an annual valuation, which sets the City's contribution rate.

The General Fund contribution to the retirement systems in Fiscal Year 2010-11 was approximately \$726 million. Of this amount, \$387 million was contributed to LAFPP and \$339 million was contributed to LACERS. The latest actuarial valuations indicate the City's contribution to LAFPP and LACERS will rise in Fiscal Year 2011-12 and beyond. The following table lists the projected incremental increases to the City's General Fund contribution towards its pension obligations:

GENERAL FUND INCREMENTAL COSTS				
System	2011-12	2012-13	2013-14	2014-15
LACERS	\$56.5 M	\$72.9 M	\$41.9 M	\$37.0 M
LAFPP	\$112.9 M	\$71.5 M	\$90.1 M	\$55.4 M
TOTAL	\$169.4 M	\$144.4 M	\$132.0 M	\$92.4 M
CUMULATIVE	\$169.4 M	\$313.8 M	\$445.8 M	\$538.2 M

Source: CAO FSR, December 2010

The table above indicates the General Fund will contribute \$169 million more in Fiscal Year 2011-12 than in the prior fiscal year. By Fiscal Year 2014-15, the General Fund is projected to contribute \$538 million more than the contribution in Fiscal Year 2010-11. The projected incremental increases suggest that the City's General Fund will contribute \$896 million in Fiscal Year 2011-12 and \$1.2 billion in Fiscal Year 2014-15. In addition, as was previously reported, the increasing cost of retiree healthcare benefits represents a significant portion of the General Fund contribution to the retirement systems.

The City pre-funds its retiree healthcare costs, starting with LACERS in 1987 and LAFPP in 1989. Pre-funding means that the actuarial valuations account for the total cost of the City's retiree healthcare obligations over time, as opposed to a "pay-as-you-go" system. In a "pay-as-you-go" system, the long term cost obligations are not considered as part of the annual required payment. When the annual costs of pre-funded benefits are paid on a regular basis, there is increased stability to the fund within the retirement system plan to cover the benefit costs over the long term. Since the City

pre-funds its retiree healthcare benefit costs, implementing a permanent freeze to the medical subsidies will provide for significant and immediate savings.

Retiree Medical Subsidies

LAFPP and LACERS members earn a retiree medical subsidy after 10 years of service (40% of the maximum medical subsidy amount) and after reaching age 55. For every year of service beyond 10 years, a member earns an additional 4% of the maximum medical subsidy amount and 100% after 25 years of service. The following table lists the maximum retiree medical subsidy amounts provided under LAFPP and LACERS since 2006:

LAFPP			LACERS		
Implementation	Max. Subsidy	Increase	Implementation	Max. Subsidy	Increase
7/1/06	\$782/mo.	N/A	1/1/06	\$928/mo.	N/A
7/1/07	\$837/mo.	7%	1/1/07	\$983/mo.	6%
7/1/08	\$895/mo.	7%	1/1/08	\$1,022/mo.	4%
7/1/09	\$958/mo.	7%	1/1/09	\$1,120/mo.	10%
7/1/10	\$1,025/mo.	7%	1/1/10	\$1,123/mo.	0.2%
7/1/11*	\$1,097/mo.	7%	1/1/11	\$1,190/mo.	6%

Source: LACERS and LAFPP; * Approved by the Board of Fire and Police Pension Commissioners on March 3, 2011

DISCUSSION

While the current retiree healthcare subsidy is a vested benefit, the discretionary adjustment that increases the medical subsidy is not vested. However, the Board of Fire and Police Pension Commissioners and the LACERS Board of Administration currently have the authority to adjust the maximum medical subsidy amounts. This authority was granted to the respective Boards by the City Council by ordinance. The City Council, with the Mayor's approval, can adopt an ordinance to freeze the current maximum medical subsidy amounts at their current levels.

Freezing the current medical subsidies would have a significant impact on mitigating the General Fund's rising pension contributions. The following table illustrates how the General Fund contribution would be reduced if the medical subsidies were frozen for a three-year period:

Scenario #1: 3 Year Freeze			
System	Year 1	Year 2	Year 3
LACERS	\$14.2 M	\$13.7 M	\$13.2 M
LAFPP	\$20.3 M	\$19.7 M	\$19.0 M
TOTAL	\$34.5 M	\$33.4 M	\$32.2 M

Source: Segal Company

The General Fund savings are even more significant if the medical subsidies are permanently frozen, as indicated in the following table:

Scenario #2: Permanent Freeze			
System	Year 1	Year 2	Year 3
LACERS	\$44.0 M	\$42.5 M	\$41.0 M
LAFPP	\$68.2 M	\$66.0 M	\$63.9 M
TOTAL	\$112.2 M	\$108.5 M	\$104.9 M

Source: Segal Company

The proposed subsidy freeze, if approved, would not impact LAFPP and LACERS members that are currently retired or those who retire before July 1, 2011. Rather, any LAFPP and LACERS members who retire on or after July 1, 2011, would be eligible to receive up to the current maximum medical subsidy amounts of \$1,190 per month for LACERS members and \$1,097 per month for LAFPP members. However, they would no longer be entitled to receive discretionary adjustments to increase these maximum subsidy amounts from the LAFPP and LACERS Boards.

FISCAL IMPACT

It is anticipated that permanently freezing the current maximum medical subsidy amounts for LAFPP and LACERS members who retire on or after July 1, 2011, will save the City's General Fund up to \$112 million after the first year of implementation. A three-year General Fund savings is estimated at \$325 million and the ten-year General Fund savings is estimated at \$968 million. In addition, due to the healthcare plan calendar commencing January 1st of each year, the LACERS system would achieve some level of savings during the implementation year.

MAS:TTS:07110035a

cc: Gerry Miller, CLA
Michael Perez, LAFPP
Tom Moutes, LACERS

Attachments

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

ATTACHMENT A

Date: December 1, 2010

To: The City Council
The Office of the Mayor

From: Miguel A. Santana, City Administrative Officer *RPC*
for

Subject: **PENSION AND HEALTH BENEFITS ACTUARIAL VALUATION**

SUMMARY

On December 2, 2010, the Board of Fire and Police Pension Commissioners will consider the most recent pension and health actuarial valuation for the period ending June 30, 2010. The valuation will set the City's contribution rate towards the Los Angeles Fire and Police Pensions (LAFPP) Plan for Fiscal Year 2011-12 at 39.08% of sworn payroll, which equates to an approximate contribution of \$500 million. Previous estimates provided by the Department of Fire and Police Pensions indicated a contribution rate of 35.19%, which equated to an approximate City General Fund contribution of \$450 million.

The 3.89% difference between the projected and actual rate is significant, as it translates into an approximate \$50 million increase from the previous Budget Outlook which had already projected an increase of about \$63 million. If the valuation is approved by the Board of Fire and Police Pension Commissioners, the City's General Fund will be obligated to cover approximately \$50 million more than what was anticipated to be paid out during Fiscal Year 2011-12.

Alternatively, the Los Angeles City Employees' Retirement System (LACERS) valuation indicates a City contribution of 27.66% of civilian payroll, which is 1.88% lower than anticipated in the Budget Outlook. This variance amounts to an approximate \$27 million decrease from the previously projected amount of \$83 million.

As a result of the LAFPP and LACERS pension and health benefits valuation results, the City's General Fund contribution will increase by about \$23 million over what was previously reported in the Budget Outlook for Fiscal Year 2011-12. This amounts to a combined estimated increase of \$169 million over the Fiscal Year 2010-11 contribution. Without any other assumption changes including changes to the payroll base, the projected deficit for Fiscal Year 2011-12 will increase from \$320 million to \$343 million.

In light of the unanticipated increase in City contributions for next fiscal year, it is recommended to freeze retiree medical subsidies at the current rates of \$1,025/month for LAFPP retirees for a period of at least three fiscal years.

BACKGROUND

The LAFPP Plan provides sworn police officers and firefighters with pension and healthcare benefits upon retirement. An actuarial valuation of the LAFPP Plan is conducted annually for the year ended June 30th. One purpose of the pension and health valuation is to calculate the City's required contribution. On November 24, 2010, the Department of Fire and Police Pensions released a report to the Board of Fire and Police Pension Commissioners for consideration of a pension and health benefits valuation for the time period July 1, 2009, through June 30, 2010. Attachment I is a copy of the staff Board report and valuation. The Board of Fire and Police Pension Commissioners (LAFPP Board) will consider the valuation report at its meeting on December 2, 2010.

LAFPP VALUATION IMPACT

The actuarial valuation is conducted by the LAFPP actuary. The following table lists the City's General Fund required contribution rate and projected payment amount for Fiscal Year 2011-12 as follows:

	Projected* Contribution Rate	Projected** Contribution Amount	Contribution Rate***	Contribution Amount**
Pension	26.33%	\$337.2 Million	27.22%	\$348.6 Million
Health	8.86%	\$113.5 Million	11.86%	\$151.9 Million
Total	35.19%	\$450.7 Million	39.08%	\$500.5 Million

* Based on July 15, 2011 payment, Source: Segal Company Five-Year Projection, Dated March 19, 2010

** Based on sworn payroll of \$1.2 Billion; Source: CAO

***Based on July 15, 2011 payment; Source: Segal Company Valuation dated November 17, 2010

The above table indicates a 3.89% difference in the total City contribution between the projected and actual rates. This amounts to an approximate \$50 million increase that the City will be obligated to pay in Fiscal Year 2011-12.

There are three main reasons as to why the projected and actual rates differ:

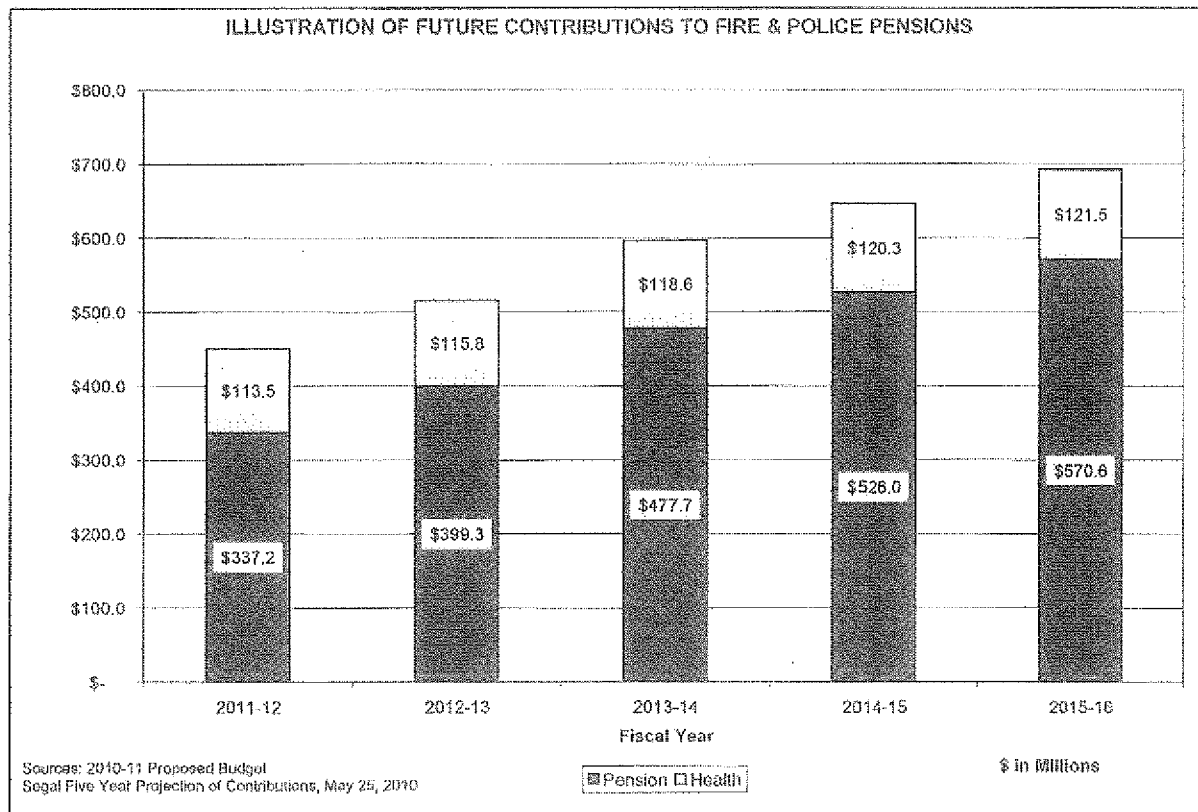
- 1) **Investment Return Assumption.** On September 2, 2010, the Board of Fire and Police Pension Commissioners changed its investment return assumption from 8% to 7.75%. This policy decision will lead to increased City contribution rates over the next several years.
- 2) **10% Medical Trend Assumption.** On November 4, 2010, the Board of Fire and Police Pension Commissioners changed its 10% medical trend assumption from a one-year period to a three-year period.

- 3) **Investment Gain.** The market investment gain assumption utilized in the March 19, 2010 study indicates a 16% investment gain. The actual investment gain realized on June 30, 2010, was closer to 14.74%.

If the LAFPP Board adopts the valuation report, than the City's General Fund deficit will grow by an additional \$50 million during Fiscal Year 2011-12. The Board consists of nine members, five of which are appointed by the Mayor. The remaining four members are all elected, two of which are active sworn members (one from the Police Department and one from the Fire Department) and two of which are retired LAFPP members (one from the Police Department and one from the Fire Department). Consistent with the City Charter and California Constitution, the LAFPP Board has complete control over the administration, assets, and system investments of the LAFPP. The City Council cannot take jurisdiction over a LAFPP Board action and the Mayor cannot veto a LAFPP Board action.

CITY CONTRIBUTION HISTORY TO LAFPP

The LAFPP Plan is funded by a combination of investment gains, City contributions, and employee contributions. Attachment II is a graph indicating the City's contribution history to the LAFPP Plan over the last ten years. In addition, the following graph reflects the 2010-11 Budget Outlook projection of the assumed City contribution rates for the next five fiscal years based on information provided by LAFPP in March 2010:



It should be noted that the above projection will no longer be valid if the actuarial valuation that will be considered by the LAFPP Board on December 2, 2010, is approved. If approved, a new valuation study will be required to revise the projections for future years. It is anticipated the revised projections would result in approximately \$50 million incremental increases to the projected values in the above graph for each fiscal year.

CITY CONTRIBUTION TO LACERS

The Los Angeles City Employees' Retirement System (LACERS) Plan provides pension and retiree health benefits to civilian employees (excluding Department of Water and Power). Attachment III is a graph indicating the City's contribution history to the LACERS Plan over the last ten years. On November 9, 2010, the LACERS pension and healthcare benefits valuation was adopted by the LACERS Board of Administration (LACERS Board). Attachment IV is a copy of the staff LACERS Board report and valuation.

The City contribution to LACERS for both pension and healthcare benefits was calculated at 27.66% of payroll, which represents approximately 1.88% less than what was previously projected in the Fiscal Year 2010-11 Budget Outlook. This difference is largely attributable to the smoothing policy changes approved by the LACERS Board. The difference in the 1.88% contribution rate amounts to an approximate \$27 million decrease to the General Fund contribution to LACERS for Fiscal Year 2011-12, than what was previously projected.

DISCUSSION

A significant portion of the \$50 million increase for next year's General Fund contribution to the LAFPP may be attributable to recent actions taken by the LAFPP Board. While these actions are actuarially sound, they place a tremendous burden on the General Fund during a time of financial crisis. The Office of the CAO is currently pursuing several pension reform efforts with the intent of reducing the City's General Fund cost obligations towards LAFPP and LACERS. These efforts involve establishing new retirement tiers for future employee hires and negotiating with labor unions to reduce the City's General Fund costs for active members. The City is not alone in this endeavor as public sector pension systems across the nation are experiencing significant market losses and seek to reform their pensions to reduce costs.

One of the significant obstacles with pension reform efforts is the ability to modify vested pension benefits. California law indicates vested pension benefits cannot be altered unless a comparable advantage is provided. This means that any pension reform efforts for active members would likely include providing a new benefit in exchange for modifying the existing benefit. This makes it difficult to negotiate a deal that would result in significant cost savings for the City.

Medical Subsidies

The setting of the retiree healthcare medical subsidy is one area in which active members do not receive a vested benefit. The Los Angeles Administrative Code (LAAC) grants the LAFPP and LACERS Boards the authority to set the maximum medical subsidy amounts. In general, the medical subsidies are set based on whether the retiree is eligible for Medicare. A retiree is generally eligible for Medicare when he/she reaches age 65.

The medical subsidy benefit is vested after a member has accrued at least 10 years of service. Benefits may not commence earlier than age 55. The percentage of subsidy accrued for 10 years of service is 40% and escalates at 4% for each additional year of service. At 25 years of service, the retiree would receive 100% of the maximum medical subsidy benefit. Employees do not currently contribute towards this retiree health benefit.

For LAFPP retirees that are not Medicare eligible, the maximum subsidy amount cannot increase by more than 7% annually. For LACERS retirees that are not Medicare eligible, the maximum subsidy amount cannot exceed the annual increase to the Kaiser two-party rate.

The LAAC sections that grant the LAFPP and LACERS Board the discretion to set the maximum medical subsidy amounts may be changed by Ordinance. The current maximum medical subsidy (non Medicare eligible) for LAFPP retirees is \$1,025/month and became effective on July 1, 2010. Effective January 1, 2011, the maximum medical subsidy (non Medicare eligible) for LACERS retirees is \$1,190/month. These subsidy amounts are currently sufficient to cover healthcare for an employee and spouse.

The LAAC also grants the LACERS Board of Administration the authority to enact modifications to the retiree healthcare plan designs. In September 14, 2010, the LACERS Board of Administration adopted changes to the healthcare plan designs, which will result in some cost savings for the City. The LAFPP does not administer the retiree healthcare plans, as these plans are administered by labor unions. Therefore, the LAFPP does not have any authority to enact retiree healthcare plan design modifications.

With the increased City contribution obligations for Fiscal Year 2010-11, it may be prudent to consider freezing the current maximum medical subsidies for retirees of LACERS and LAFPP. This will result in some cost savings for the City's General Fund and is not anticipated to significantly impact a retiree's access and choice of available healthcare plans, as most retirees do not select healthcare plans with costs that are at or exceed the maximum medical subsidy amount.

The City Council
The Office of the Mayor
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RECOMMENDATION

It is recommended that the City Attorney, with the assistance of the CAO, is instructed to report back to the City Council within 30 days with an Ordinance modifying the LAAC to freeze the LAFPP maximum medical subsidy amount at the current level for a period of at least three fiscal years.

FISCAL IMPACT

It is anticipated that freezing the current maximum medical subsidy amounts for LAFPP will save the City's General Fund up to \$30 million over the next three fiscal years.

MAS:TTS:07110017

cc: Gerry Miller, CLA
Michael Perez, LAFPP
Thomas Moutes, LACERS

Attachments


**DEPARTMENT OF FIRE AND POLICE PENSIONS**

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DECEMBER 2, 2010

ITEM: A.1

FROM:  Michael A. Perez, General Manager

SUBJECT: CONSIDERATION OF THE JULY 1, 2009 TO JUNE 30, 2010 PENSION AND HEALTH BENEFITS VALUATIONS AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board accept the pension and health valuation reports submitted by The Segal Company for the period ending June 30, 2010.

DISCUSSIONCity's General Fund Contribution

The yearly valuation reports on System assets and liabilities, and establishes the percent of sworn payroll used to calculate the required City contribution to fund the pension system. (The required contribution for the Harbor Department is discussed later in this report.) The following are significant items from the valuation:

- If made by July 15, 2011, the City contribution rate for FY 2011-12 pension benefits would increase by 5.77% of sworn payroll, from 21.44% (FY 2010-11) to 27.21% (FY2011-12). The new contribution rate would result in an increase of approximately \$73.9 million when applied to the City's FY 2010-11 budgeted sworn payroll.
- If made by July 15, 2011, the contribution rate for FY 2011-12 health benefits would increase by 3.18% of sworn payroll, from 8.68% (FY 2010-11) to 11.86% (FY2011-12). The new contribution rate would result in an increase of approximately \$40.5 million when applied to the City's FY 2010-11 budgeted sworn payroll.
- For the period ending June 30, 2010, on an actuarial basis for pension benefits, the plan is 91.6% funded. As such, Tier 5 members will continue to contribute 9% of salary in FY 2011-12 since the actuarial funded status of pension benefits for all Tiers does not exceed 100%. (The inclusion of the Harbor Port Police Officers did not impact the plan remaining below the trigger-point.)

- Below is a chart reflecting historical funded status and City Contributions from June 30, 2001.

Valuation Year Ending	Pension % Funded	Health % Funded	Combined % Funded	City Contribution -- Pension & Health	Received for Fiscal Year
06/30/2010	91.6	32.2	83.3	\$499,823,140*	2011-2012
06/30/2009	96.2	39.7	89.4	\$385,704,037	2010-2011
06/30/2008	99.1	41.8	92.6	\$355,157,134	2009-2010
06/30/2007	99.2	41.5	92.8	\$328,511,331	2008-2009
06/30/2006	94.6	37.6	88.2	\$326,656,184	2007-2008
06/30/2005	94.1	47.5	89.8	\$274,526,459	2006-2007
06/30/2004	103.0	60.1	99.5	\$159,388,000	2005-2006
06/30/2003	104.4	63.9	101.3	\$128,489,129	2004-2005
06/30/2002	108.3	66.4	105.1	\$86,973,375	2003-2004
06/30/2001	118.9	68.3	115.0	\$100,350,535	2002-2003

*Estimated contribution for FY 2011-12 based on the City's budgeted sworn payroll for FY 2010-11 of \$1,279,301,613.

- The City's actual contribution for FY2011-12 may differ from the estimates in the valuation and in this report, depending upon the FY2011-12 sworn payroll.

Harbor Department's Contribution

This is the fourth year that the Harbor Port Police Officers have been included in the annual actuarial valuation for LAFPP, which reports on System assets and liabilities, and establishes the percent of sworn payroll used to calculate the required Harbor Department contribution to fund the pension system for Port Police Officers. In accordance with the provisions of the governing Ordinance (No. 177214), a separate rate group was created for the Harbor Port Police Officers that transferred from LACERS to Tier 5. The following are significant items from the report pertaining to the Harbor Department:

- If made by July 15, 2011, the Harbor Department contribution rate for FY 2011-12 pension benefits for would increase by 3.41% of sworn payroll, from 24.41% (FY2010-11) to 27.82% (FY2011-12). The new contribution rate would result in an increase of approximately \$360,000 in FY2011-12 when applied to the Harbor's FY2010-11 budgeted sworn payroll.
- If made by July 15, 2011, the Harbor Department contribution rate for FY 2011-12 health benefits would increase by 1.62% of sworn payroll, from 4.67% (FY 2010-11) to 6.29% (FY2011-12). The new contribution rate would result in an increase of approximately \$171,000 when applied to the Harbor's FY 2010-11 budgeted sworn payroll.
- Below is a chart reflecting historical Harbor Department contributions from June 30, 2007.

Valuation Year Ending	Harbor Contribution	Received for Fiscal Year
06/30/2010	\$3,600,343*	2011-2012
06/30/2009	\$3,069,422	2010-2011
06/30/2008	\$2,088,006	2009-2010
06/30/2007	\$1,485,351	2008-2009

*Estimated contribution for FY 2011-12 based on the Harbor's budgeted sworn payroll for FY 2010-11 of \$10,555,095.

- The Harbor Department's actual contribution for FY2011-12 may differ from the estimates in the valuation and in this report, depending upon the FY2011-12 sworn payroll.

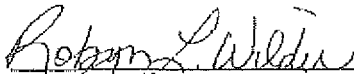
The adoption of the actuarial valuation is necessary for the completion of the audited financial statements, which are scheduled to be presented to the Board on December 16, 2010.

BUDGET

No additional funds required.

POLICY

There are no policy changes as a result of this report.



Robyn L. Wilder, Manager
Communications & Special Projects

WAP:WSR:RLW

Attachment

Los Angeles Fire and Police Pension Plan

*Actuarial Valuation and Review of Pension and
Other Postemployment Benefits (OPEB)
as of June 30, 2010*

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THE SEGAL COMPANY

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November 17, 2010

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Re: June 30, 2010 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2010 actuarial valuations for the retirement and the health programs.

As requested by LAFPP, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the two programs.
- Exhibit B - History of computed contribution rates for the two programs.

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

AB/hy
Enclosures

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Benefits, Compensation and HR Consulting Offices throughout the United States and Canada

Founding Member of the Multinational Group of Actuaries and Consultants, a global affiliation of independent firms



Exhibit A

City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percent Change</u>
I. Total Membership			
A. Current Active Members	13,654	13,802	-1.07%
B. Current Vested Former Members	58	61	-4.92%
C. Current Retirees, Beneficiaries, and Dependents	12,348	12,327	0.17%
II. Valuation Salary			
A. Total Annual Payroll	\$1,356,986,475	\$1,357,248,936	-0.02%
B. Average Monthly Salary	8,282	8,195	1.06%
III. Benefits to Current Retirees and Beneficiaries⁽¹⁾			
A. Total Annual Benefits	\$695,295,285	\$677,226,586	2.67%
B. Average Monthly Benefit Amount	4,692	4,578	2.49%
IV. Total System Assets⁽²⁾			
A. Actuarial Value	\$15,036,856,639	\$15,066,287,394	-0.20%
B. Market Value	12,198,968,351	10,976,368,738	11.14%
V. Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	\$1,301,043,651	\$560,535,275	132.11%
B. Health Subsidy Benefits	1,720,549,039	1,228,981,720	40.00%

⁽¹⁾ Includes July COLA.

⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.

Exhibit A (continued)

**City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results**

VI. Budget Items	<u>FY 2011-2012</u>		<u>FY 2010-2011</u>		<u>Change</u>	
	Beginning of Year ⁽¹⁾	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	20.14%	20.93%	18.27%	19.01%	1.87%	1.92%
2. Amortization of UAAL	<u>6.99%</u>	<u>7.27%</u>	<u>3.12%</u>	<u>3.24%</u>	<u>3.87%</u>	<u>4.03%</u>
3. Total Retirement Contribution	27.13%	28.20%	21.39%	22.25%	5.74%	5.95%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	4.62%	4.79%	3.49%	3.63%	1.13%	1.16%
2. Amortization of UAAL	<u>7.20%</u>	<u>7.48%</u>	<u>5.16%</u>	<u>5.37%</u>	<u>2.04%</u>	<u>2.11%</u>
3. Total Health Contribution	11.82%	12.27%	8.65%	9.00%	3.17%	3.27%
C. Total Contribution (A+B)	38.95%	40.47%	30.04%	31.25%	8.91%	9.22%
VII Funded Ratio	<u>June 30, 2010</u>		<u>June 30, 2009</u>		<u>Change</u>	
(Based on Valuation Value of Assets) ⁽²⁾						
A. Retirement Benefits		91.6%		96.2%		-4.6%
B. Health Subsidy Benefits		32.2%		39.7%		-7.5%
C. Total		83.3%		89.4%		-6.1%

⁽¹⁾ Total contribution rates payable on July 15, 2011 are 27.22% for retirement, 11.86% for health and 39.08% for both plans.

⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.

Exhibit B**City of Los Angeles Fire and Police Pension Plan
Computed Contribution Rates⁽¹⁾ – Historical Comparison**

<u>Valuation Date</u>	<u>Retirement</u>	<u>Health</u>	<u>Total</u>	<u>Valuation Payroll (In Thousands)</u>
06/30/2001	3.74%	3.32%	7.06%	882,758
06/30/2002	11.00%	2.98%	13.98%	946,037
06/30/2003	13.79%	3.09%	16.88%	970,727
06/30/2004	12.86%	2.83%	15.69%	1,001,004
06/30/2005	20.56%	5.03%	25.59%	1,037,445
06/30/2006	22.12%	8.48% ⁽²⁾	30.65%	1,092,815
06/30/2007	19.95% ⁽³⁾	8.20% ^{(2), (3)}	28.15% ⁽³⁾	1,135,592
06/30/2008	20.58%	8.76%	29.34%	1,206,589
06/30/2009	22.26%	9.00%	31.26%	1,357,249
06/30/2010	28.20%	12.27%	40.47%	1,356,986

(1) Contributions are assumed to be made at the end of the pay period.

(2) Before reflecting phase-in policy.

(3) Revised to recognize payment of Harbor Port Police June 30, 2007 UAAL during 2007-2008 fiscal year. This reduced the UAAL rate by 0.02% and 0.00% for the retirement plan and health plan, respectively.

City of Los Angeles Fire and Police Pension Plan

*Actuarial Valuation and Review
as of June 30, 2010*

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November 17, 2010

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011-2012 and analyzes the preceding year's experience.

The census information on which our calculations were based and the financial information were provided by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Commissioners are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

AB/gxk

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

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SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Los Angeles Fire and Police Pension Plan as of June 30, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- > The benefit provisions of the Pension Plan, as administered by the Board of Commissioners;
- > The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2010, provided by LAFPP;
- > The assets of the Plan as of June 30, 2010, provided by LAFPP;
- > Economic assumptions regarding future salary increases and investment earnings; and
- > Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- > This valuation reflects the 7.75% investment return assumption recently adopted by the Board as well as the changes in the inflation and across-the-board wage increase assumption components. All other actuarial assumptions are the same as those used in the June 30, 2009 valuation.
- > The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 96.2% to 91.6%. The unfunded actuarial accrued liability has increased from \$561 million to \$1,301 million. The reduction in the funded ratio and the increase in the unfunded actuarial accrued liability is primarily the result of the lower than expected returns on investment (after smoothing) and the change in the investment return assumption offset somewhat by other favorable actuarial experience during 2009/2010. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- > Under the Board's funding policy, the 2009-2010 experience loss for Tier 2 would be amortized over the shorter of 15 years or the remaining 27-year amortization period ending June 30, 2037. For Tiers 3, 4 and 5 a new separate 15-year amortization layer is established in the June 30, 2010 valuation for the 2009-2010 experience loss.

Reference: Pg. 37, 7 and 11

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Reference: Pg. 17

- The aggregate beginning-of-year employer rate calculated in this valuation has increased from 21.39% of payroll to 27.13% of payroll. Using a projected annual payroll of \$1,357 million as of June 30, 2010, there would be an increase in contribution from \$290 million to \$368 million. The increase was due to lower than expected returns on investments (after smoothing) and change in the investment return assumption offset somewhat by lower than expected salary increases during 2009/2010 and lower than expected retiree COLA increases during 2009/2010.

Reference: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,837.9 million for the assets for Retirement and Health Subsidy Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- The unrecognized investment losses represent about 23% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$2,837.9 million market losses is expected to have a significant impact on the Plan's future funded ratio and the aggregate employer contributions. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 91.6% to 74.3%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 27.13% of payroll to 43.58% of payroll.

Reference: Pg. 53

- As adopted by the Board, any investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40% of the market value of assets. A description of the actuarial assumptions and methods can be found in Section 4, Exhibit V of this report.
- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year, (2) on July 15, or (3) throughout the year (i.e., the City will pay contributions at the end of every pay period).
- The actuarial valuation report as of June 30, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Summary of Key Valuation Results

	2010	2009
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of year	27.13%	21.39% ⁽¹⁾
On July 15	27.22%	21.46% ⁽¹⁾
At the end of each biweekly pay period	28.20%	22.25% ⁽¹⁾
Funding elements for plan year beginning July 1:		
Normal cost	\$385,000,579	\$360,465,016 ⁽¹⁾
Market value of assets ⁽²⁾	12,198,968,351	10,976,368,738
Actuarial value of assets ⁽²⁾	15,036,856,639	15,066,287,394
Valuation value of retirement assets	14,219,580,662	14,256,610,416
Actuarial accrued liability	15,520,624,313	14,817,145,691
Unfunded actuarial accrued liability	1,301,043,651	560,535,275
Funded ratio	91.6% ⁽³⁾	96.2% ⁽³⁾
GASB 25/27 for fiscal year ending June 30:		
Annual required contributions	\$250,516,858	\$238,697,929
Actual contributions	250,516,858	238,697,929
Percentage contributed	100.0%	100.0%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	12,348	12,327
Number of vested former members	58	61
Number of active members (includes DROP members)	13,654	13,802
Projected total payroll	\$1,356,986,475	\$1,357,248,936
Projected average payroll	99,384	98,337

⁽¹⁾ Revised to reflect payroll as of June 30, 2010.

⁽²⁾ Includes all assets for Retirement and Health Subsidy Benefits.

⁽³⁾ The funded ratios excluding Harbor Port Police are 91.7% and 96.3% for 2010 and 2009, respectively.

SECTION 1: Valuation Summary for the City of Los Angeles Fire and Police Pension Plan

Actuarial Certification

November 17, 2010

This is to certify that The Segal Company has conducted an actuarial valuation of the City of Los Angeles Fire and Police Pension Plan retirement program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2009. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

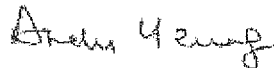
The actuarial valuation is based on the plan of benefits summarized in Exhibit VI and on participant and financial data provided by LAFPP.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the Plan's CAFR prepared by Segal is provided below:

- 1) Schedule of funding progress
- 2) Schedule of employer contributions
- 3) Supplementary Information Required by the GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the Plan's current funding information. The undersigned is a Member of the American Academy of Actuaries and meets the qualifications to provide the actuarial opinion herein.



Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, non-vested members (entitled to a refund of member contributions) and vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past seven valuations can be seen in this chart.

CHART 1
Member Population: 2004 – 2010

Year Ended June 30	Active Members ⁽¹⁾	DROP Members	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	12,649	928	0	11,782	0.93
2005	12,656	1,178	0	11,746	0.93
2006	12,903	1,206	59	11,815	0.92
2007	13,218	1,226	85	11,974	0.91
2008	13,495	1,144	81	12,182	0.91
2009	13,802	1,024	61	12,327	0.90
2010	13,654	1,089	58	12,348	0.91

⁽¹⁾ Includes DROP members provided in the next column.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Active Members (Including DROP)

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 13,654 active members with an average age of 40.6, average years of service of 13.6 years and average payroll of \$99,384. The 13,802 active members in the prior valuation had an average age of 40.1, average service of 13.2 years and average payroll of \$98,337.

Inactive Members

In this year's valuation, there were a total of 58 members with a vested right to a deferred or immediate vested benefit versus 61 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members (Including DROP) by Age as of June 30, 2010

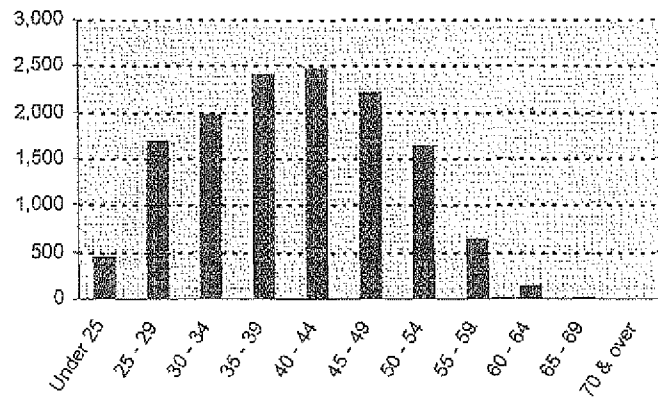
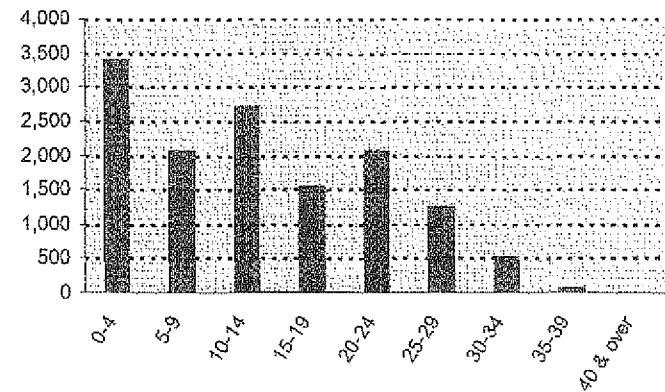


CHART 3

Distribution of Active Members (Including DROP) by Years of Service as of June 30, 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Retired Members and Beneficiaries

As of June 30, 2010, 9,958 retired members and 2,390 beneficiaries were receiving total monthly benefits of \$57,941,274. For comparison, in the previous valuation, there were 9,916 retired members and 2,411 beneficiaries receiving monthly benefits of \$56,435,549.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2010

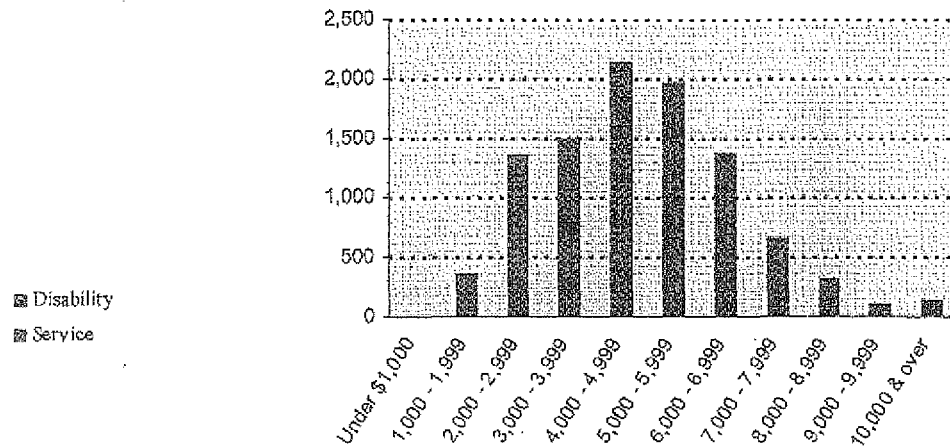
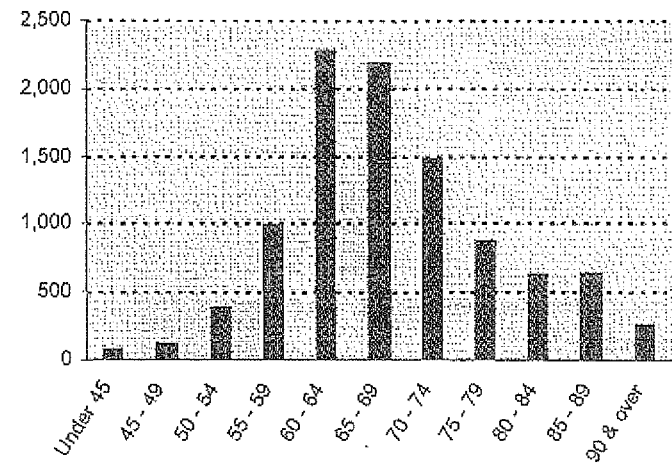


CHART 5
Distribution of Retired Members and by Type and by Age as of June 30, 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

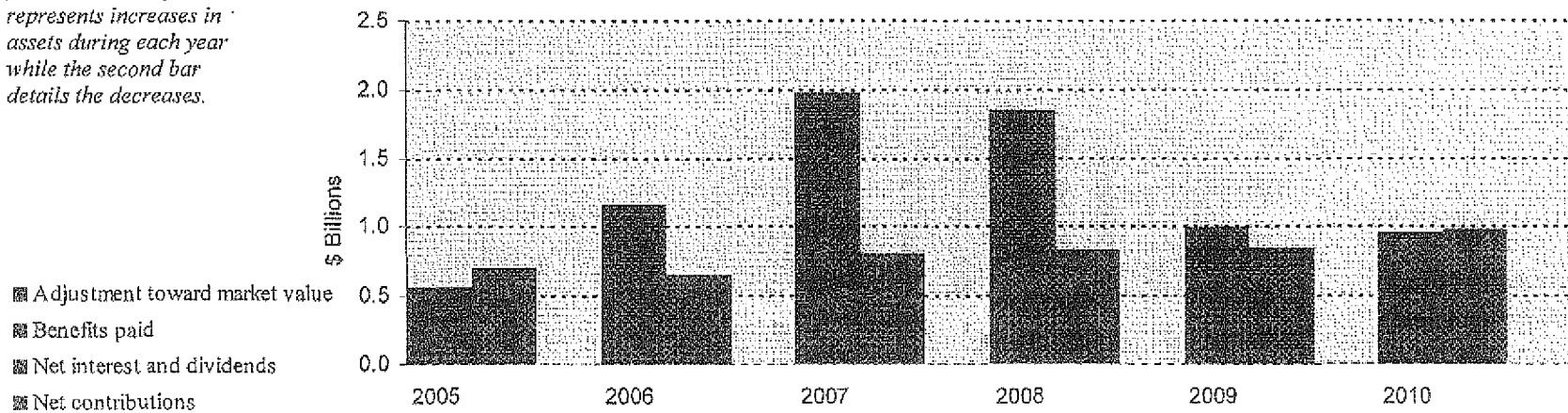
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last six years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2005 – 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2010

1. Market value of assets (for Retirement and Health Subsidy Benefits)			\$12,198,968,351
2. Calculation of unrecognized return ⁽¹⁾	Original Amount	Percent Not Recognized ⁽²⁾	Amount Not Recognized
(a) Year ended June 30, 2010	\$737,173,630	85.71%	\$631,863,111
(b) Year ended June 30, 2009	-4,113,928,646	71.43%	-2,938,520,461
(c) Year ended June 30, 2008	-2,015,976,509	40.00%	-806,390,604
(d) Year ended June 30, 2007	1,375,798,329	20.00%	275,159,666
(e) Year ended June 30, 2006	477,862,344	0.00%	0
(f) Total unrecognized return			-2,837,888,288
3. Preliminary actuarial value: (1) - (2f)			15,036,856,639
4. Adjustment to be within 40% corridor			0
5. Final actuarial value of assets: (3) + (4)			<u>\$15,036,856,639</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)			123.3%
7. Market value of retirement assets			\$11,535,935,909
8. Valuation value of retirement assets: (5) ÷ (1) x (7)			\$14,219,580,662
9. Deferred return recognized in each of the next 6 years:			
(a) Amount recognized on June 30, 2011			-\$610,429,213
(b) Amount recognized on June 30, 2012			-885,588,875
(c) Amount recognized on June 30, 2013			-482,393,573
(d) Amount recognized on June 30, 2014			-482,393,573
(e) Amount recognized on June 30, 2015			-482,393,573
(f) Amount recognized on June 30, 2016			<u>105,310,519</u>
(g) Subtotal (may not total exactly due to rounding)			-\$2,837,888,288

⁽¹⁾ Total return minus expected return on a market value basis

⁽²⁾ Any investment gains/losses established after July 1, 2008 are recognized over a seven-year period.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

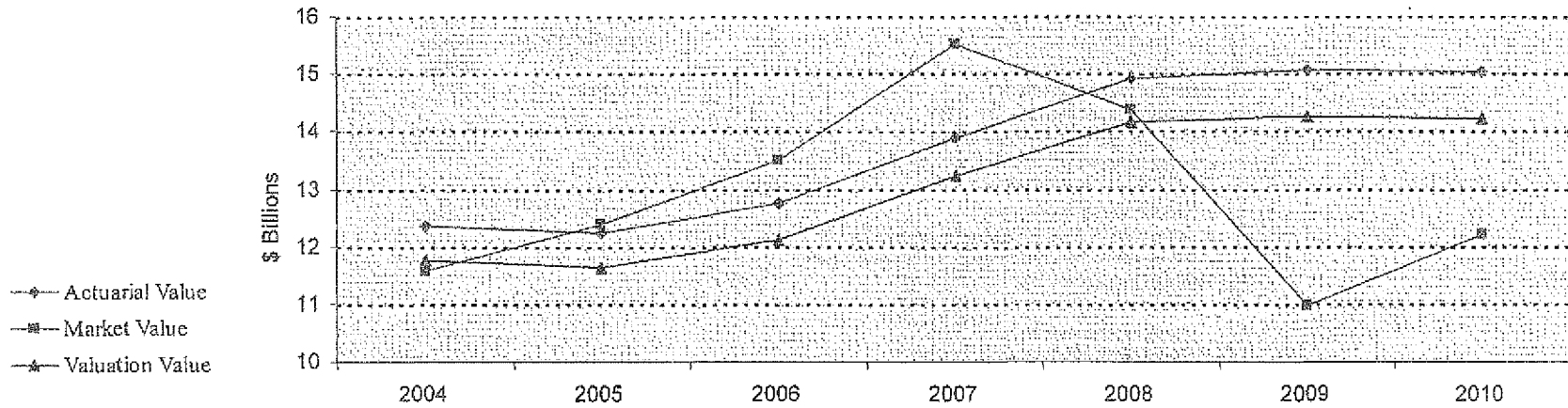
The actuarial value, market value and valuation value of assets are representations of LAFPP's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on multiplying the total actuarial value of assets by the ratio of market value of retirement assets to the market value of both retirement and health assets, is shown as the valuation

value of assets. The valuation value of assets is significant because LAFPP's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past seven years.

CHART 8

Actuarial Value of Assets*, Valuation Value of Assets** and Market Value of Assets* as of June 30, 2004 – 2010



* Retirement and Health assets

** Retirement only assets

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total net loss of \$367,665,775 was due mainly to an investment loss of \$756,278,190 offset somewhat by salary and COLA gains. The net experience variation from all sources was 2.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9
Actuarial Experience for Year Ended June 30, 2010

1. Net gain/(loss) from investments ⁽¹⁾	-\$756,278,190
2. Net gain/(loss) from other experience ⁽²⁾	<u>388,612,415</u>
3. Net experience gain/(loss): (1) + (2)	-\$367,665,775

⁽¹⁾ Details in Chart 10.

⁽²⁾ Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2009 to June 30, 2010, compared to the projected experience as predicted by the actuarial assumptions as of June 30, 2009.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LAFPP's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00% (based on the June 30, 2009 valuation). The actual rate of return on the actuarial value of assets basis for the 2010 plan year was 2.40%.

Since the actual return for the year was lower than the assumed return, LAFPP experienced an actuarial loss during the year ended June 30, 2010 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Actuarial Value Investment Experience for Year Ended June 30, 2010

	All Assets ⁽¹⁾	Assets for Retirement Only
1. Actual return	\$360,741,904	\$376,879,876
2. Average value of assets	15,034,901,752	14,164,475,829
3. Actual rate of return: (1) ÷ (2)	2.40%	2.66%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$1,202,792,140	\$1,133,158,066
6. Actuarial gain/(loss): (1) - (5)	<u>-842,050,236</u>	<u>-756,278,190</u>

⁽¹⁾ Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for all Retirement and Health Subsidy Benefits assets.

Based on this experience and future expectations, we have lowered the investment return assumption of 8.00% to 7.75% for the June 30, 2010 valuation.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2005 – 2010

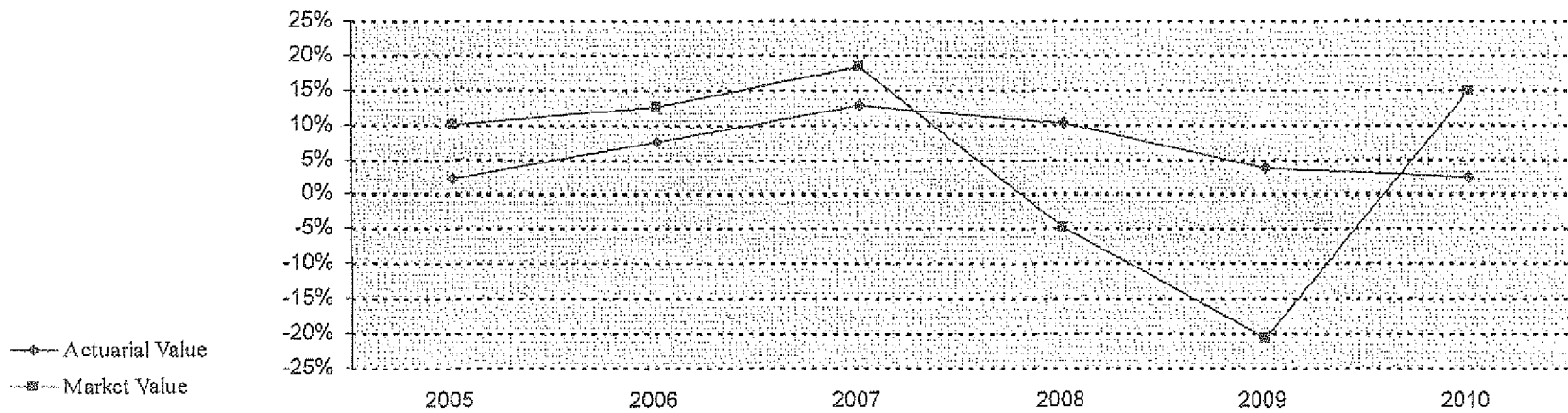
Year Ended June 30	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2005	\$259,388,778	2.12%	\$1,131,871,641	9.83%
2006	901,268,460	7.44%	1,520,383,435	12.40%
2007	1,590,968,304	12.57%	2,450,077,668	18.25%
2008	1,414,391,128	10.20%	-776,503,003	-5.01%
2009	557,346,783	3.75%	-2,968,762,917	-20.74%
2010	360,741,904	2.40%	1,612,772,227	14.74%
Six-Year Average Return		6.34%		3.94%

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2005 - 2010.

CHART 12
Market and Actuarial Rates of Return for Years Ended June 30, 2005 - 2010



SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- > the extent of turnover among the participants,
- > retirement experience (earlier or later than expected),
- > mortality (more or fewer deaths than expected),

- > the number of disability retirements, and
- > salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2010 amounted to \$388,612,415, which is 2.5% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LAFPP for the year ended June 30, 2010 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2010

1. Gain due to lower than expected salary increases for continuing actives	\$235,827,307
2. Gain due to lower than expected COLA for continuing retirees and beneficiaries	168,830,035
3. Miscellaneous losses	<u>-16,044,927</u>
4. Net gain/(loss)	\$388,612,415

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability, separately for each Tier. The total amount is then divided by the projected payroll for active members to determine the funding rate of 27.13%% of payroll if paid at beginning of year.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution

The chart compares this valuation's recommended contribution with the prior valuation.

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 1 Members				
1. Total normal cost	\$0	N/A	\$0	N/A
2. Expected employee contributions, discounted to beginning of year	0	N/A	0	N/A
3. Employer normal cost: (1) + (2)	0	N/A	0	N/A
4. Actuarial accrued liability	152,894,371		164,772,185	
5. Valuation value of assets	-49,364,479		-44,561,060	
6. Unfunded actuarial accrued liability	202,258,850		209,333,245	
7. Amortization of unfunded accrued liability	16,784,496	N/A	17,539,200	N/A
8. Total recommended contribution, beginning of year	16,784,496	N/A	17,539,200	N/A
9. Total recommended contribution, July 15	16,836,780	N/A	17,595,533	N/A
10. Total recommended contribution, biweekly	17,443,743	N/A	18,249,770	N/A
11. Projected payroll used for developing normal cost rate	N/A		N/A	
Tier 2 Members				
1. Total normal cost	\$4,528,447	26.27%	\$4,375,929	25.39%
2. Expected employee contributions, discounted to beginning of year	-67,788	-0.39%	-439,489	-2.55%
3. Employer normal cost: (1) + (2)	4,460,659	25.88%	3,936,440	22.84%
4. Actuarial accrued liability	5,772,008,132		5,918,326,906	
5. Valuation value of assets	6,165,929,922		6,510,729,862	
6. Unfunded actuarial accrued liability	-393,921,790		-592,402,956	
7. Amortization of unfunded accrued liability	-14,038,067	-1.03% ⁽²⁾	-31,210,689	-2.30% ⁽²⁾
8. Total recommended contribution, beginning of year	-9,577,408	N/A	-27,274,249	N/A
9. Total recommended contribution, July 15	-9,607,242	N/A	-27,361,850	N/A
10. Total recommended contribution, biweekly	-9,953,582	N/A	-28,379,218	N/A
11. Projected payroll used for developing normal cost rate	17,234,852		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

⁽²⁾ Percent of TOTAL payroll.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 3 Members				
1. Total normal cost	\$25,370,934	25.90%	\$23,904,087	24.40%
2. Expected employee contributions, discounted to beginning of year	-7,540,952	-7.70%	-7,533,706	-7.69%
3. Employer normal cost: (1) + (2)	17,829,982	18.20%	16,370,381	16.71%
4. Actuarial accrued liability	731,978,359		673,723,503	
5. Valuation value of assets	592,579,557		565,321,184	
6. Unfunded actuarial accrued liability	139,398,802		108,402,319	
7. Amortization of unfunded accrued liability	7,607,965	7.77%	5,300,045	5.41%
8. Total recommended contribution, beginning of year	25,437,947	25.97%	21,670,426	22.12%
9. Total recommended contribution, July 15	25,517,186	26.05%	21,739,004	22.19%
10. Total recommended contribution, biweekly	26,437,077	26.99%	22,542,338	23.01%
11. Projected payroll used for developing normal cost rate	97,967,569		N/A	
Tier 4 Members				
1. Total normal cost	\$11,045,764	24.47%	\$10,366,638	22.97%
2. Expected employee contributions, discounted to beginning of year	-3,430,137	-7.60%	-3,466,076	-7.68%
3. Employer normal cost: (1) + (2)	7,615,627	16.87%	6,900,562	15.29%
4. Actuarial accrued liability	379,858,147		348,027,397	
5. Valuation value of assets	294,989,171		282,830,326	
6. Unfunded actuarial accrued liability	84,868,976		65,197,071	
7. Amortization of unfunded accrued liability	4,390,930	9.73%	2,969,633	6.58%
8. Total recommended contribution, beginning of year	12,006,557	26.60%	9,870,195	21.87%
9. Total recommended contribution, July 15	12,043,957	26.69%	9,901,786	21.94%
10. Total recommended contribution, biweekly	12,478,140	27.65%	10,267,349	22.75%
11. Projected payroll used for developing normal cost rate	45,131,204		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Tier 5 Members (without Harbor Port Police)				
1. Total normal cost	\$341,051,080	28.75%	\$318,988,447	26.89%
2. Expected employee contributions, discounted to beginning of year	-99,804,150	-8.41%	-100,121,327	-8.44%
3. Employer normal cost: (1) + (2)	241,246,930	20.34%	218,867,120	18.45%
4. Actuarial accrued liability	8,455,734,296		7,689,646,616	
5. Valuation value of assets	7,196,561,308		6,926,189,954	
6. Unfunded actuarial accrued liability	1,259,172,988		763,456,662	
7. Amortization of unfunded accrued liability	79,420,593	6.69%	47,094,985	3.97%
8. Total recommended contribution, beginning of year	320,667,523	27.03%	265,962,105	22.42%
9. Total recommended contribution, July 15	321,666,399	27.12%	266,792,494	22.49%
10. Total recommended contribution, biweekly	333,262,430	28.09%	276,638,549	23.32%
11. Projected payroll used for developing normal cost rate	1,186,271,650		N/A	
All Tiers Combined (without Harbor Port Police)				
1. Total normal cost	\$381,996,225	28.37%	\$357,635,101	26.56%
2. Expected employee contributions, discounted to beginning of year	-110,843,027	-8.23%	-111,560,598	-8.29%
3. Employer normal cost: (1) + (2)	271,153,198	20.14%	246,074,503	18.27%
4. Actuarial accrued liability	15,492,473,305		14,794,496,607	
5. Valuation value of assets	14,200,695,479		14,240,510,266	
6. Unfunded actuarial accrued liability	1,291,777,826		553,986,341	
7. Amortization of unfunded accrued liability	94,165,917	6.99%	41,693,174	3.10%
8. Total recommended contribution, beginning of year	365,319,115	27.13%	287,767,677	21.37%
9. Total recommended contribution, July 15	366,457,080	27.21%	288,666,967	21.44%
10. Total recommended contribution, biweekly	379,667,809	28.19%	299,318,788	22.23%
11. Projected payroll used for developing normal cost rate	1,346,605,275		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

CHART 14
Recommended Contribution (Continued)

	June 30			
	2010		2009	
	Amount	% of Payroll	Amount ⁽¹⁾	% of Payroll
Harbor Port Police (Tier 5)				
1. Total normal cost	\$3,004,354	28.94%	\$2,829,915	27.26%
2. Expected employee contributions, discounted to beginning of year	-889,352	-8.57%	-888,631	-8.56%
3. Employer normal cost: (1) + (2)	2,115,002	20.37%	1,941,284	18.70%
4. Actuarial accrued liability	28,151,008		22,649,084	
5. Valuation value of assets	18,885,183		16,100,150	
6. Unfunded actuarial accrued liability	9,265,825		6,548,934	
7. Amortization of unfunded accrued liability	763,706	7.36%	584,462	5.63%
8. Total recommended contribution, beginning of year	2,878,708	27.73%	2,525,746	24.33%
9. Total recommended contribution, July 15	2,887,675	27.82%	2,534,051	24.41%
10. Total recommended contribution, biweekly	2,991,776	28.82%	2,627,482	25.31%
11. Projected payroll used for developing normal cost rate	10,381,200		N/A	
All Tiers Combined				
1. Total normal cost	\$385,000,579	28.37%	\$360,465,016	26.56%
2. Expected employee contributions, discounted to beginning of year	-111,732,379	-8.23%	-112,449,229	-8.29%
3. Employer normal cost: (1) + (2)	273,268,200	20.14%	248,015,787	18.27%
4. Actuarial accrued liability	15,520,624,313		14,817,145,691	
5. Valuation value of assets	14,219,580,662		14,256,610,416	
6. Unfunded actuarial accrued liability	1,301,043,651		560,535,275	
7. Amortization of unfunded accrued liability	94,929,623	6.99%	42,277,636	3.12%
8. Total recommended contribution, beginning of year	368,197,823	27.13%	290,293,423	21.39%
9. Total recommended contribution, July 15	369,344,755	27.22%	291,201,018	21.46%
10. Total recommended contribution, biweekly	382,659,585	28.20%	301,946,269	22.25%
11. Projected payroll used for developing normal cost rate	1,356,986,475		N/A	

⁽¹⁾ For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

If paid by the City at the beginning of the year, the calculated normal cost is 20.14% payroll. The remaining 6.99% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 17.8 years.

The contribution rates as of June 30, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2009 to June 30, 2010

Recommended Contribution as of June 30, 2009	\$290,293,423*
Effect of increase on prior year amortization dollar amounts due to percentage of payroll amortization	\$1,895,502
Effect of contributions (more)/less than recommended contribution, from one-year delay between valuation and rate implementation	4,591,804
Effect of investment (gain)/loss	63,821,756
Effect of difference in actual versus expected salary increase	-19,901,524
Effect of retiree COLA more/(less) than assumed	-14,248,659
Effect of other actuarial (gains)/losses	4,050,058
Effect of change in assumptions	37,695,463
Total change	<u>77,904,400</u>
Recommended Contribution as of June 30, 2010	\$368,197,823

* Revised using payroll as of June 30, 2010.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

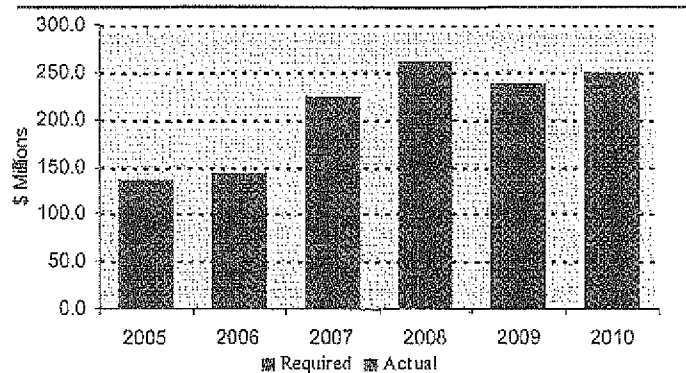
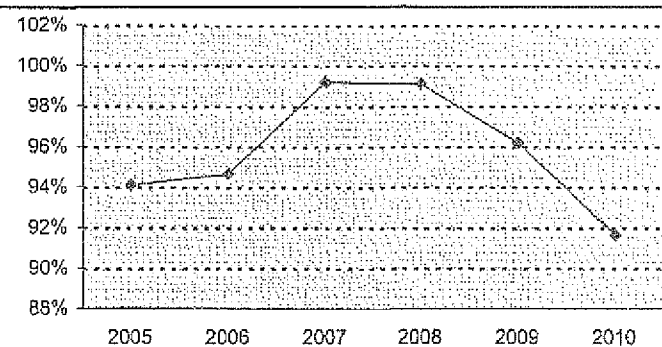


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

Total

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	13,654	13,802	-1.1%
Average age	40.6	40.1	N/A
Average service	13.6	13.2	N/A
Projected total payroll	\$1,356,986,476	\$1,357,248,936	0.0%
Projected average payroll	\$99,384	\$98,337	1.1%
Account balances	\$1,406,834,156	\$1,340,594,249	4.9%
Total active vested members	4,698	4,468	5.1%
Vested terminated members:			
Number	58	61	-4.9%
Average age	44.9	44.6	N/A
Average monthly benefit at age 50	\$1,830	\$1,708	7.1%
Retired members:			
Number in pay status	7,685	7,612	1.0%
Average age at retirement	51.5	51.4	N/A
Average age	69.0	68.7	N/A
Average monthly benefit (includes July COLA)	\$5,128	\$4,995	2.7%
Disabled members:			
Number in pay status	2,273	2,304	-1.3%
Average age at retirement	44.1	44.1	N/A
Average age	66.7	66.1	N/A
Average monthly benefit (includes July COLA)	\$4,274	\$4,215	1.4%
Beneficiaries:			
Number in pay status	2,390	2,411	-0.9%
Average age	76.8	76.8	N/A
Average monthly benefit (includes July COLA)	\$3,688	\$3,610	2.2%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

I. Tier 1

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average service	N/A	N/A	N/A
Projected total payroll	N/A	N/A	N/A
Projected average payroll	N/A	N/A	N/A
Account balances	N/A	N/A	N/A
Total active vested members	N/A	N/A	N/A
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	142	153	-7.2%
Average age at retirement	46.2	46.2	N/A
Average age	84.3	83.9	N/A
Average monthly benefit (includes July COLA)	\$2,176	\$2,151	1.2%
Disabled members:			
Number in pay status	143	157	-8.9%
Average age at retirement	37.2	37.4	N/A
Average age	80.5	80.0	N/A
Average monthly benefit (includes July COLA)	\$2,679	\$2,634	1.7%
Beneficiaries:			
Number in pay status	464	499	-7.0%
Average age	84.2	84.3	N/A
Average monthly benefit (includes July COLA)	\$2,432	\$2,426	0.2%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

ii. Tier 2

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	140	167	-16.2%
Average age	54.4	53.6	N/A
Average service	31.5	30.7	N/A
Projected total payroll	\$17,234,853	\$20,342,725	-15.3%
Projected average payroll	\$123,106	\$121,813	1.1%
Account balances	\$31,424,253	\$36,129,703	-13.0%
Total active vested members	140	167	-16.2%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	5,382	5,528	-2.6%
Average age at retirement	50.5	50.6	N/A
Average age	71.8	71.3	N/A
Average monthly benefit (includes July COLA)	\$4,619	\$4,556	1.4%
Disabled members:			
Number in pay status	1,757	1,788	-1.7%
Average age at retirement	45.3	45.4	N/A
Average age	69.0	68.1	N/A
Average monthly benefit (includes July COLA)	\$4,545	\$4,492	1.2%
Beneficiaries:			
Number in pay status	1,770	1,764	0.3%
Average age	77.1	76.9	N/A
Average monthly benefit (includes July COLA)	\$3,921	\$3,855	1.7%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iii. Tier 3

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	954	977	-2.4%
Average age	44.4	43.4	N/A
Average service	16.2	15.3	N/A
Projected total payroll	\$97,967,569	\$99,548,367	-1.6%
Projected average payroll	\$102,691	\$101,892	0.8%
Account balances	\$105,500,438	\$99,025,662	6.5%
Total active vested members	949	967	-1.9%
Vested terminated members:			
Number	52	56	-7.1%
Average age	44.6	44.4	N/A
Average monthly benefit at age 50	\$1,652	\$1,579	4.6%
Retired members:			
Number in pay status	129	116	11.2%
Average age at retirement	52.5	52.7	N/A
Average age	58.9	58.8	N/A
Average monthly benefit (includes July COLA)	\$2,439	\$2,450	-0.4%
Disabled members:			
Number in pay status	243	238	2.1%
Average age at retirement	39.6	39.5	N/A
Average age	51.8	51.0	N/A
Average monthly benefit (includes July COLA)	\$3,237	\$3,175	2.0%
Beneficiaries:			
Number in pay status	71	73	-2.7%
Average age	48.5	48.0	N/A
Average monthly benefit (includes July COLA)	\$3,770	\$3,700	1.9%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage

iv. Tier 4

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	422	435	-3.0%
Average age	42.1	41.2	N/A
Average service	17.6	16.7	N/A
Projected total payroll	\$45,131,204	\$46,215,489	-2.3%
Projected average payroll	\$106,946	\$106,243	0.7%
Account balances	\$54,597,662	\$52,208,166	4.6%
Total active vested members	204	185	10.3%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	117	106	10.4%
Average age at retirement	45.2	45.1	N/A
Average age	50.1	49.4	N/A
Average monthly benefit (includes July COLA)	\$3,873	\$3,777	2.5%
Disabled members:			
Number in pay status	40	40	0.0%
Average age at retirement	42.1	42.1	N/A
Average age	49.0	48.0	N/A
Average monthly benefit (includes July COLA)	\$4,274	\$4,215	1.4%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	47.6	46.6	N/A
Average monthly benefit (includes July COLA)	\$7,503	\$7,399	1.4%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

**Table of Plan Coverage
v. Tier 5 (without Harbor Port Police)**

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	12,023	12,108	-0.7%
Average age	40.1	39.6	N/A
Average service	13.2	12.7	N/A
Projected total payroll	\$1,186,271,650	\$1,181,379,305	0.4%
Projected average payroll	\$98,667	\$97,570	1.1%
Account balances	\$1,211,154,616	\$1,149,935,194	5.3%
Total active vested members	3,394	3,138	8.2%
Vested terminated members:			
Number	6	5	20.0%
Average age	47.7	46.6	N/A
Average monthly benefit at age 50	\$3,368	\$3,151	6.9%
Retired members:			
Number in pay status	1,914	1,708	12.1%
Average age at retirement	54.9	55.1	N/A
Average age	61.6	61.1	N/A
Average monthly benefit (includes July COLA)	\$7,037	\$6,917	1.7%
Disabled members:			
Number in pay status	88	79	11.4%
Average age at retirement	43.4	43.5	N/A
Average age	47.3	46.7	N/A
Average monthly benefit (includes July COLA)	\$4,313	\$4,204	2.6%
Beneficiaries:			
Number in pay status	82	72	13.9%
Average age	52.3	53.9	N/A
Average monthly benefit (includes July COLA)	\$5,557	\$5,551	0.1%

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Table of Plan Coverage
vi. Harbor Port Police (Tier 5)

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	115	115	0.0%
Average age	36.1	35.1	N/A
Average service	6.5	5.5	N/A
Projected total payroll	\$10,381,200	\$9,763,050	6.3%
Projected average payroll	\$90,271	\$84,896	6.3%
Account balances	\$4,157,187	\$3,295,525	26.1%
Total active vested members	11	11	0.0%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit at age 50	N/A	N/A	N/A
Retired members:			
Number in pay status	1	1	0.0%
Average age at retirement	57.0	57.0	N/A
Average age	61.0	60.0	N/A
Average monthly benefit (includes July COLA)	\$5,961	\$5,879	1.4%
Disabled members:			
Number in pay status	2	2	0.0%
Average age at retirement	40.1	40.1	N/A
Average age	45.2	44.2	N/A
Average monthly benefit (includes July COLA)	\$4,576	\$4,506	1.6%
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

Total

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	448	448	--	--	--	--	--	--	--	--
	\$68,009	\$68,009	--	--	--	--	--	--	--	--
25 - 29	1,707	1,558	149	--	--	--	--	--	--	--
	78,318	76,823	\$93,947	--	--	--	--	--	--	--
30 - 34	1,966	889	877	200	--	--	--	--	--	--
	89,023	79,627	95,978	\$100,287	--	--	--	--	--	--
35 - 39	2,414	350	676	1,194	194	--	--	--	--	--
	97,602	77,123	96,296	102,398	\$109,582	--	--	--	--	--
40 - 44	2,473	113	274	920	736	429	1	--	--	--
	104,227	77,096	95,677	101,838	109,223	\$113,371	\$110,545	--	--	--
45 - 49	2,211	35	69	269	478	1,087	267	6	--	--
	110,105	80,346	95,824	100,904	107,435	113,207	118,809	\$123,687	--	--
50 - 54	1,642	4	12	86	120	437	701	282	--	--
	115,601	73,915	98,227	99,886	106,660	111,998	116,956	127,746	--	--
55 - 59	651	1	2	27	18	96	250	210	47	--
	114,841	46,678	99,577	100,796	106,099	109,797	113,173	121,430	\$118,092	--
60 - 64	130	--	--	7	3	8	35	48	28	1
	116,270	--	--	105,051	97,267	114,096	111,870	118,121	123,567	\$130,072
65 - 69	11	--	--	2	1	1	1	--	4	2
	110,506	--	--	101,945	136,441	110,409	102,537	--	109,857	111,433
70 & over	1	--	--	--	--	1	--	--	--	--
	95,259	--	--	--	--	95,259	--	--	--	--
Total	13,654	3,398	2,059	2,705	1,550	2,059	1,255	546	79	3
	\$99,384	\$76,459	\$95,907	\$101,814	\$108,476	\$112,819	\$116,438	\$124,426	\$119,615	\$117,646

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

i. Tier 1

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	--	--	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

ii. Tier 2

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	3	--	--	--	--	--	2	1	--	--
50 - 54	\$115,011	--	--	--	--	--	\$114,857	\$115,320	--	--
55 - 59	94	--	--	--	--	--	22	72	--	--
60 - 64	125,240	--	--	--	--	--	121,909	126,258	--	--
65 - 69	33	--	--	--	--	--	8	24	1	--
70 & over	117,513	--	--	--	--	--	107,193	121,373	\$107,448	--
Total	9	--	--	--	--	--	--	8	1	--
	125,492	--	--	--	--	--	--	121,460	157,749	--
	1	--	--	--	--	--	--	--	1	--
	109,892	--	--	--	--	--	--	--	109,892	--
	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	140	--	--	--	--	--	32	105	3	--
	\$123,106	--	--	--	--	--	\$117,789	\$124,672	\$125,030	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

iii. Tier 3

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	7	--	--	7	--	--	--	--	--	--
35 - 39	\$96,888	--	--	\$96,888	--	--	--	--	--	--
40 - 44	231	1	--	194	36	--	--	--	--	--
45 - 49	101,251	\$90,496	--	100,334	\$106,491	--	--	--	--	--
50 - 54	333	--	1	174	118	40	--	--	--	--
55 - 59	102,720	--	\$108,165	99,487	105,430	\$108,648	--	--	--	--
60 - 64	241	1	2	53	77	103	5	--	--	--
65 - 69	103,803	63,574	86,802	100,405	103,538	106,061	\$112,213	--	--	--
70 & over	89	--	--	33	28	19	9	--	--	--
Total	102,520	--	--	100,868	101,514	105,577	105,255	--	--	--
	38	--	--	14	10	12	2	--	--	--
	104,699	--	--	99,965	105,014	108,991	110,511	--	--	--
	11	--	--	7	2	--	2	--	--	--
	103,626	--	--	105,051	99,123	--	103,142	--	--	--
	3	--	--	2	1	--	--	--	--	--
	113,443	--	--	101,945	136,441	--	--	--	--	--
	1	--	--	--	--	1	--	--	--	--
	95,259	--	--	--	--	95,259	--	--	--	--
Total	954	2	3	484	272	175	18	--	--	--
	\$102,691	\$77,035	\$93,923	\$100,088	\$104,684	\$106,739	\$107,537	--	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

iv. Tier 4

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	77	--	47	30	--	--	--	--	--	--
	\$96,805	--	\$96,590	\$97,142	--	--	--	--	--	--
35 - 39	92	--	28	59	5	--	--	--	--	--
	98,616	--	96,710	98,909	\$105,834	--	--	--	--	--
40 - 44	95	--	6	13	16	60	--	--	--	--
	110,016	--	96,573	93,408	111,668	\$114,518	--	--	--	--
45 - 49	110	--	5	4	4	52	45	--	--	--
	112,434	--	99,404	96,404	101,222	111,567	\$117,306	--	--	--
50 - 54	46	--	1	--	--	5	39	1	--	--
	120,479	--	103,452	--	--	114,405	121,698	\$120,338	--	--
55 - 59	2	--	--	--	--	--	2	--	--	--
	121,625	--	--	--	--	--	121,625	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
Total	422	--	87	106	25	117	86	1	--	--
	\$106,946	--	\$96,868	\$97,639	\$108,830	\$113,202	\$119,398	\$120,338	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members in Active Service and Projected Average Payroll as of June 30, 2010
 By Age and Years of Service
 v. Tier 5 (without Harbor Port Police)

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	444	444	--	--	--	--	--	--	--	--
	\$67,943	\$67,943	--	--	--	--	--	--	--	--
25 - 29	1,677	1,529	148	--	--	--	--	--	--	--
	78,271	76,762	\$93,852	--	--	--	--	--	--	--
30 - 34	1,851	861	827	163	--	--	--	--	--	--
	88,799	79,627	95,942	\$101,011	--	--	--	--	--	--
35 - 39	2,073	337	644	939	153	--	--	--	--	--
	97,234	76,883	96,271	103,048	\$110,432	--	--	--	--	--
40 - 44	2,034	109	264	730	601	329	1	--	--	--
	104,242	76,738	95,694	102,520	109,870	\$113,736	\$110,545	--	--	--
45 - 49	1,847	31	60	210	396	930	215	5	--	--
	110,747	75,633	95,226	101,216	108,308	114,051	119,313	\$125,360	--	--
50 - 54	1,406	4	11	52	91	410	629	209	--	--
	115,551	73,915	97,752	98,777	108,039	111,961	116,707	128,294	--	--
55 - 59	574	1	2	13	8	83	236	185	46	--
	115,429	46,678	99,577	101,692	107,456	110,063	113,452	121,491	\$118,323	--
60 - 64	110	--	--	--	1	8	33	40	27	1
	116,780	--	--	--	93,555	114,096	112,399	117,453	122,301	\$130,072
65 - 69	7	--	--	--	--	1	1	--	3	2
	109,335	--	--	--	--	110,409	102,537	--	109,845	111,433
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	12,023	3,316	1,956	2,107	1,250	1,761	1,115	439	76	3
	\$98,667	\$76,314	\$95,851	\$102,411	\$109,282	\$113,316	\$116,375	\$124,406	\$119,402	\$117,646

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Members In Active Service and Projected Average Payroll as of June 30, 2010

By Age and Years of Service

vi. Harbor Port Police (Tier 5)

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	4	4	--	--	--	--	--	--	--	--
	\$75,353	\$75,353	--	--	--	--	--	--	--	--
25 - 29	30	29	1	--	--	--	--	--	--	--
	80,965	80,033	\$107,989	--	--	--	--	--	--	--
30 - 34	31	28	3	--	--	--	--	--	--	--
	81,257	79,635	96,389	--	--	--	--	--	--	--
35 - 39	18	12	4	2	--	--	--	--	--	--
	88,004	82,749	97,434	\$100,673	--	--	--	--	--	--
40 - 44	11	4	3	3	1	--	--	--	--	--
	97,054	86,860	88,169	108,884	\$128,992	--	--	--	--	--
45 - 49	10	3	2	2	1	2	--	--	--	--
	116,163	134,636	113,854	90,317	86,542	\$131,422	--	--	--	--
50 - 54	7	--	--	1	1	3	2	--	--	--
	130,442	--	--	125,158	125,302	153,631	\$100,872	--	--	--
55 - 59	4	--	--	--	--	1	2	1	--	--
	101,376	--	--	--	--	97,345	98,384	\$111,390	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	115	80	13	8	3	6	4	1	--	--
	\$90,271	\$82,456	\$98,393	\$104,224	\$113,612	\$136,847	\$99,628	\$111,390	--	--

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Disabled's	Retired Members	Beneficiaries	Total
Number as of June 30, 2009	13,802	61	2,304	7,612	2,411	26,190
New members	299	N/A	N/A	N/A	N/A	299
Terminations – with vested rights	-5	5	0	0	0	0
Retirements	-259	-9	N/A	268	N/A	0
New disabilities	-14	0	14	0	N/A	0
Died with or without beneficiary	-8	0	-45	-200	-21	-274
Refund of member contributions	-162	0	0	0	0	-162
Rehired	1	-1	0	0	N/A	0
Data adjustments	0	2	0	5	0	7
Number as of June 30, 2010	13,654	58	2,273	7,685	2,390	26,060

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$357,165,140	\$326,876,839
Employee contributions	<u>106,411,630</u>	<u>103,685,447</u>
Net contribution income	\$463,576,770	\$430,562,286
Investment income:		
Interest, dividends and other income	\$555,187,632	\$325,640,062
Recognition of capital appreciation	-130,353,250	299,128,674
Less investment and administrative fees	<u>-64,092,478</u>	<u>-67,421,953</u>
Net investment income	<u>360,741,904</u>	<u>557,346,783</u>
Total income available for benefits	\$824,318,674	\$987,909,069
Less benefit payments	-\$853,749,429	-\$842,565,358
Change in reserve for future benefits	-\$29,430,755	\$145,343,711

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$5,299,376	\$1,274,686
Accounts receivable:		
Accrued interest and dividends	\$36,902,239	\$43,657,544
Contributions	3,805,162	7,279,113
Due from brokers	<u>81,424,853</u>	<u>155,504,291</u>
Total accounts receivable	122,132,254	206,440,948
Investments:		
Equities	\$8,139,691,423	\$7,199,002,334
Fixed income investments	3,306,620,533	3,070,686,821
Real estate	1,035,003,872	1,003,947,049
Securities lending collateral	<u>0</u>	<u>273,474,449</u>
Total investments at market value	<u>12,481,315,828</u>	<u>11,547,110,653</u>
Total assets	\$12,608,747,458	\$11,754,826,287
Less accounts payable:		
Accounts payable and benefits in process	-\$20,540,302	-\$22,294,858
Due to brokers	-115,187,861	-193,625,426
Mortgage payable	-274,050,944	-289,062,819
Securities lending collateral	<u>0</u>	<u>-273,474,449</u>
Total accounts payable	-\$409,779,107	-\$778,457,552
Net assets at market value	<u>\$12,198,968,351</u>	<u>\$10,976,368,735</u>
Net assets at actuarial value	<u>\$15,036,856,639</u>	<u>\$15,066,287,394</u>
Net assets at valuation value (retirement benefits)	<u>\$14,219,580,662</u>	<u>\$14,256,610,416</u>

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT F

Development of the Fund Through June 30, 2010 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return ⁽¹⁾	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$167,364,751	\$75,652,949	\$251,274,616	\$604,674,609	\$12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068
2007	286,167,278 ⁽²⁾	91,263,474	1,590,968,304	800,819,286	13,902,764,838
2008	333,672,743	98,074,219	1,414,391,128	827,959,245	14,920,943,683
2009	326,876,839	103,685,447	557,346,783	842,565,358	15,066,287,394
2010	357,165,140	106,411,630	360,741,904	853,749,429	15,036,856,639

⁽¹⁾ Net of investment fees and administrative expenses

⁽²⁾ Includes \$6,220,076 (discounted to \$6,058,515) of Harbor Port Police assets transferred in October, 2007.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2010

1. Unfunded actuarial accrued liability at beginning of year	\$560,535,275
2. Normal cost at beginning of year	360,386,169
3. Total contributions	-356,928,488
4. Interest	<u>50,210,958</u>
5. Expected unfunded actuarial accrued liability: (1) + (2) + (3) + (4)	614,203,914
6. Actuarial (gain)/loss due to all changes:	
(a) Investment loss	756,278,190
(b) Salary increases less than expected	-235,827,307
(c) COLA increases less than expected for retirees	-168,830,035
(d) Other experience loss	<u>16,044,927</u>
(e) Total changes	367,665,775
7. Change in actuarial assumptions	319,173,962
8. Unfunded actuarial accrued liability at end of year: (5) + (6e) + (7)	<u>\$1,301,043,651</u>

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases

Tier 1

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2010	\$16,784,496	27	\$202,258,850
Total		\$16,784,496		\$202,258,850

Tier 2

Type	Date Established	Annual Payment ⁽²⁾	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2010	-\$36,279,537	27	-\$658,962,441
Experience Loss	07/01/2009	4,637,378	14	52,847,394
Experience Loss	07/01/2010	17,524,243	15	210,742,926
Assumption Change	07/01/2010	79,849	27	1,450,331
Total		-\$14,038,067		-\$393,921,790

⁽¹⁾ Level dollar amortization.

⁽²⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$1,745,756	9	-\$13,817,793
Plan Amendment	07/01/1990	28,949	10	250,636
Assumption Change	07/01/1990	-650,301	10	-5,630,287
Assumption Change	07/01/1992	231,081	12	2,327,483
Assumption Change	07/01/1995	-1,700,490	15	-20,449,747
Experience Gain	07/01/1996	-39,368	1	-39,368
Plan Amendment	07/01/1996	228,955	16	2,892,886
Asset Method Change	07/01/1996	-1,480,033	16	-18,700,459
Experience Gain	07/01/1997	-2,629,200	2	-5,172,997
Experience Gain	07/01/1998	-4,023,310	3	-11,682,113
Plan Amendment	07/01/1998	418,679	18	5,775,749
Assumption Change	07/01/1998	704,172	18	9,714,174
Experience Gain	07/01/1999	-6,096,084	4	-23,221,757
Experience Gain	07/01/2000	-6,984,797	5	-32,727,650
Plan Amendment	07/01/2000	68,320	20	1,016,679
Experience Gain	07/01/2001	-5,302,390	6	-29,340,012
Assumption Change	07/01/2001	-2,044,681	21	-31,483,309
Experience Loss	07/01/2002	13,601,431	7	86,418,300
Experience Loss	07/01/2003	17,577,699	8	125,631,964
Experience Loss	07/01/2004	1,104,025	9	8,738,440
Assumption Change	07/01/2004	-570,526	24	-9,612,793
Experience Loss	07/01/2005	2,236,911	10	19,367,116
Assumption Change	07/01/2005	1,751,973	25	30,312,125
Experience Loss	07/01/2006	1,617,179	11	15,163,863
Assumption Change	07/01/2006	1,796,330	26	31,866,370

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2007	-1,544,604	18	-21,308,066
Assumption Change	07/01/2007	-295,023	27	-5,358,646
Experience Gain	07/01/2008	-1,506,106	15	-18,112,116
Assumption Change	07/01/2008	451,881	28	8,393,002
Experience Loss	07/01/2009	881,452	14	10,045,000
Experience Loss	07/01/2010	178,327	15	2,144,522
Assumption Change	07/01/2010	1,343,270	30	25,997,606
Total		\$7,607,965		\$139,398,802

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-\$684,236	9	-\$5,415,783
Plan Amendment	07/01/1990	11,346	10	98,235
Assumption Change	07/01/1990	-254,880	10	-2,206,748
Assumption Change	07/01/1992	90,570	12	912,239
Assumption Change	07/01/1995	-666,495	15	-8,015,128
Experience Gain	07/01/1996	-15,429	1	-15,429
Plan Amendment	07/01/1996	89,737	16	1,133,846
Asset Method Change	07/01/1996	-580,088	16	-7,329,509
Experience Gain	07/01/1997	-1,030,496	2	-2,027,518
Experience Gain	07/01/1998	-1,576,907	3	-4,578,718
Plan Amendment	07/01/1998	164,098	18	2,263,763
Assumption Change	07/01/1998	275,995	18	3,807,401
Experience Gain	07/01/1999	-2,389,316	4	-9,101,596
Experience Gain	07/01/2000	-2,737,640	5	-12,827,363
Plan Amendment	07/01/2000	26,622	20	396,160
Experience Gain	07/01/2001	-1,226,006	6	-6,783,925
Assumption Change	07/01/2001	-342,227	21	-5,269,501
Experience Loss	07/01/2002	2,291,695	7	14,560,558
Experience Loss	07/01/2003	6,917,249	8	49,439,215
Experience Loss	07/01/2004	1,108,713	9	8,775,544
Assumption Change	07/01/2004	-342,429	24	-5,769,597
Experience Loss	07/01/2005	1,371,227	10	11,872,049
Assumption Change	07/01/2005	902,112	25	15,608,079
Experience Loss	07/01/2006	597,913	11	5,606,472
Assumption Change	07/01/2006	891,534	26	15,815,543

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2007	-658,604	18	-9,085,558
Assumption Change	07/01/2007	-176,968	27	-3,214,348
Experience Gain	07/01/2008	-364,703	15	-4,385,841
Assumption Change	07/01/2008	596,139	28	11,072,379
Experience Loss	07/01/2009	1,034,737	14	11,791,825
Experience Loss	07/01/2010	398,647	15	4,794,050
Assumption Change	07/01/2010	669,020	30	12,948,180
Total		\$4,390,930		\$84,868,976

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 5 (without Harbor Port Police)

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Original Base	07/01/2002	-\$10,794,218	22	-\$171,601,123
Experience Gain	07/01/2003	-36,441,295	8	-260,454,540
Experience Loss	07/01/2004	11,636,298	9	92,102,178
Assumption Change	07/01/2004	-15,881,810	24	-267,592,783
Experience Loss	07/01/2005	25,039,775	10	216,793,698
Assumption Change	07/01/2005	27,064,099	25	468,255,217
Experience Loss	07/01/2006	6,313,451	11	59,199,584
Assumption Change	07/01/2006	17,840,045	26	316,477,163
Experience Gain	07/01/2007	-14,828,749	18	-204,565,074
Assumption Change	07/01/2007	-4,181,711	27	-75,954,402
Experience Gain	07/01/2008	-6,540,372	15	-78,653,166
Assumption Change	07/01/2008	17,585,378	28	326,621,634
Experience Loss	07/01/2009	31,000,129	14	353,276,348
Experience Loss	07/01/2010	17,262,462	15	207,594,800
Assumption Change	07/01/2010	14,347,111	30	277,673,454
Total		\$79,420,593		\$1,259,172,988

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT H

Table of Amortization Bases (Continued)

Harbor Port Police (Tier 5)

Type	Date Established	Annual Payment ⁽¹⁾	Years Remaining	Outstanding Balance
Experience Gain	07/01/2008	-\$13,923	15	-\$167,439
Assumption Change	07/01/2008	7,111	28	132,074
Experience Loss	07/01/2009	571,679	14	6,514,829
Experience Loss	07/01/2010	144,916	15	1,742,728
Assumption Change	07/01/2010	53,923	30	1,043,633
Total		\$763,706		\$9,265,825

⁽¹⁾ Level percentage of payroll amortization.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$195,000 for 2010. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the cost of benefits allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the City of Los Angeles Fire and Police Pension Plan

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 2,390 beneficiaries in pay status)		12,348
2. Members inactive during year ended June 30, 2010 with vested rights		58
3. Members active during the year ended June 30, 2010		13,654
Fully vested	4,698	
Not vested	8,956	

The actuarial factors as of the valuation date are as follows:

Assets		
1. Valuation value of retirement assets (\$12,198,968,351 at market value ⁽¹⁾ as reported by LAFPP and \$15,036,856,639 at actuarial value ⁽¹⁾)		\$14,219,580,662
2. Present value of future normal costs		
Employee	\$1,220,194,712	
Employer	<u>2,860,770,192</u>	
Total		\$4,080,964,904
3. Unfunded actuarial accrued liability		<u>1,301,043,651</u>
4. Present value of current and future assets		\$19,601,589,217
Liabilities		
5. Present value of future benefits		
Retired members and beneficiaries	\$8,602,997,838	
Inactive members with vested rights	16,079,826	
Active members	<u>10,982,511,553</u>	
Total		\$19,601,589,217

⁽¹⁾Includes all assets for Retirement and Health Subsidy Benefits.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$385,000,579
2. Expected employee contributions	-111,732,379
3. Employer normal cost: (1) + (2)	\$273,268,200
4. Payment on projected unfunded actuarial accrued liability	94,929,623
5. Total recommended contribution: (3) + (4), payable beginning of year	<u>\$368,197,823</u>
6. Total recommended contribution: adjusted for July 15 payment	<u>\$369,344,755</u>
7. Total recommended contribution: adjusted for biweekly payment	<u>382,659,585</u>
8. Projected payroll	\$1,356,986,475
9. Item 5 as a percentage of projected payroll: (5) ÷ (8)	27.13%
10. Item 6 as a percentage of projected payroll: (6) ÷ (8)	27.22%
11. Item 7 as a percentage of projected payroll: (7) ÷ (8)	28.20%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Retirement Benefits

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$135,853,688	\$135,853,688	100.00%
2006	143,945,802	143,945,802	100.00%
2007	224,946,082	224,946,082	100.00%
2008 ⁽¹⁾	261,635,491	261,635,491	100.00%
2009	238,697,929	238,697,929	100.00%
2010	250,516,858	250,516,858	100.00%

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

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Retirement Benefits (Dollar Amounts In Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2005	\$11,634,114	\$12,357,524	\$723,411	94.1%	\$1,037,445	69.7%
06/30/2006	12,121,403	12,811,384	689,981	94.6%	1,092,815	63.1%
06/30/2007	13,215,668	13,324,089	108,421	99.2%	1,135,592	9.5%
06/30/2008	14,153,296	14,279,116	125,820	99.1%	1,206,589	10.4%
06/30/2009	14,256,611	14,817,146	560,535	96.2%	1,357,249	41.3%
06/30/2010	14,219,581	15,520,625	1,301,044	91.6%	1,356,986	95.9%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tier 2, level percent of payroll amortization is used ending on June 30, 2037 as a percent of TOTAL valuation payroll. Actuarial losses are amortized over the shorter of 15 years or the remaining amortization period ending June 30, 2037. For other Tiers, level percent of payroll with multiple layers. Actuarial gains/losses are amortized over 15 years (21 and 17 years for gains/losses emerging at the June 30, 2007 and June 30, 2008 valuations, respectively). Plan and assumption changes are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.75%
Projected salary increases*	Ranges from 4.90% to 10.09% based on age.
Cost of living adjustments	3.50% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, and 5 retirement income.
Plan membership:	
Retired members and beneficiaries receiving benefits	12,348
Terminated members entitled to, but not yet receiving benefits	58
Active members	<u>13,654</u>
Total	<u>26,060</u>

* See Exhibit V for these increases.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2010.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

Pre-Retirement Mortality:

Age	Rate (%)	
	Mortality	
	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates Before Retirement (continued):

Age	Rate (%)	
	Fire	Police
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

* 90% of disabilities are assumed to be service connected.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Termination Rates Before Retirement (continued):

Service	Rate (%) Withdrawal (< 5 Years of Service)	
	Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 - 3	3.00	3.50
3 - 4	2.00	3.50
4 - 5	2.00	3.00

Age	Rate (%) Withdrawal (5+ Years of Service) *	
	Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

* No withdrawal is assumed after a member is eligible for retirement.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Rates:

Age	Rate(%)			
	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

DROP Program:

For this valuation, of all members expected to retire with a service retirement benefit, we assume a 90% DROP utilization rate if they also satisfy the requirements for participating in the DROP. Members are assumed to remain in the DROP for 4 years.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Retirement Age and Benefit for Inactive Vested Participants:	For deferred vested members, retirement assumption is age 50. We assume that all deferred vested members receive a deferred vested benefit.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Exclusion of Inactive Vested:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Percent Married/Domestic Partner:	86%
Age of Spouse:	Wives are 3 years younger than their husbands.
Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.50% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Member Contribution and Matching Account Crediting Rate:	5.00%
Net Investment Return:	7.75%, net of investment and administrative expenses

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

Annual Rate of Compensation Increase	
Inflation: 3.50% per year; plus 0.75% "across the board" salary increases; plus the following Merit and Longevity increases based on age.	
Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

Actuarial Value of Assets:

The market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis. Unrecognized returns established before July 1, 2008 are recognized over a five-year period and unrecognized returns established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Service Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Any change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate fifteen year periods as a level percentage of payroll. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate thirty year periods as a level percentage of payroll. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. For Tier 1, the Unfunded Actuarial Accrued Liability is amortized using level dollar amortization ending on June 30, 2037. For Tier 2, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll amortization ending on June 30, 2037 as a percent of total valuation payroll. Under the Board's funding policy, experience loss for Tier 2 would be amortized over the shorter of 15 years or the remaining amortization period ending June 30, 2037.
Changes in Assumptions:	The following are changes in actuarial assumptions since the previous actuarial valuation.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Net Investment Return:	8.00%, net of investment and administrative expenses

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus 0.50% "across the board" salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of the City of Los Angeles Fire & Police Pension Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. For Tiers 1 through 4, the section codes are from the Los Angeles Charter. For Tier 5 and the DROP program, the section codes are from the Los Angeles Administrative Code.

Plan Year: July 1 through June 30

Census Date: June 30

Service Retirement Benefit:

Tier 1 (§ 1304)

Age & Service Requirement 20 years of service

Amount

<u>Years of Service</u>	<u>Benefit</u>
20	40% of Normal Pension Base
20 to 25	Additional 2% for each year over 20 and under 25
25	50% of Normal Pension Base
25 to 35	Additional 1 2/3% for each year over 25 and under 35
35+	66 2/3% of Normal Pension Base

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 2 (§ 1408)

Age & Service Requirement 20 years of service
Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 25	2% of Normal Pension Base per year of service
25+	55% plus 3% per year over 25 to a maximum of 70% of Normal Pension Base

Tier 3 (§ 1504)

Age & Service Requirement Age 50 and 10 years of service
Amount

<u>Years of Service</u>	<u>Benefit</u>
Less than 20	2% of Final Average Salary per year of service
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 4 (§ 1604)

Age & Service Requirement 20 years of service
Amount

<u>Years of Service</u>	<u>Benefit</u>
20	40% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 5 (§ 4.2004)

Age & Service Requirement Age 50 and 20 years of service
Amount

<u>Years of Service</u>	<u>Benefit</u>
20	50% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20, except 30 th year where 4% is provided, to a maximum of 90% Final Average Salary

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

**Deferred Retirement Option Plan
(DROP) (§4.2100 - 4.2109):**

Eligibility

- Tier 2: 25 years of service
- Tier 3: Age 50 and 25 years of service
- Tier 4: 25 years of service
- Tier 5: Age 50 and 25 years of service

Benefits under DROP

DROP benefits (calculated using age, service, and salary at the commencement date of participation in DROP) will be credited to a DROP account with interest at 5% annually. Members are required to make normal member contributions. DROP benefits receive annual COLA while in DROP (limited to 3% for all Tiers). Members may participate in DROP for up to five years.

Normal Pension Base:

Tier 1, 2 (§ 1302, § 1406)

Final monthly salary rate

Final Average Salary:

Tier 3, 4, 5 (§1502, §1602, §4.2002)

Monthly average salary actually received during any 12 consecutive months of service

Cost of Living Benefit:

Tier 1 (§ 1328)

Based on changes to Los Angeles area consumer price index.

Tier 2 (§ 1422)

Based on changes to Los Angeles area consumer price index.

Tier 3 (§ 1516)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.

Tier 4 (§ 1616)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.

Tier 5 (§ 4.2016)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Death After Retirement:

Tier 1 (§ 1314, § 1316)

Service Retirement

Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 50%.

Service Connected Disability

50% of Member's Normal Pension Base.

Nonservice Connected Disability

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Service Retirement

Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 55%.

Service Connected Disability

50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.

Nonservice Connected Disability

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).

Tier 3, 4 (§ 1508, § 1608)

Service Retirement

Pension equal to 60% of the pension received by the deceased Member.

Service Connected Disability

If death occurs within three years of the Member's effective date of pension, then the eligible spouse or designated beneficiary shall receive 75% of the Final Average Salary.

Otherwise, a pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Nonservice Connected Disability

Pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.

Tier 5 (§ 4.2008, § 4.2008.5)

If former Tier 2 member, see Tier 2. Otherwise, see Tier 3.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Death Before Retirement:

Tier 1 (§ 1314, § 1316)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not to exceed 50% of Normal Pension Base.

Service Connected

Service Requirement

None.

Amount

50% of Member's Normal Pension Base.

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base.

Service Connected

Service Requirement

None.

Amount

50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Nonservice Connected

Service Requirement

5 years of service.

Amount

40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).

Tier 3, 4 (§ 1508, § 1608)

Eligible for Service Retirement

Service Requirement

10 years of service for Tier 3, 20 years of service for Tier 4.

Amount

Higher of 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary.

Service Connected

Service Requirement

None.

Amount

75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.

Nonservice Connected

Service Requirement

5 years of service.

Amount

30% of the Member's Final Average Salary, or 80% of the service pension if the Member was eligible to retire to a maximum of 40% of the Member's Final Average Salary.

Basic Death Benefit

If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Tier 5 (§ 4.2008, § 4.2008.5)

Eligible for Service Retirement

Service Requirement

20 years of service.

Amount

For former Tier 2, 100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base. For former Tier 3, 4, or 5, per section 1508(2), if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary, not to exceed 40% of Final Average Salary.

Service Connected

Service Requirement

None.

Amount

75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.

Nonservice Connected

Service Requirement

5 years of service.

Amount

For former Tier 2, 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay. For former Tier 3, 4, or 5, if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary; not to exceed 40% of Final Average Salary.

Basic Death Benefit

If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Disability:

Tier 1 (§ 1310, § 1312)

Service Connected

Service Requirement
Amount

None.
50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.

Nonservice Connected

Service Requirement
Amount

5 years of service.
40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1412)

Service Connected

Service Requirement
Amount

None.
50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.

Nonservice Connected

Service Requirement
Amount

5 years of service.
40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 3, 4, 5 (§ 1506, § 1606, § 4.2006)

Service Connected

Service Requirement
Amount

None.
30% to 90% of Final Average Salary depending on severity of disability with a minimum of 2% of Final Average Salary per year of service.

Nonservice Connected

Service Requirement
Amount

5 years of service.
30% to 50% of Final Average Salary depending on severity of disability.

SECTION 4: Reporting Information for the City of Los Angeles Fire and Police Pension Plan

Deferred Withdrawal Retirement Benefit (Vested):

Tier 3 (§ 1504)

Age & Service Requirement

Age 50 with 10 years of service.

Amount

See Tier 3 Service Retirement.

Tier 5 (§ 4.2004)

Age & Service Requirement

Age 50 and 20 years of service.

Amount

See Tier 5 Service Retirement. Member is entitled to receive a service pension using Tier 3 retirement formula.

Member Normal Contributions: Members are exempt from making contributions if their continuous service exceeds 30 years for Tiers 1 through 4, and 33 years for Tier 5.

Tier 1 (§ 1324)

Normal contribution rate of 6%.

Tier 2 (§ 1420)

Normal contribution rate of 6% plus half of the cost of the cost of living benefit to a maximum of 1%.

Tier 3 (§ 1514)

Normal contribution rate of 8%.

Tier 4 (§ 1614)

Normal contribution rate of 8%.

Tier 5 (§ 4.2014)

Normal contribution rate of 9% with the City of Los Angeles paying 1% provided that the LAFPP is at least 100% actuarially funded for pension benefits.

Changes in Plan Provisions:

There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

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**City of Los Angeles Fire and Police
Pension Plan**

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2010
In accordance with GASB Statements No. 43 and No. 45*

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THE PARENT OF THE SEGAL COMPANY
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November 17, 2010

Board of Trustees
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012-4203

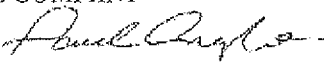
Dear Board members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2010 under Governmental Accounting Standards Board Statements No. 43 and No. 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2010, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided by the Fire and Police Pension Plan. The actuarial calculations were completed under the supervision of Patrick Twomey, ASA, MAAA and Dave Bergerson, ASA, MAAA, FCA.

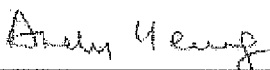
This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

Sincerely,

THE SEGAL COMPANY

By: 
Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

TXB/hy


Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

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SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of City of Los Angeles (the "Employer") OPEB plan for Fire and Police members as of June 30, 2010. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- > The recommended contribution rate has increased from 8.68% of payroll (\$117.9 million) to 11.86% of payroll (\$160.9 million), assuming contributions are made by the City on July 15. The increase in the recommended contribution amount is due to both an increase health care trend assumption and decrease in the discount rate assumption.
- > The employer contribution rates provided in this report have been developed, assuming that they will be made by the City either (1) throughout the year (i.e. the City will pay contributions at the end of every pay period), (2) on July 15 or (3) the beginning of the year.
- > The funded ratio has decreased from 39.7% to 32.2% in this valuation. The unfunded actuarial accrued liability (UAAL) has increased from \$1,229 million to \$1,721 million. A reconciliation of the change in the UAAL is provided on page 6, Section 2.
- > The City of Los Angeles Fire and Police Pension Plan is required to comply with GASB 43 effective with fiscal year 2006/2007. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.

- > The annual required contribution (ARC), if made on July 15, for fiscal year 2010/2011 is 11.86% of payroll. Once the actual contributions for 2010/2011 are known, the disclosure information in Chart 5 can be completed.
- > The discount rate for this valuation is 7.75%, and is based on the assumption that in the long term the City is paying a contribution that equals the ARC and 100% of benefits will be paid from the trust. The discount rate was 8.00% in the prior valuation.
- > For the June 30, 2010 valuation, Segal originally recommended a 10% trend assumption to project the premiums for the first fiscal year after 2010/2011. In addition, we recommended that the trend assumption be graded down by 0.5% each year until an ultimate rate of 5.0% would be reached after ten year. At the November 4, 2010 Board meeting, the Board decided to maintain the 10% trend assumption for three fiscal years before the trend assumption would be graded down by 0.5% each year until an ultimate rate of 5.0% would be reached after twelve years. We believe the assumption adopted by the Board is within the range of reasonable assumptions that would be considered for this type of valuation.
- > The funding method used to develop the (ARC) is Entry Age Normal, with the normal cost developed as a level percent of payroll. The contribution to amortize the UAAL is developed as a level percent of payroll.

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also change the ARC for future years.
- As adopted by the Board, any investment gains/losses incurred on or after July 1, 2008 relative to the assumed return (7.75% per year effective July 1, 2010) would be recognized over a period of 7 years in developing the actuarial value of assets. In addition, the actuarial value of assets is further adjusted, if necessary, so that it will stay within 40% of the market value of assets.
- As indicated in Section 3, Exhibit G of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,837.9 million for the assets for Retirement and Health Subsidy Benefits. The investment loss will be recognized in the determination of the actuarial value of assets in the next few years. This implies that earning the assumed rate of investment return of 7.75% per year (net of expense) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 7.75% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- The deferred losses of \$2,837.9 million represent 23% of the market value of assets as of June 30, 2010. Unless offset by future investment gains, or other favorable experience, the recognition of the \$2,837.9 million market losses is expected to have a significant impact on the Health Plan's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 32.20% to 26.13%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable throughout the fiscal year period) would increase from 12.27% to 12.96% of payroll.

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2010	June 30, 2009
Actuarial Accrued Liability (AAL)	\$2,537,825,016	\$2,038,658,698
Actuarial Value of Assets	817,275,977	809,676,978
Unfunded Actuarial Accrued Liability	1,720,549,039	1,228,981,720
Funded Ratio	32.20%	39.72%
Market Value of Assets	\$663,032,442	\$596,582,321
Annual Required Contribution (ARC) for coming year		
Normal cost (beginning of year)	\$62,677,377	\$47,396,298
Amortization of the unfunded actuarial accrued liability	<u>27,731,938</u>	<u>70,101,145</u>
Total Annual Required Contribution at beginning of year	\$160,409,315	\$117,497,443
ARC as a percentage of pay at beginning of year	11.82%	8.65%
Adjustment for timing (payable throughout the year)	<u>6,099,881</u>	<u>4,699,898</u>
Total Annual Required Contribution, including adjustment for timing	166,509,196	\$122,197,341
ARC as a percentage of pay (payable throughout the year)	12.27%	9.00%
Total Annual Required Contribution (payable July 15)	\$160,927,303	\$17,889,101
ARC as a percentage of pay (payable July 15)	11.86%	8.68%
Covered payroll	\$1,356,986,476	\$1,357,248,936
Total Participants	25,413	25,559
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (payable end of fiscal year)	\$172,841,037	\$126,897,238
Interest on Net OPEB Obligations	3,654,571	2,631,536
ARC Adjustments	<u>-2,850,327</u>	<u>-1,924,395</u>
Total Annual OPEB Cost	\$173,645,281	\$127,604,379
AOC as percentage of pay	12.80%	9.40%

SECTION 1: Executive Summary for City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

November 17, 2010

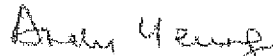
ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of City of Los Angeles Fire and Police Pension Plan's other postemployment benefit program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

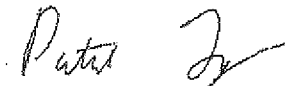
The actuarial valuation is based on the plan of benefits verified by the Pension Plan and reliance on participant, premium, claims and expense data provided by the Pension Plan. The Segal Company does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements No. 43 and No. 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.



Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

Participant Category	Actuarial Present Value of Total Projected Benefits (APB)	
	June 30, 2010	June 30, 2009
Current retirees, beneficiaries, and dependents	\$1,450,500,242	\$1,189,757,437
Current active members	<u>1,769,781,102</u>	<u>1,362,243,109</u>
Total as of June 30	\$3,220,281,344	\$2,552,000,546
	June 30, 2010	June 30, 2009
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	\$817,275,977	\$809,676,978
2. Present value of future normal costs	682,456,328	513,341,848
3. Unfunded actuarial accrued liability	<u>1,720,549,039</u>	<u>1,228,981,720</u>
4. Present value of current and future assets	\$3,220,281,344	\$2,552,000,546
Liabilities		
5. Actuarial Present Value of total Projected Benefits	\$3,220,281,344	\$2,552,000,546

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members,

and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2010	June 30, 2009
Participant Category		
Current retirees, beneficiaries, and dependents	\$1,450,500,242	\$1,189,757,437
Current active members	<u>1,087,324,774</u>	<u>848,901,261</u>
Total actuarial accrued liability	\$2,537,825,016	\$2,038,658,698
Unfunded Actuarial Accrued Liability		
Net actuarial accrued liability	\$2,537,825,016	\$2,038,658,698
Actuarial value of assets	<u>817,275,977</u>	<u>809,676,978</u>
Unfunded actuarial accrued liability	\$1,720,549,039	\$1,228,981,720
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2010		
1. Unfunded actuarial accrued liability at beginning of year	\$1,228,981,720	
2. Employer normal cost at beginning of year	47,396,298	
3. Total employer contributions	-106,648,282	
4. Interest	93,942,093	
5. Expected unfunded actuarial accrued liability	1,263,671,829	
6. Change due to increased health trend assumptions	274,664,382	
7. Change due to investment loss	85,772,042	
8. Change due to decrease in discount rate	84,494,403	
9. Change due miscellaneous losses	<u>11,946,383</u>	
10. Unfunded actuarial accrued liability at end of year	\$1,720,549,039	

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. City of Los Angeles Fire and Police Pension Plan has elected to amortize the unfunded actuarial accrued liability using the following rules: Tier 1 is 30-year closed, level dollar as of June 30, 2006, Tiers 2 through 5 are 30-year closed, level percent of pay as of June 30, 2006.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Current Balance	Years Remaining	Annual Payment
Tier 1*	06/30/2006	30	\$24,466,082	\$26,918,052	26	\$2,260,741
Tier 2**	06/30/2006	30	653,100,516	874,340,622	26	49,287,210
Tier 3**	06/30/2006	30	48,141,902	80,845,750	26	4,557,333
Tier 4**	06/30/2006	30	28,161,779	51,597,320	26	2,908,578
Tier 5 - Non-Harbor**	06/30/2006	30	263,534,994	685,689,809	26	38,652,828
Tier 5 - Harbor	06/30/2007	29	512,651	<u>1,157,486</u>	26	<u>65,248</u>
Total				\$1,720,549,039		\$97,731,938

* Restarted June 30, 2006 with a 30 year, level dollar schedule.

** Restarted June 30, 2006 with a 30 year, level percent of pay schedule.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th.

The amortization payment is based on a 26-year amortization of the Unfunded Actuarial Accrued Liability on a level percent of pay basis, except that Tier 1 is based on a level dollar basis.

CHART 4

Determination of Annual Required Contribution (ARC)

Cost Element	Determined as of June 30			
	2010		2009	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	\$62,677,377	4.62%	\$47,396,298	3.49%
2. Amortization of the unfunded actuarial accrued liability (26 years)	<u>97,731,938</u>	<u>7.20%</u>	<u>70,101,145</u>	<u>5.16%</u>
3. Total Annual Required Contribution at beginning of year	\$160,409,315	11.82%	\$117,497,443	8.65%
4. Adjustment for timing (payable throughout the year)	<u>6,099,881</u>	<u>0.45%</u>	<u>4,699,898</u>	<u>0.35%</u>
5. Total Annual Required Contribution (payable throughout the year)	\$166,509,196	12.27%	\$122,197,341	9.00%
6. Adjustment for timing (payable July 15)	\$517,988	0.04%	391,058	0.03%
7. Total Annual Required Contribution (payable July 15)	\$160,927,303	11.86%	117,889,101	8.68%
8. Total Compensation	<u>\$1,356,986,476</u>		<u>\$1,357,248,936</u>	

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Annual OPEB Cost (AOC) adjusts the ARC for timing differences between the ARC and contributions in relation to the ARC. The AOC is the cost of OPEB actually booked as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)
Determination of Annual OPEB Cost (AOC)

Cost Element	Determined as of June 30	
	2010	2009
	Amount	Amount
1. Annual Required Contribution (payable at end of fiscal year)	\$172,841,037	\$126,897,238
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	3,654,571	2,631,536
3. ARC adjustment	<u>-2,850,327</u>	<u>-1,924,395</u>
4. Annual OPEB Cost	<u>\$173,645,281</u>	<u>\$127,604,379</u>
5. AOC as percentage of pay	12.80%	9.40%
6. Total compensation	\$1,356,986,476	\$1,357,248,936

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the

schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$31,541,933 ⁽¹⁾	\$31,541,933 ⁽¹⁾	100.00%
2006	31,413,281 ⁽¹⁾	31,413,201 ⁽¹⁾	100.00
2007	55,162,681 ⁽¹⁾	55,162,681 ⁽¹⁾	100.00
2008	98,033,338 ⁽¹⁾	78,257,328 ⁽¹⁾	79.83
2009	98,444,833 ⁽²⁾	88,178,910 ⁽²⁾	89.57
2010	106,648,282 ⁽²⁾	106,648,282 ⁽²⁾	100.00

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions ⁽³⁾	Percentage Contributed
2005	\$31,541,933 ⁽¹⁾	\$31,541,933 ⁽¹⁾	100.00%
2006	31,413,281 ⁽¹⁾	31,413,201 ⁽¹⁾	100.00
2007	55,162,681 ⁽¹⁾	55,162,681 ⁽¹⁾	100.00
2008	105,876,005	84,517,914	79.83
2009	106,452,937	94,916,833	89.16
2010	127,604,379	114,816,430	89.98

⁽¹⁾ Shown at beginning of year. For years 2007 and prior, it appears that the ARC developed by the Plan's prior actuary may not have been determined in compliance with GASB 43/45 due to the maximum amortization period and/or the medical trend rate employed.

⁽²⁾ Shown with interest to July 15.

⁽³⁾ Shown with interest to end of year.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

(Amounts in \$1,000s)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2005	\$597,199	\$1,257,505	\$660,306	47.49%	\$1,037,445	63.65%
06/30/2006	613,782	1,631,187	1,017,405	37.63%	1,092,814	93.10%
06/30/2007	687,096	1,656,653	969,557	41.47%	1,135,592	85.38%
06/30/2008	767,647	1,836,840	1,069,193	41.79%	1,206,589	88.61%
06/30/2009	809,677	2,038,659	1,228,982	39.72%	1,357,249	90.55%
06/30/2010	817,276	2,537,825	1,720,549	32.20%	1,356,986	126.79%

Note: All numbers before June 30, 2006 provided by the prior actuary.

SECTION 2: Valuation Results for the City of Los Angeles Fire and Police Pension Plan June 30, 2010 Measurement Under GASB 43 and 45

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year Beginning	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount ⁽³⁾ (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Fiscal Year (g)
07/01/2006	\$55,162,681 ⁽¹⁾	\$0	\$0	\$55,162,681	\$55,162,681	\$0	\$0
07/01/2007	105,876,005 ⁽²⁾⁽³⁾	0	0	105,876,005	84,517,914	21,358,091	21,358,091
07/01/2008	105,967,196 ⁽⁴⁾⁽³⁾	1,708,647	-1,222,906	106,452,937	94,916,833	11,536,103	32,894,194
07/01/2009	126,897,238 ⁽³⁾	2,631,536	-1,924,395	127,604,379	114,816,430	12,787,949	45,682,143

⁽¹⁾ Payable at the beginning of the year. For years 2007 and prior it appears that the ARC may not have been determined in compliance with GASB 43 and 45 due to the maximum amortization period and/or the medical trend rate employed. All results for 2007 and prior years were provided by the Plan based on valuations by the prior actuary.

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

⁽³⁾ With interest to end of year.

⁽⁴⁾ Based on the beginning of year contribution rate of 7.89% of compensation calculated in the June 30, 2007 valuation before the phase-in. The ARC dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in made during 2008/2009 as determined in the June 30, 2007 valuation to the actual contributions.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

*This exhibit summarizes
the participant data
used for the current and
prior valuations.*

**EXHIBIT A
Summary of Participant Data**

	June 30, 2010	June 30, 2009
Retirees		
Number of non-disabled	7,684	7,609
Number of disabled	1,862	1,890
Total Number of retirees	9,546	9,499
Average age of retirees	68.7	68.4
Number of spouses/domestic partners	6,194	6,079
Average age of spouses/domestic partners	64.5	64.5
Surviving Spouses		
Number	2,213	2,258
Average age	77.9	77.7
Active Participants		
Number	13,654	13,802
Average age	40.6	40.1
Average years of service	13.6	13.2

SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT B
Allocation of ARC by Tier

Cost Element	Determined as of June 30, 2010					
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (Without HPP)	Tier 5 (HPP)
1. Normal cost	\$0	\$633,962	\$4,755,845	\$1,959,246	\$54,742,663	\$585,661
2. Amortization of the unfunded actuarial accrued liability over 26 years	<u>\$2,260,741</u>	<u>\$49,287,210</u>	<u>\$4,557,333</u>	<u>\$2,908,578</u>	<u>\$38,652,828</u>	<u>\$65,248</u>
3. Total annual required contribution, beginning of year	\$2,260,741	\$49,921,172	\$9,313,178	\$4,867,824	\$93,395,491	\$650,909
4. Percent of compensation	N/A	3.68%	9.51%	10.79%	7.87%	6.27%
5. Adjustment for timing (payable throughout the year)	\$85,969	\$1,898,351	\$354,152	\$185,109	\$3,551,548	\$24,752
6. Total annual required contribution	\$2,346,710	\$51,819,523	\$9,667,330	\$5,052,933	\$96,947,039	\$675,661
7. Percent of compensation	N/A	3.82%	9.87%	11.20%	8.17%	6.51%
8. Payroll	N/A	\$1,356,986,476	\$97,967,569	\$45,131,204	\$1,186,271,650	\$10,381,200
9. Total annual required contribution (payable July 15)	\$2,268,041	\$50,082,376	\$9,343,252	\$4,883,543	\$93,697,081	\$653,011
10. Percent of compensation	N/A	3.69%	9.54%	10.82%	7.90%	6.29%

Tier 2 normal cost rate based on total payroll.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT C

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2011	15,630	281	15,911	\$89,655,485	\$1,779,688	\$91,435,173
2012	15,339	626	15,965	94,976,297	4,292,923	99,269,220
2013	15,023	1,047	16,070	100,206,027	7,753,959	107,959,986
2014	14,655	1,539	16,194	105,383,452	12,268,996	117,652,448
2015	14,325	2,079	16,404	110,742,146	17,793,775	128,535,921
2016	13,935	2,682	16,617	115,560,559	24,510,560	140,071,119
2017	13,484	3,276	16,760	119,768,071	31,992,304	151,760,375
2018	13,040	3,910	16,950	123,710,920	40,632,114	164,343,034
2019	12,571	4,586	17,157	127,234,557	50,754,522	177,989,079
2020	12,099	5,258	17,357	130,394,189	61,769,313	192,163,502

* Includes spouses of retirees. Does not include retirees under age 55 who have yet to commence retiree health benefits.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$357,165,140	\$326,876,839
Employee contributions	<u>106,411,630</u>	<u>103,683,447</u>
Net contribution income	\$463,576,770	\$430,562,286
Investment income:		
Interest, dividends and other income	\$555,187,632	\$325,640,062
Recognition of capital appreciation	-130,353,250	299,128,674
Less investment and administrative fees	<u>-64,092,478</u>	<u>-67,421,953</u>
Net investment income	<u>360,741,904</u>	<u>557,346,783</u>
Total income available for benefits	\$824,318,674	\$987,909,069
Less benefit payments	-\$853,749,429	-\$842,565,358
Change in reserve for future benefits	-\$29,430,755	\$145,343,711

SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT E

Summary Statement of Assets for Retirement and Health Subsidy Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$5,299,376	\$1,274,686
Accounts receivable:		
Accrued interest and dividends	\$36,902,239	\$43,657,544
Contributions	3,805,162	7,279,113
Due from brokers	<u>81,424,853</u>	<u>155,504,291</u>
Total accounts receivable	122,132,254	206,440,948
Investments:		
Equities	\$8,139,691,423	\$7,199,002,334
Fixed income investments	3,306,620,533	3,070,686,821
Real estate	1,035,003,872	1,003,947,049
Securities lending collateral	<u>0</u>	<u>273,474,449</u>
Total investments at market value	<u>12,481,315,828</u>	<u>11,547,110,653</u>
Total assets	\$12,608,747,458	\$11,754,826,287
Less accounts payable:		
Accounts payable and benefits in process	-\$20,540,302	-\$22,294,858
Due to brokers	-115,187,861	-193,625,426
Mortgage payable	-284,050,944	-289,062,819
Securities lending collateral	<u>0</u>	<u>-273,474,449</u>
Total accounts payable	<u>-\$409,779,107</u>	<u>-\$778,457,552</u>
Net assets at market value	<u>\$12,198,958,351</u>	<u>\$10,976,368,735</u>
Net assets at actuarial value	<u>\$15,036,856,639</u>	<u>\$15,066,287,394</u>
Net assets at valuation value (health benefits)	<u>\$817,275,977</u>	<u>\$809,676,978</u>

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT F

Development of the Fund Through June 30, 2010 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return ⁽¹⁾	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$167,364,751	\$75,652,949	\$251,274,616	\$604,674,609	\$12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068
2007	286,167,278 ⁽²⁾	91,263,474	1,590,968,304	800,819,286	13,902,764,838
2008	333,672,743	98,074,219	1,414,391,128	827,959,245	14,920,943,683
2009	326,876,839	103,685,447	557,346,783	842,565,358	15,066,287,394
2010	357,165,140	106,416,630	360,741,904	853,749,429	15,036,856,639

⁽¹⁾ Net of investment fees and administrative expenses

⁽²⁾ Includes \$6,220,076 (discounted to \$6,058,515) of Harbor Port Police assets transferred in October, 2007.

**SECTION 3: Supplemental Valuation Details for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated

equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

As adopted by the Board, any investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the actuarial value of assets will be further adjusted, if necessary, to be within 40% of the market value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

EXHIBIT G

Development of the Actuarial Value of Assets for All Retirement and Health Subsidy Benefits

1. Market value of assets				\$12,198,968,351
2. Calculation of unrecognized return ⁽¹⁾	Original Amount	Percent Not Recognized	Amount Not Recognized	
(a) Year ended June 30, 2010	\$737,173,630	85.71%	\$631,863,111	
(b) Year ended June 30, 2009	-\$4,113,928,646	71.43%	-2,938,520,401	
(c) Year ended June 30, 2008	-2,015,976,509	40.00%	-806,390,604	
(d) Year ended June 30, 2007	1,375,798,329	20.00%	275,159,666	
(e) Total unrecognized return				-2,837,888,288
3. Preliminary actuarial value: (1) - (2e)				15,036,856,639
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$15,036,856,639</u>
6. Actuarial value as a percentage of market value: (5) + (1)				123.3%
7. Valuation value of health assets				\$817,275,977

⁽¹⁾ Total return minus expected return on a market value basis

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2010	
Actuarial cost method	Entry age normal, level percent of pay	
Amortization method	30 years closed, level percent of pay (with the exception of Tier 1 that is amortized as a level dollar amount)	
Remaining amortization period	26 years as of June 30, 2010	
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.	
Actuarial assumptions:		
Investment rate of return	7.75%	
Inflation rate	3.50%	
Across-the-board pay increase	0.75%	
Projected payroll increases	4.25%	
Health care cost trend rate (to calculate following year's premium)		
• Medical	10.00% in 2010-2011, 2011-2012 and 2012-2013, then decreasing by 0.5% for each year for ten years until it reaches an ultimate rate of 5%.	
• Dental	5.00%	
• Medicare Part B Premium	The 2011-2012 and all subsequent fiscal year premiums are assumed to be 5% greater than the prior year premium.	
• Medical Subsidy Trend	<ul style="list-style-type: none"> ▪ For all non-Medicare retirees, increase at lesser of 7% or medical trend. ▪ For Medicare retirees with single party premium, increase with medical trend. ▪ For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2010 (e.g. Fire Medical), increase with medical trend. ▪ For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2010 (e.g. Police Blue Cross), increase with lesser of 7% or medical trend. 	
Plan membership:		
	June 30, 2010 ⁽¹⁾	June 30, 2009 ⁽¹⁾
Current retirees and beneficiaries	11,759	11,757
Current active participants	<u>13,654</u>	<u>13,802</u>
Total	25,413	25,559

⁽¹⁾ Includes all eligible retirees and surviving spouse or domestic partners whether or not they are receiving a subsidy.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the actuarial experience study as of June 30, 2007 and the Economic Assumptions Study of June 30, 2010.

<i>Data:</i>	Detailed census data and financial data for postemployment benefits were provided by the City of Los Angeles Fire and Police Pension Plan.
<i>Actuarial Cost Method</i>	Entry age normal, level percent of pay.
<i>Administrative Expenses</i>	No administrative expenses were valued separately from the claim costs.
<i>Spouse Age Difference</i>	Husbands are assumed to be 4 years older than wives.
<i>Participation</i>	

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

<i>Medicare Coverage</i>	100% of future retirees are assumed to elect Medicare Parts A & B.
<i>Dental Coverage</i>	75% of future retirees are assumed to elect dental coverage.
<i>Spousal Coverage</i>	Of future retirees receiving a medical subsidy 80% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date, spousal coverage is based on census data.
<i>Implicit Subsidy</i>	No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

The per capita cost assumptions were based on premium, subsidy, and census data provided by the Los Angeles Fire and Police Pension Plan and are summarized in the tables below:

Carrier	Assumed Election Percent	Under Age 65								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
<u>Fire</u>										
Fire Medical	85	\$875.40	\$1,025.62	\$875.40	\$1,136.04	\$1,025.62	\$1,025.62	\$441.95	\$562.36	\$441.95
Fire Kaiser	15	\$513.95	\$1,025.62	\$513.95	\$1,017.90	\$1,025.62	\$1,017.90	\$513.95	\$562.36	\$513.95
<u>Police</u>										
Blue Cross PPO	65	\$847.14	\$1,025.62	\$847.14	\$1,456.62	\$1,025.62	\$1,025.62	\$847.14	\$562.36	\$562.36
California Care	20	\$489.03	\$1,025.62	\$489.03	\$927.14	\$1,025.62	\$927.14	\$489.03	\$562.36	\$489.03
Police Kaiser	15	\$431.45	\$1,025.62	\$431.45	\$853.63	\$1,025.62	\$853.63	\$431.45	\$562.36	\$431.45

For the valuation of current retirees, subsidies valued are based on actual subsidies provided in the data reported for the Health Plan.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT II
Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

Carrier	Assumed Election Percent	Age 65 and Over								
		Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
<u>Fire</u>										
Fire Medical	90	\$436.76	\$440.09	\$436.76	\$714.08	\$714.08	\$714.08	\$378.28	\$440.09	\$378.28
Fire Kaiser	10	\$354.47	\$440.09	\$354.47	\$698.94	\$698.94	\$698.94	\$354.47	\$440.09	\$354.47
<u>Police</u>										
Blue Cross PPO	75	\$477.14	\$440.09	\$440.09	\$872.43	\$808.57	\$808.57	\$477.14	\$440.09	\$440.09
California Care	10	\$359.03	\$440.09	\$359.03	\$729.25	\$729.25	\$729.25	\$359.03	\$440.09	\$359.03
Police Kaiser	15	\$226.47	\$440.09	\$226.47	\$447.91	\$447.91	\$447.91	\$226.47	\$440.09	\$226.47

For the valuation of current retirees, subsidies valued are based on actual subsidies provided in the data reported for the Health Plan.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2010.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

Age	Rate (%)	
	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
 June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

Age	Rate (%)	
	Disability*	
	Fire	Police
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

*90% of disabilities are assumed to be service-connected.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
 June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

Service	Rate (%)	
	Withdrawal (< 5 Years of Service)	
	Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 - 3	3.00	3.50
3 - 4	2.00	3.50
4 - 5	2.00	3.00

Age	Rate (%)	
	Withdrawal (5+ Years of Service) *	
	Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

*No withdrawal is assumed after a member is eligible for retirement.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Age	Retirement Rates: Rate(%)			
	Fire		Police	
	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.50% per year.
Net Investment Return:	7.75%, net of investment and administrative expenses

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.50% per year, plus 0.75% "across the board" salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99
30	3.87
35	2.75
40	1.75
45	1.17
50	0.87
55	0.69
60	0.65

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

**EXHIBIT II
Actuarial Assumptions and Actuarial Cost Method (continued)**

Measurement Date:	June 30, 2010
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method: Entry Age is the current age minus Vesting Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amounts to amortize any Surplus or Unfunded Actuarial Accrued Liability (UAAL). Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis. All the amortization bases on or before June 30, 2006 were combined and amortized over 30 years effective June 30, 2006. This valuation continues that amortization schedule by amortizing the entire June 30, 2010 UAAL over a 26 year period.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Health Care Premium Cost Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2010 through June 30, 2011).

The fiscal year trend rates are the following:

Fiscal Year	Trend (applied to calculate following year premium)
2010-2011	10.00%
2011-2012	10.00%
2012-2013	10.00%
2013-2014	9.50%
2014-2015	9.00%
2015-2016	8.50%
2016-2017	8.00%
2017-2018	7.50%
2018-2019	7.00%
2019-2020	6.50%
2020-2021	6.00%
2021-2022	5.50%
2022 and later	5.00%

Dental Premium Trend

5.00% for all years

Medicare Part B Premium Trend

The 2010-2011 and all subsequent fiscal year premiums are assumed to 5% greater than the prior year premium.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

Trends (continued)

Expected annual rate of increase in
the Board's health subsidy amount:

We will assume that the Board's health subsidy amount will:

- > For all non-Medicare retirees, increase at lesser of 7% or medical trend as shown on page 1,
- > For Medicare retirees with single party premium, increase with medical trend as shown on page 1,
- > For Medicare retirees with 2-Party premium less than or equal to the maximum subsidy as of July 1, 2010 (e.g, Fire Medical), increase with medical trend as shown on page 1, and
- > For Medicare retirees with 2-Party premium greater than the maximum subsidy as of July 1, 2010 (e.g, Police Blue Cross), increase with lesser of 7% or medical trend.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method (continued)

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Changes in Assumptions:	Future health care trend rates were updated. Premiums and maximum subsidies were updated. Maximum health subsidy increase for Medicare retirees had previously been assumed to increase the lesser of 7% or medical trend. Discount rate was previously 8.00%.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

SUBSIDY FOR MEMBERS NOT ELIGIBLE FOR MEDICARE A & B

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Members who retired prior to July 1, 1998 are subject to an eligibility requirement of age 60 with 10 or more years of service. Subsidy is paid only to Members on service or disability retirements. Surviving spouses and surviving domestic partners are eligible for health benefits upon the Member's date of death if the Member had attained age 55 prior to death. Otherwise, health benefits for survivors shall commence on the date that the Member would have reached age 55. Basic subsidy is paid until age 65, or after age 65 if Member is not covered by Medicare Parts A and B.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the actual premium paid to City approved health carrier.
Maximum Subsidy	As of July 1, 2010, maximum is \$1,025.62 per month. For surviving spouse or domestic partner, the maximum subsidy is \$562.36 per month.
Increase in Subsidy	Based on subsidy increases to active Fire and Police Members, subject to Board approval.
Dependent Portion	Difference between Basic Subsidy maximum amount and single-party premium.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan
June 30, 2010 Measurement Under GASB 43 and 45**

EXHIBIT III

Summary of Plan (continued)

SUBSIDY FOR MEMBERS ELIGIBLE FOR MEDICARE A & B

Eligibility Retired Members over age 65 with 10 or more years of service who participate in Medicare Parts A & B.

Amount of Subsidy to Participant: For retirees, health subsidy is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Surviving spouses or surviving domestic partners are eligible for benefits upon the death of the Member.

Maximum Subsidy As of July 1, 2010, the single coverage maximum subsidy for retirees and surviving spouse or domestic partner is \$440.09. The multi-person coverage maximum subsidy is \$808.57.

Dependent Portion Calculation based on Board of Fire and Police Pension Commissioners Resolution No. 9320: equal to the amount payable on behalf of the dependents of a retired member in the same plan, with the same years of service, who qualifies for an under 65 or Part B only subsidy, whichever is greater, providing such subsidy does not exceed the civilian retiree dependent subsidy.

SPECIAL SUBSIDY

Eligibility Various, based on effective date of retirement, rank at retirement, years of service and type of pension.

Amount of Subsidy	Flat Amount Based on Years of Service	
	20-24 years	\$75 - \$150 per month
	25-29 years	\$150 - \$225 per month
	30 and over	\$225 - \$300 per month

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT III

Summary of Plan (continued)

Medicare Part B -Related Subsidy

Medicare Part B Premium Reimbursement	For retired Members enrolled in Medicare A & B who are receiving a subsidy, the Plan provides payment of Part B premiums (\$96.40/\$110.50 per month for calendar year 2010 and \$96.40/\$110.50/\$115.40* for calendar year 2011, depending on method of payment).
--	---

Dental Subsidy

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Subsidy is paid only to Members on service or disability retirements. Surviving spouses/domestic partners are not eligible for benefits upon the death of the Member.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the single-party premium paid to City approved dental carrier.
Maximum Subsidy	Lesser of monthly amount paid to active Fire and Police Members and retired CERS Members. Effective July 1, 2010, maximum is \$36.16 per month

Retiree Contributions: To the extent the subsidies are less than the medical or dental premiums, the retiree contributes the cost difference.

**It is assumed in this valuation that \$96.40 will be paid in 2011.*

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT IV
Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial
Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Actuarial Present Value of Total
Projected Benefits (APB):**

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability
For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability
For Retirees:**

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

Net OPEB Obligation (NOO):

The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 -- *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

**SECTION 4: Supporting Information for the City of Los Angeles Fire and Police Pension Plan June 30, 2010
Measurement Under GASB 43 and 45**

4 contain a definition of terms as well as more information about GASB 43/45 concepts.

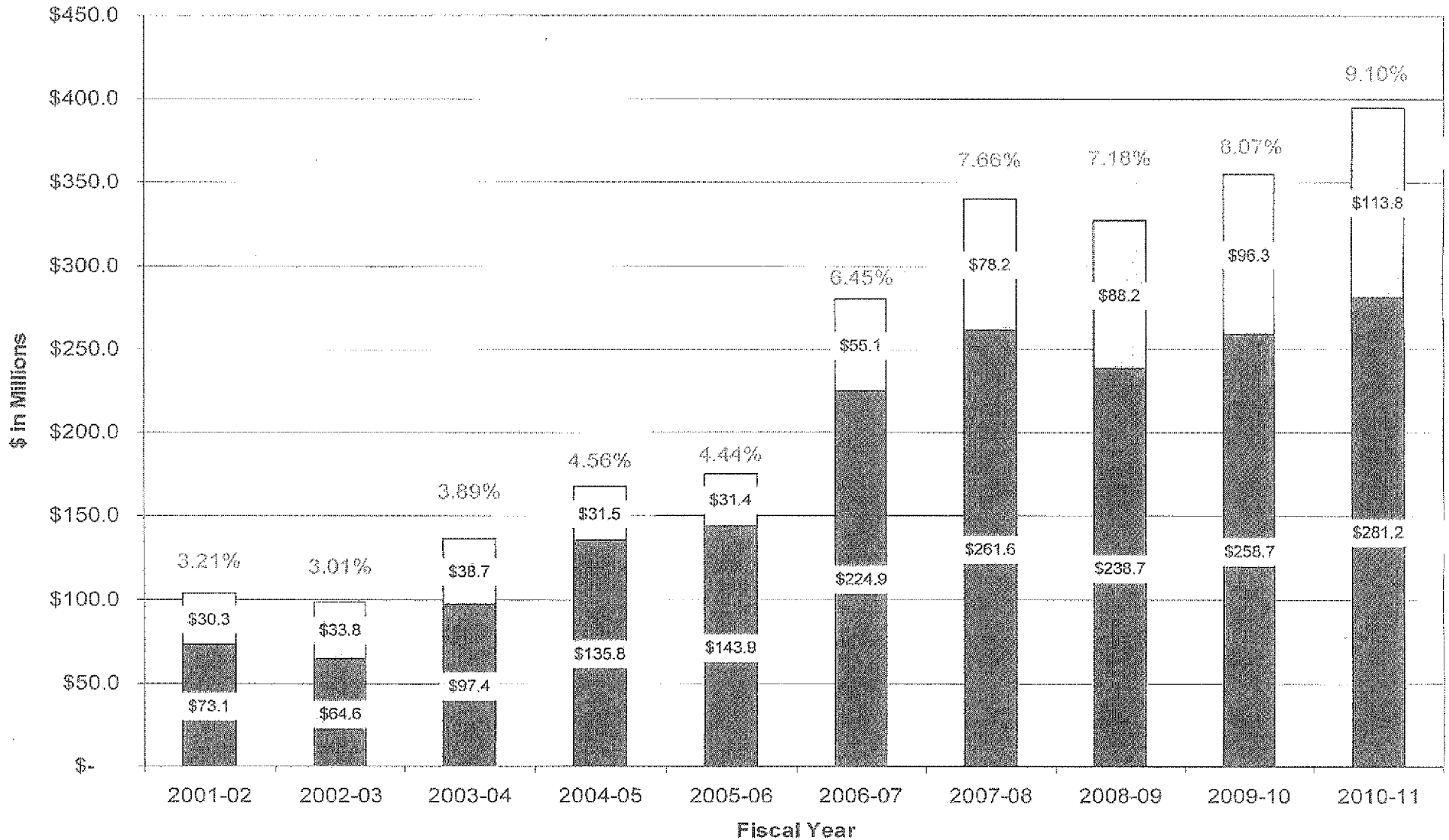
The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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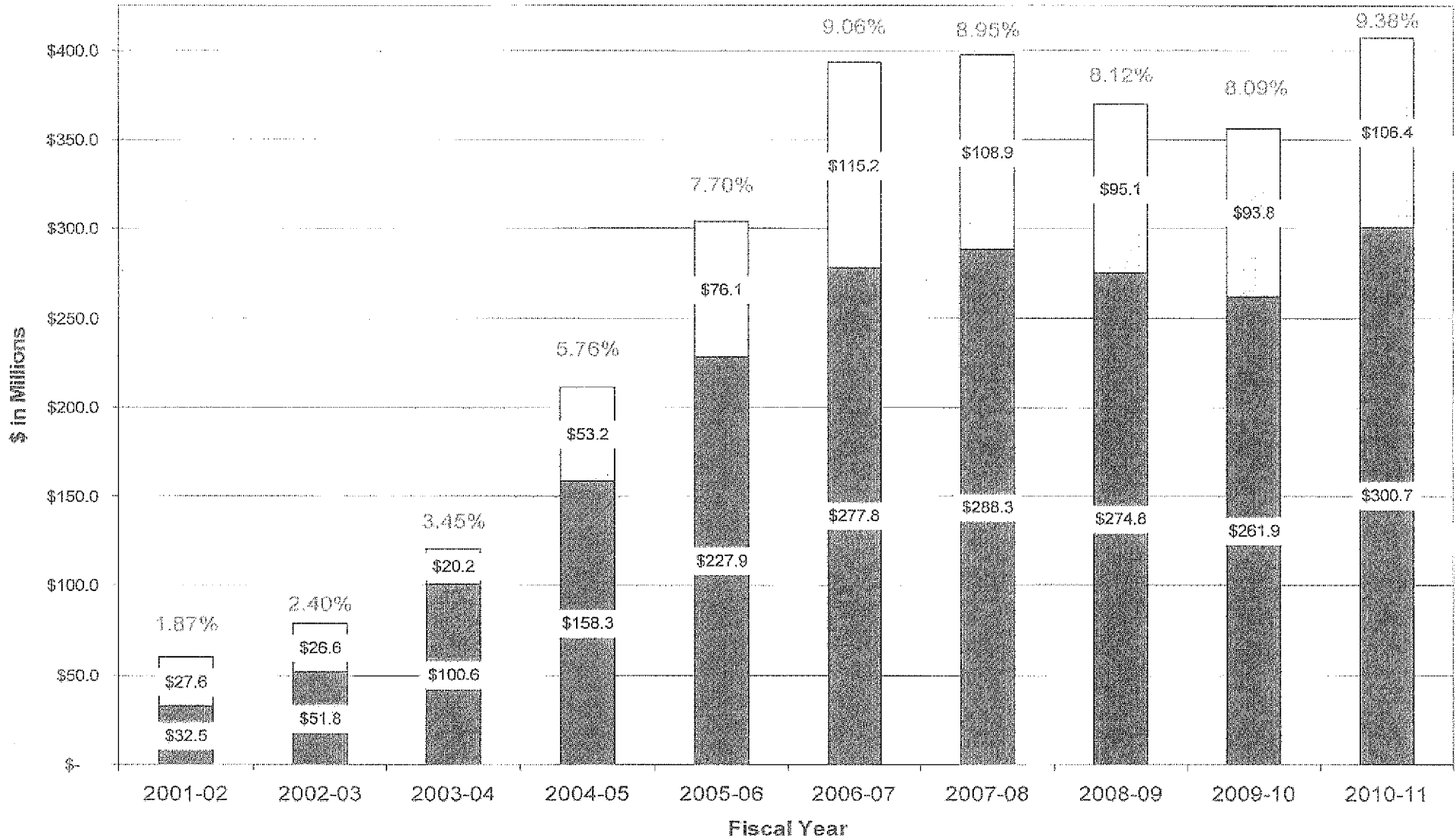
**CITY CONTRIBUTIONS TO FIRE & POLICE PENSIONS
AS A % OF GENERAL FUND**



Sources: 2010-11 Proposed Budget
Segal Actuarial Valuation as of June 30, 2009

■ Pension □ Health

CITY CONTRIBUTIONS TO LACERS
AS A % OF GENERAL FUND



Sources: 2010-11 Proposed Budget
Segal Actuarial Valuation as of June 30, 2009

■ Pension □ Health



Report to Board of Administration

Agenda of: **NOVEMBER 9, 2010**

From: Li Hsi, Chief Benefits Analyst

ITEM: **V-A**

SUBJECT: PRESENTATION AND RECOMMENDATION FOR ADOPTION OF ACTUARIAL VALUATION AS OF JUNE 30, 2010

Recommendation:

That the Board adopt the actuarial valuation as of June 30, 2010 prepared by LACERS' consulting actuary, The Segal Company.

Discussion:

The Segal Company (Segal) has performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of LACERS based on data as of June 30, 2010 to determine LACERS' funding status and calculate the recommended City contribution rate for the next fiscal year.

The City's contribution rate is the sum of the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost is the portion of the actuarial present value of plan benefits allocated to a given year assuming all actuarial assumptions are met. The amortization of the UAAL is the installment payment required to fund the difference between LACERS actuarial liabilities and LACERS actuarial assets. In the valuation report, the consulting actuary recommends the following City contribution rates for fiscal year 2011-2012, if paid on July 15, 2011:

As a % of City Payroll	Current Rate FY 10-11	Recommended Rate FY 11-12	Change
Retirement	18.09%	20.46%	2.37%
Health	6.40%	7.20%	0.80%
TOTAL	24.49%	*27.66%	3.17%

*Contribution Rate would be 28.64% if paid biweekly

Based on the valuation payroll of \$1,817,662,284 and the recommended contribution rates, the total City contribution for fiscal year 2011-12 would be \$502,765,388, or approximately \$92 million higher than the contribution made for the current fiscal year. The actual City contribution for fiscal year

2011-12 may be different from this estimated amount, depending on the covered payroll determined in the City 's budget for the next fiscal year.

In performing the actuarial valuation, Segal used the economic and demographic assumptions adopted by the Board at its October 14, 2008 Board meeting based on results from the triennial experience study, as well as the health-related assumptions adopted by the Board on October 12, 2010. Segal also employed the various actuarial methods as prescribed in LACERS Funding Policy, including the newly-revised asset smoothing method adopted by the Board on September 28, 2010. The revised asset smoothing method, which expanded the asset smoothing period from 5 years to 7 years and modified the market value corridor from 50% - 150% to 60% - 140%, reduced the City contribution for fiscal year 2011-12 by approximately \$13 million, according to the Segal study.

The following are highlights of the valuation:

- The ratio of the actuarial value of assets to actuarial accrued liabilities (funded ratio) for retirement benefits decreased from 79.5% to 75.9%.
- The ratio of the actuarial value of assets to actuarial accrued liabilities (funded ratio) for retiree health benefits decreased from 65.2% to 63.8%.
- The total Unfunded Actuarial Accrued Liability (UAAL) for both the retirement and the health benefits increased from \$3,179,916,816 to \$3,849,146,123.
- Although the market rate of investment return for the fiscal year ended on June 30, 2010 was 12.8% (net of fees), the actuarial rate of return was only 2.4% as a result of asset smoothing which recognized a portion of the large deferred loss from the previous two years. Because the 2.4% actuarial rate of return is lower than the 8% assumed rate of investment return, a significant experience loss from investments is reported in the actuarial valuation. This is the major driver of the increase in the contribution rate as recommended by Segal.
- The unrecognized investment loss due to asset smoothing amounts to \$2,018,218,992 as of June 30, 2010. Because of this deferred loss, the City contribution rates will keep rising in the next few years even if the investment returns match the 8% assumption.

Paul Angelo of The Segal Company will present results of the June 30, 2010 actuarial valuation.

TM:LH

Attachment: Segal Actuarial Valuation Report

**Los Angeles City Employees'
Retirement System**

*Actuarial Valuation and Review of
Retirement and Health Benefits
as of June 30, 2010*

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November 3, 2010

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Re: **June 30, 2010 Actuarial Valuations**

Dear Board Members:

Enclosed please find the June 30, 2010 actuarial valuations for the retirement and health plans.

As requested by the System, we have attached the following supplemental schedules:

- > Exhibit A - Summary of significant results for the retirement and health plans.
- > Exhibit B - History of computed contribution rates for the retirement and health plans.
- > Exhibit C - Solvency test for the retirement plan.
- > Exhibit D - Schedule of retirees and beneficiaries added to and removed from the rolls for the retirement plan.

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

DNA/bqb

5102500v1/05806.002

Benefits, Compensation and HR Consulting Offices throughout the United States and Canada

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary



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Exhibit A

**Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percent Change</u>
I. Total Membership			
A. Active Members	26,245	30,065 ⁽³⁾	-12.7%
B. Pensioners and Beneficiaries	17,264	14,991 ⁽³⁾	15.2%
II. Valuation Salary			
A. Total Annual Payroll before 2009 ERIP	N/A	\$1,999,861,604	N/A
B. Average Monthly Salary before 2009 ERIP	N/A	5,543	N/A
C. Total Annual Payroll after 2009 ERIP	\$1,817,662,284	1,816,171,212 ⁽⁴⁾	0.1%
D. Average Monthly Salary after 2009 ERIP	5,771	5,469 ⁽⁴⁾	5.5%
III. Benefits to Current Retirees and Beneficiaries⁽¹⁾			
A. Total Annual Benefits	\$648,849,828	\$521,859,396	24.3%
B. Average Monthly Benefit Amount	3,132	2,901	8.0%
IV. Total System Assets⁽²⁾			
A. Actuarial Value	\$11,019,583,518	\$10,949,384,202	0.6%
B. Market Value	9,001,364,526	8,142,988,791	10.5%
V. Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	\$3,040,997,708	\$2,464,236,515	23.4%
B. Health Subsidy Benefits	808,148,415	715,680,301	12.9%

(1) Includes July COLA.

(2) Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

(3) Before reclassifying ERIP-electing active members as retired under the program.

(4) Total annual payroll after 2009 ERIP reflecting annualized salaries for part-time members is \$1,865,588,107, for a monthly average of \$5,618.

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

VI. Budget Items	<u>FY 2011-2012</u>		<u>FY 2010-2011</u>		<u>Change</u>	
	Beginning of Year*	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.37%	9.74%	9.84%	10.22%	-0.47%	-0.48%
2. Amortization of UAAL	<u>11.02%</u>	<u>11.45%</u>	<u>8.19%</u>	<u>8.51%</u>	<u>2.83%</u>	<u>2.94%</u>
3. Total Retirement Contribution	20.39%	21.19%	18.03%	18.73%	2.36%	2.46%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	4.14%	4.30%	3.84%	3.99%	0.30%	0.31%
2. Amortization of UAAL	<u>3.03%</u>	<u>3.15%</u>	<u>2.53%</u>	<u>2.63%</u>	<u>0.50%</u>	<u>0.52%</u>
3. Total Health Subsidy Contribution	7.17%	7.45%	6.37%	6.62%	0.80%	0.83%
C. Total Contribution (A+B)	27.56%	28.64%	24.40%	25.35%	3.16%	3.29%
VII. Funded Ratio		<u>June 30, 2010</u>		<u>June 30, 2009</u>		<u>Change</u>
(Based on Valuation Value of Assets)						
A. Retirement Benefits		75.9%		79.5%		-3.6%
B. Health Subsidy Benefits		63.8%		65.2%		-1.4%
C. Total		74.0%		77.4%		-3.4%
(Based on Market Value of Assets)						
D. Retirement Benefits		62.0%		59.2%		2.8%
E. Health Subsidy Benefits		52.1%		48.5%		3.6%
F. Total		60.5%		57.6%		2.9%

* Alternative contribution payment dates for FY 2011-2012:

	<u>Retirement</u>	<u>Health</u>	<u>Total</u>
1) July 15, 2011	20.46%	7.20%	27.66%
2) 3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012	20.85%	7.34%	28.19%
3) 1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012	21.48%	7.56%	29.04%

Exhibit B

**Los Angeles City Employees' Retirement System
Computed Contribution Rates* - Historical Comparison**

<u>Valuation Date</u>	<u>Retirement</u>	<u>Health</u>	<u>Total</u>	<u>Valuation Payroll (thousands)</u>
06/30/1994	12.07%	2.99%	15.06%	\$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171
06/30/2010	21.19%	7.45%	28.64%	1,817,662

* Contributions are assumed to be made at the end of the pay period.

Exhibit C

Los Angeles City Employees' Retirement System
Solvency Test for Retirement Benefits
For Years Ended June 30

(\$ In Thousands)

Valuation Date	<u>Aggregate Actuarial Accrued Liabilities For</u>			Valuation Value of Assets	<u>Portion of Accrued Liabilities Covered by Reported Assets</u>		
	(1) Member Contributions	(2) Retirees, Beneficiaries, & Inactives	(3) Active Members		(1) Member Contributions	(2) Retirees, Beneficiaries, & Inactives	(3) Active Members
06/30/1996	\$637,737	\$2,357,798	\$1,480,489	\$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0

* Excludes assets transferred for Port Police.

Exhibit D

**Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls*
For Years Ended June 30**

<u>Year Ended</u>	<u>No. of New Retirees/ Beneficiaries</u>	<u>Annual Allowances Added**</u>	<u>No. of Retirees/ Beneficiaries Removed</u>	<u>Annual Allowances Removed</u>	<u>No. of Retirees/ Beneficiaries at 6/30</u>	<u>Annual Allowances at 6/30</u>	<u>Percent Increase in Annual Allowances</u>	<u>Average Annual Allowance</u>
06/30/2002	844	\$23,740,829	620	\$11,316,344	13,589	\$336,437,038	6.4%	\$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
06/30/2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584

* Does not include Family Death Benefit Insurance Plan members. Table based on valuation data.

** Effective 06/30/2004, also includes the COLA granted in July.

Los Angeles City Employees' Retirement System

*Actuarial Valuation and Review of Retirement Benefits
as of June 30, 2010*

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THE PARENT OF THE SEGAL COMPANY
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November 3, 2010

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011/2012 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by LACERS. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

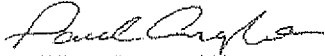
This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35, 44 and all other relevant ASOPs. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the System. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.

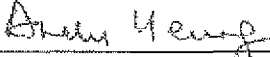
We are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: 
Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary


Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

JRC/hy

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SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Los Angeles City Employees' Retirement System as of June 30, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- > The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- > The characteristics of covered active members, inactive members, and retired members and beneficiaries as of June 30, 2010, provided by LACERS;
- > The assets of the Plan as of June 30, 2010, provided by LACERS;
- > Economic assumptions regarding future salary increases and investment earnings; and
- > Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- > On November 5, 2009, we issued a preliminary valuation report as of June 30, 2009 that did not include the impact of the 2009 Early Retirement Incentive Program (ERIP) offered by the City, as the ERIP elections were not available at that time.

On April 22, 2010, we issued a revised valuation report as of June 30, 2009 to reflect the latest ERIP election information available from the City at that time. Since the members who elected the ERIP were not yet retired as of the June 30, 2009 valuation date, the demographic information shown throughout our April 22, 2010 report was before reclassifying 2,393 ERIP-electing active members as retired under the program, except where noted. The main exception we noted was the projected total payroll figure of \$1,816,171,212 as of June 30, 2009, which was the projected payroll for the remaining active members after the 2009 ERIP.

For the June 30, 2010 valuation, LACERS provided us with a list of the 2,400 members who made final ERIP elections. LACERS subsequently provided us with some adjustments to these 2,400 members, and the net result is that our June 30, 2010 valuation results are based on 2,395 retirees and beneficiaries who made final ERIP elections. Note that most of these 2,395 members are the same members included in the group of 2,393 preliminary ERIP members identified by LACERS for the June 30, 2009 valuation (35 out of the 2,395 members were not the same as those included in the prior census).

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

As the estimated total annual pension benefit (including the age/service enhancements provided by the ERIP) used in preparing our report dated April 22, 2010 is not materially different from the actual total pension benefit calculated using final data provided for this report (the ratio of the actual to the estimated benefit is 97%), we have not re-determined the UAAL established in the June 30, 2009 valuation for the ERIP.

For consistency, the June 30, 2009 demographic information shown in this report remains the same as that shown in our June 30, 2009 valuation report dated April 22, 2010. That is, the 2,393 preliminary ERIP members are classified as active as of June 30, 2009 and the 2,395 final ERIP members are classified as retired as of June 30, 2010.

Ref: Pgs. 21, 7 and 11

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 79.54% to 75.86%. The unfunded actuarial accrued liability increased from \$2,464.2 million to \$3,041.0 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G. Additional information on the actuarial experience is provided in Section 2, Charts 9 and 13.

Ref: Pg. 13

- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has increased from 18.73% of payroll to 21.19% of payroll. The annual dollar contributions calculated in this valuation increased from about \$340.2 million to \$385.1 million. The increase was due to: (i) the increase in the amortization amounts due to the assumed 4.25% total payroll growth, (ii) the loss from lower than expected contributions resulting from the one-year delay in implementing the higher contribution rate calculated in the prior valuation, (iii) the lower than expected return on the valuation value of assets, and (iv) the increase in the employer normal cost¹ due to payroll and demographic changes, offset somewhat by (v) other actuarial gains, and (vi) the implementation of the increased employee contribution rate under the 2009 ERIP. A complete reconciliation of the aggregate employer contribution is provided in Section 2, Chart 15.
- Under the Board's asset smoothing method for the June 30, 2009 valuation, any investment gains/losses relative to the assumed return (currently 8% per year) were recognized over a period of 5 years. In addition, the actuarial value of assets was further adjusted, if necessary, so that it would stay within 50% of the market value of assets. At the September 28, 2010 meeting, the Board adopted two changes to the asset smoothing method, effective with the June 30, 2010 valuation. The first change was to increase the smoothing period from 5 years to 7 years, and the second change was to limit the actuarial value of assets to be within 40% of market value (instead of the prior 50%).

¹ There is an increase in the normal cost due to an increase in the average age of the active members from 45.2 calculated in the June 30, 2009 valuation (after considering the ERIP retirements) to 46.1 calculated in the June 30, 2010 valuation.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Ref: Pg. 5

- > As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,018,218,992 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next several years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next several years.

The deferred losses of \$2,018.2 million represent 22% of the market value of assets as of June 30, 2010. Unless offset by future investment gains or other favorable experience, the recognition of the \$2,018.2 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- * If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 75.86% to 61.96%.
- * If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable at the end of each pay period) would increase from 21.19% to 29.63% of payroll.
- > The actuarial valuation report as of June 30, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

Ref: Pg. 22

- > Consistent with prior instructions from the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have also continued to include in the calculation of the recommended contribution an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

A Net Pension Obligation (NPO) was created in the June 30, 2004 and June 30, 2005 valuations due to: (1) the phase-in of the higher contribution rate required from the 2002 experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2010 valuation, there are 9 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 10 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Ref: Pg. 31

Due to the one-year lag in implementing the contribution rates, the amortization of the NPO created in the June 30, 2004 valuation has only begun with the 2005/2006 fiscal year. As shown in this year's valuation, the amortization of the NPO created in the June 30, 2005 valuation has begun with the 2006/2007 fiscal year. Additional details are provided in Section 4, Exhibit V.

- > ERIP Ordinance No. 180926 stipulates that the member contribution rate for all employees shall increase to 7% on July 1, 2011 for a period of 15 years, or until the ERIP Cost Obligation is fully paid, whichever comes first. Prior to the ERIP, members hired on or after January 1, 1983 contributed 6% of pay, while the member contribution rates for employees hired before January 1, 1983 were based on the members' ages at entry, ranging from 8.22% at entry age 16 to 13.33% for entry ages 59 and over. We understand that members hired before January 1, 1983 (Defrayal Group) had a portion of their member contribution rates picked up by the employer, and that the net member rate after the pick-up was below 6% prior to the effective date of the ERIP. The net member contribution rate for the Defrayal Group was to increase to 6% as of the ERIP effective date, and then to 7% effective July 1, 2011.

In preparing the employer and member rates in our prior valuation reports, we did not take into account any of these defrayals for pre-1983 hires. That is, we assumed that these members would pay the entire entry-age based contribution rate specified in Section 4.1031 of the City's Administrative Code.

As directed by LACERS, in developing the rates in this June 30, 2010 valuation that will be effective for fiscal 2011/2012, our results reflect that all employees will begin paying the 7% employee contribution rate.

Ref: Pg. 22

- > The Board has adopted a policy of amortizing the June 30, 2005 UAAL over a fixed period of 30 years beginning July 1, 2005. The UAALs arising from the phase-in of contribution rates for the 2002 experience study (for fiscal year 2003/2004 and 2004/2005) were excluded from this 30-year amortization policy. The costs associated with the 2009 ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date. In addition, future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change. A new 15-year amortization base was established in the June 30, 2010 valuation for an experience loss during 2009-2010.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

- > Consistent with the June 30, 2009 valuation report, the employer contribution rates provided in this report have been developed assuming they will be paid by the City on any of the following dates:
 - (1) The beginning of the fiscal year, or
 - (2) On July 15, 2011, or
 - (3) Throughout the year (i.e., the City will pay contributions at the end of every pay period), or
 - (4) On July 15, 2011 for three-fourths of the full payment and on June 30, 2012 for the remaining one-fourth of the full payment, or
 - (5) On January 3, 2012 for one-half of the full payment and on May 2, 2012 for the remaining one-half of the full payment.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Summary of Key Valuation Results

	2010	2009
Contributions calculated as of June 30:		
Recommended as a percentage of pay ("after ERIP" pay; note there is a 12-month delay until the rate is effective)		
At the beginning of the year	20.39%	18.03%
On July 15	20.46%	18.09%
At the end of each pay period	21.19%	18.73%
3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012	20.85%	18.43%
1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012	21.48%	18.99%
Funding elements for plan year ended June 30:		
Normal cost	\$292,655,906	\$286,582,206
Market value of assets ⁽¹⁾	9,001,364,526	8,142,988,791
Actuarial value of assets ⁽¹⁾	11,019,583,518	10,949,384,202
Valuation value of retirement assets	9,554,027,411	9,577,747,421
Actuarial accrued liability	12,595,025,119	12,041,983,936
Unfunded/(overfunded) actuarial accrued liability	3,040,997,708	2,464,236,515
Funded ratio	75.86%	79.54%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	\$258,642,795	\$274,554,786
Actual contributions	258,642,795	274,554,786
Percentage contributed	100.00%	100.00%
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	17,264	14,991
Number of inactive members	5,344	4,554
Number of active members	26,245	30,065
Projected total payroll before ERIP	N/A	\$1,999,861,604
Projected average payroll before ERIP	N/A	\$66,518
Projected total payroll after ERIP	\$1,817,662,284 ⁽²⁾	\$1,816,171,212 ⁽³⁾
Projected average payroll after ERIP	\$69,257 ⁽²⁾	\$65,632 ⁽³⁾

⁽¹⁾ Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

⁽²⁾ Reflects annualized salaries for part-time members.

⁽³⁾ Projected total payroll after ERIP reflecting annualized salaries for part-time members is \$1,865,588,107, for an average of \$67,418.

Actuarial Certification

November 3, 2010

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2009. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

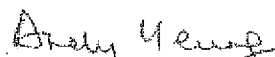
The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

- 1) Schedule of funding progress
- 2) Schedule of employer contributions
- 3) Supplementary Information Required by GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a Member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.



Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive non-vested members (entitled to a refund of member contributions), inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1
Member Population: 2001 – 2010

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009	30,065	4,554	14,991	0.65
2010	26,245	5,344	17,264	0.86

* Includes terminated members due a refund of employee contributions.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 26,245 active members with an average age of 46.1, average years of service of 12.1 years and average payroll of \$69,257.

The 30,065 active members in the prior valuation had an average age of 46.4, average service of 12.3 years and average payroll of \$66,518. Note that the average payroll after the ERIP was \$65,632 as of June 30, 2009 (or \$67,418 after annualizing salaries for part-time members).

Inactive Members

In this year's valuation, there were 5,344 members who were either (a) non-vested and entitled to a refund of member contributions, or (b) vested with a right to a deferred or immediate benefit.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2010

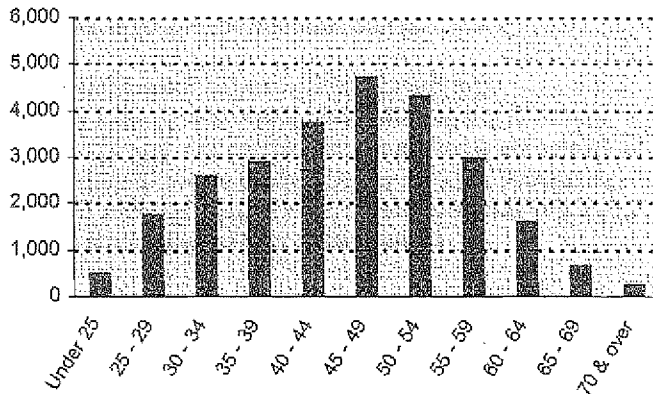
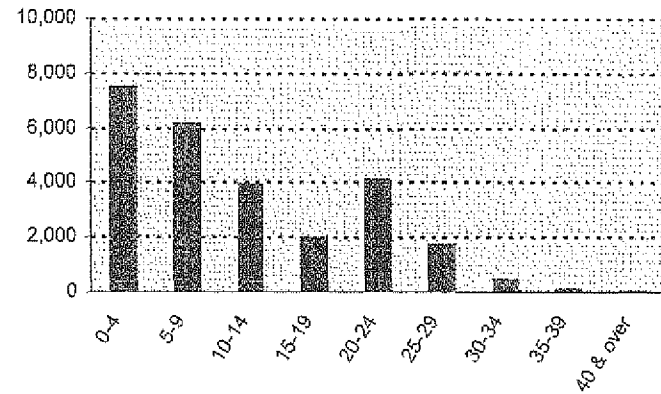


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2010



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Retired Members and Beneficiaries

As of June 30, 2010, 13,645 retired members and 3,619 beneficiaries were receiving total monthly benefits of \$54,076,987. For comparison, in the previous valuation, there were 11,465 retired members and 3,526 beneficiaries receiving monthly benefits of \$43,487,379.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2010

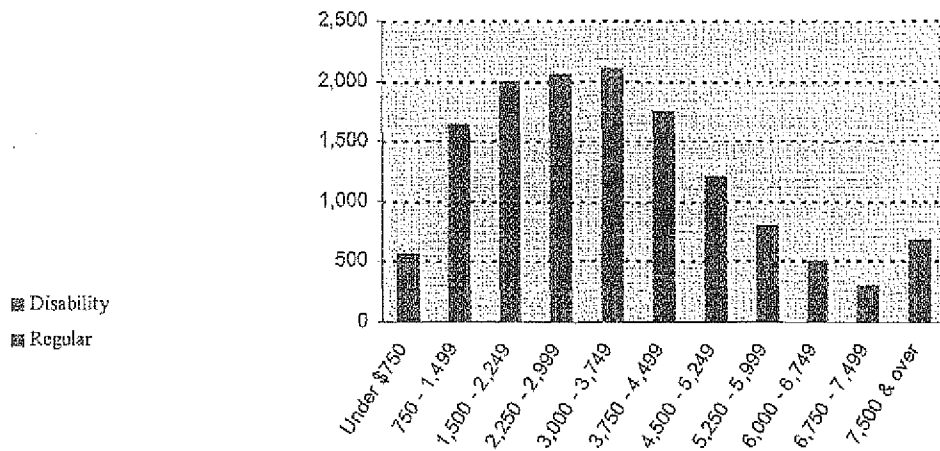
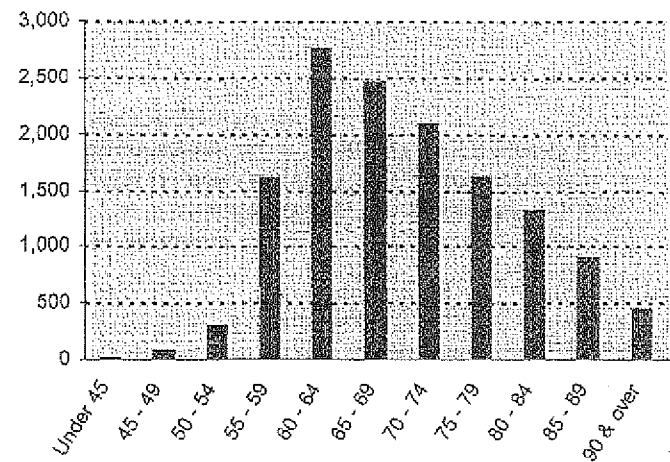


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2010



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

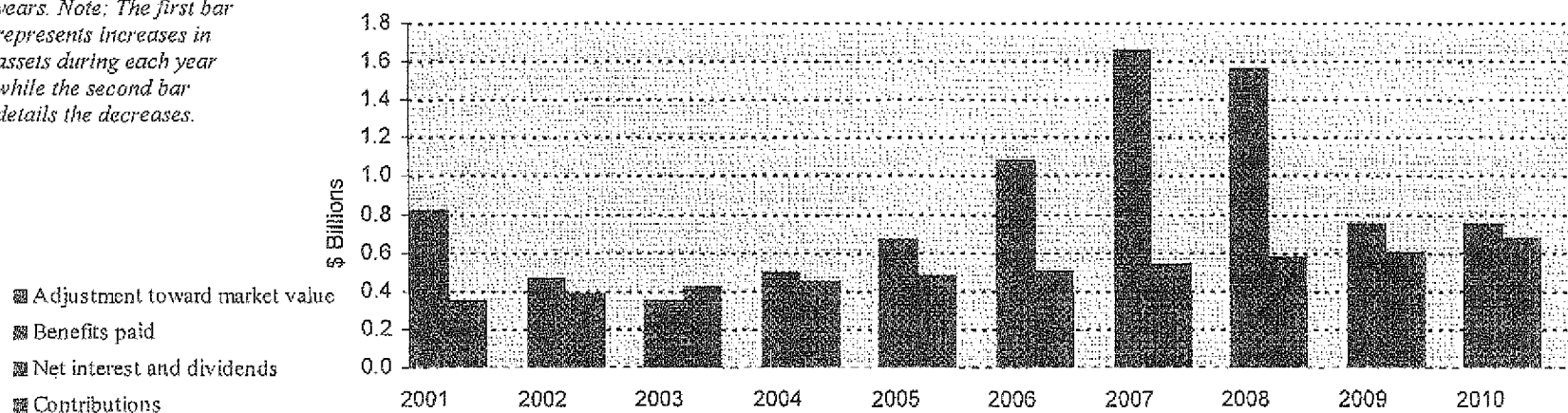
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2001 – 2010



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2010

1. Market value of assets				\$9,001,364,526
2. Calculation of unrecognized return*	Original Amount	Percent Not Recognized	Amount Not Recognized	
(a) Year ended June 30, 2010	\$392,956,483	85.71%	\$336,819,843	
(b) Year ended June 30, 2009	-2,964,832,484	66.67%	-1,976,554,989	
(c) Year ended June 30, 2008	-1,549,293,380	48.00%	-743,660,822	
(d) Year ended June 30, 2007	1,054,377,186	30.00%	316,313,156	
(e) Year ended June 30, 2006	366,478,652	13.33%	48,863,820	
(f) Total unrecognized return				-\$2,018,218,992
3. Preliminary actuarial value: (1) - (2f)				\$11,019,583,518
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$11,019,583,518</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				122.42%
7. Market value of retirement assets				\$7,804,222,662
8. Valuation value of retirement assets (5) ÷ (1) x (7)				\$9,554,027,411
9. Deferred return recognized in each of the next 6 years:				
(a) Amount recognized on 6/30/2011				-\$395,219,935
(b) Amount recognized on 6/30/2012				-395,219,935
(c) Amount recognized on 6/30/2013				-419,651,845
(d) Amount recognized on 6/30/2014				-525,089,564
(e) Amount recognized on 6/30/2015				-339,174,358
(f) Amount recognized on 6/30/2016				<u>56,136,640</u>
(g) Subtotal (may not total exactly due to rounding)				-\$2,018,218,997

*Total return minus expected return on a market value basis

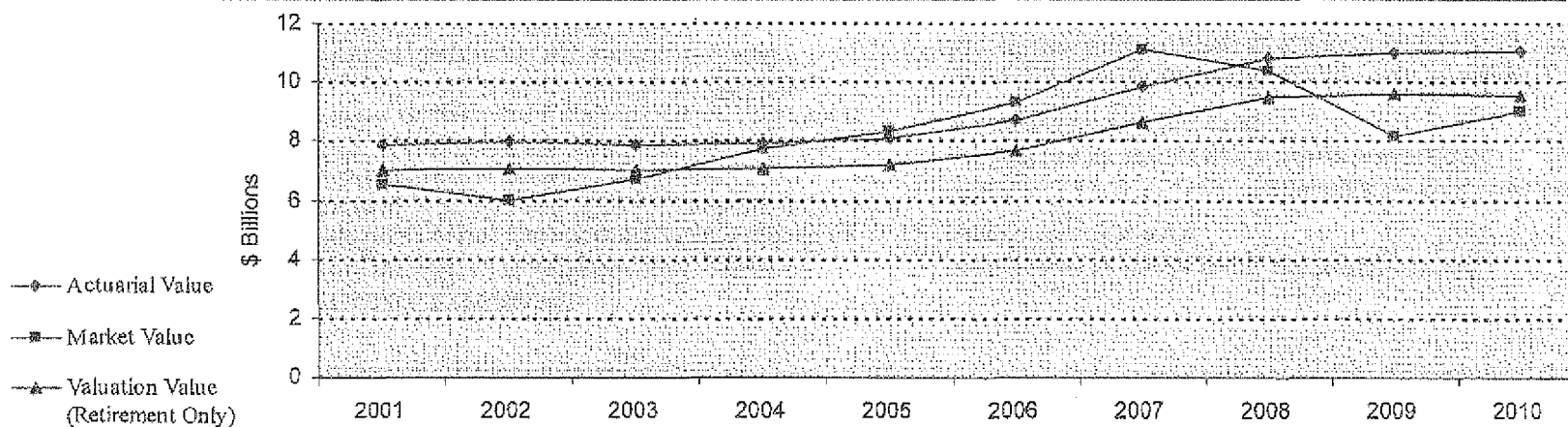
SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

The actuarial value, market value and valuation value of assets are representations of LACERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LACERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the assets over the past ten years.

CHART 8

Valuation Value (Retirement Only), Actuarial Value, and Market Value of Assets as of June 30, 2001 – 2010



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution

requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss of \$535,695,296 was due to an investment loss of \$589,130,694, offset by a gain of \$53,435,398 from all other sources. The net experience variation from all other sources was 0.42% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

**CHART 9
Actuarial Experience for Year Ended June 30, 2010**

1. Net gain/(loss) from investments*	-\$589,130,694
2. Net gain/(loss) from other experience**	101,001,076
3. Net gain/(loss) from one year delay in implementing the higher contribution rate calculated in the June 30, 2009 valuation until fiscal year 2010/2011	<u>-47,565,678</u>
4. Net experience gain/(loss): (1) + (2) + (3)	<u>-\$535,695,296</u>

* Details in Chart 10.

** Details in Chart 13. The net gain is attributed to actual liability experience from July 1, 2009 through June 30, 2010 compared to the projected experience predicted by the actuarial assumptions as of June 30, 2009.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00%. The actual rate of return on the valuation value of assets basis for the 2010 plan year was 1.86%.

Since the actual return for the year was less than the assumed return, LACERS experienced an actuarial loss during the year ended June 30, 2010 with regard to its investments.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2010

This chart shows the gain/(loss) due to investment experience.

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	\$261,593,064	\$178,484,489
2. Average value of assets	\$11,016,557,924	9,595,189,786
3. Actual rate of return: (1) ÷ (2)	2.37%	1.86%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) × (4)	\$881,324,634	\$767,615,183
6. Actuarial gain/(loss): (1) - (5)	<u>-\$619,731,570</u>	<u>-\$589,130,694</u>

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the Retirement, Health, Family Death and Larger Annuity Benefits for the last ten years, including the five-year average.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 – 2010

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	\$218,918,771	2.83%	\$443,656,601	5.73%	\$662,575,372	9.09%	\$218,918,771	-4.60%
2002	201,393,778	2.58%	112,813,481	1.44%	314,207,259	4.06%	201,393,778	-5.25%
2003	164,915,100	2.11%	11,691,257	0.15%	176,606,357	2.26%	238,161,856	3.61%
2004	171,166,339	2.19%	96,283,183	1.23%	267,449,522	3.42%	1,243,644,727	18.84%
2005	235,062,628	2.96%	109,661,360	1.38%	344,723,988	4.34%	753,805,403	9.71%
2006	238,266,254	2.90%	430,034,467	5.24%	668,300,721	8.14%	1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
2008	290,092,182	2.91%	752,500,487	7.53%	1,042,592,669	10.44%	-649,747,001	-5.78%
2009	237,249,377	2.17%	9,861,278	0.09%	247,110,655	2.26%	-2,125,637,471	-20.26%
2010	<u>190,583,695</u>	1.73%	<u>71,009,369</u>	0.64%	<u>261,593,064</u>	2.37%	<u>1,049,769,484</u>	12.79%
Total	\$2,209,325,353		\$2,928,419,137		\$5,137,744,490		\$3,783,877,131	
					Five-year average return	7.15%		2.55%

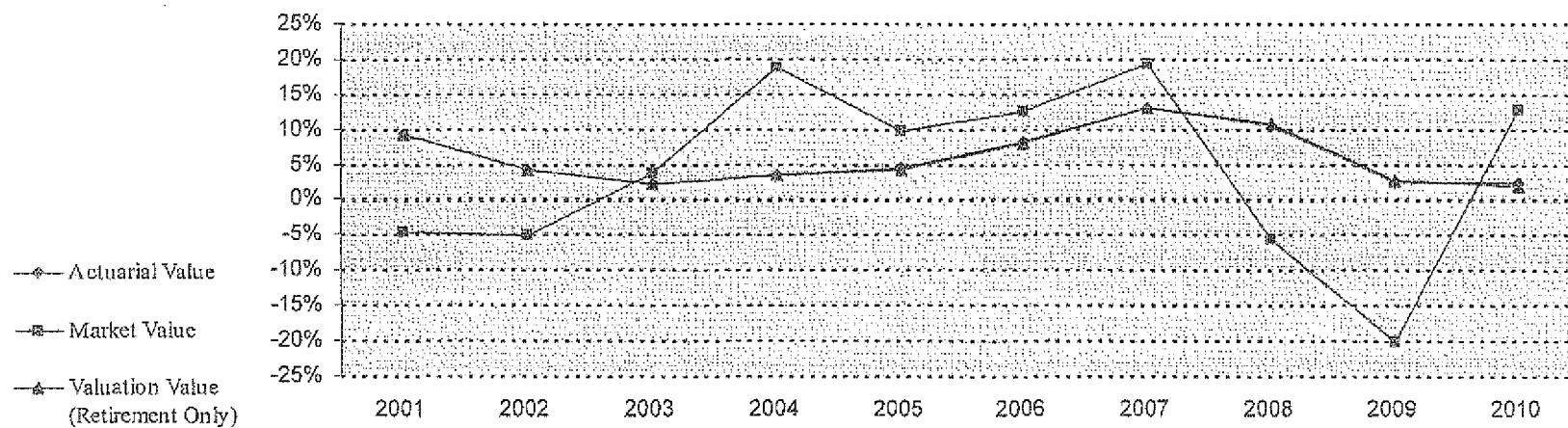
SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2001 - 2010.

CHART 12

Valuation Value (Retirement Only), Actuarial Value, and Market Value Rates of Return for Years Ended June 30, 2001 - 2010



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- > the extent of turnover among the participants,
- > retirement experience (earlier or later than expected),
- > mortality (more or fewer deaths than expected),
- > the number of disability retirements, and
- > salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2010 amounted to \$101,001,076 which is 0.8% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of LACERS for the year ended June 30, 2010 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2010

1. Gain due to lower than expected salary increases for continuing actives	\$7,897,263
2. Gain due to lower than expected COLA granted to retirees and beneficiaries	33,359,924
3. Gain due to reclassification of some prior non-contributing active members as vested or non-vested terminations by LACERS	56,530,336
4. Miscellaneous gain/(loss)	<u>3,213,553</u>
5. Net gain/(loss)	<u>\$101,001,076</u>

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 21.19% of payroll. We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2010, the

beginning of year minimum GASB ARC is \$331.9 million, so no additional adjustment has been made to the recommended contributions.

As shown in item 1 below, the total normal cost rate increased from 15.78% as of June 30, 2009 to 16.10% as of June 30, 2010. This is mainly due to a one year increase in the average age of active members after reflecting the ERIP elections.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14
Recommended Contribution

	Year Ended June 30			
	2010		2009	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$292,655,906	16.10%	\$286,582,206	15.78%
2. Expected employee contributions	<u>-122,342,654</u>	<u>-6.73%*</u>	<u>-107,903,907</u>	<u>-5.94%*</u>
3. Employer normal cost: (1) + (2)	\$170,313,252	9.37%	\$178,678,299	9.84%
4. Actuarial accrued liability	12,595,025,119		12,041,983,936	
5. Valuation value of assets	<u>-9,554,027,411</u>		<u>-9,577,747,421</u>	
6. Unfunded actuarial accrued liability	\$3,040,997,708		\$2,464,236,515	
7. Amortization of unfunded accrued liability	200,320,951	11.02%	148,789,924	8.19%
8. Total recommended contribution, beginning of year: (3) + (7)	<u>\$370,634,203</u>	<u>20.39%</u>	<u>\$327,468,223</u>	<u>18.03%</u>
9. Total recommended contribution, July 15	<u>\$371,808,294</u>	<u>20.46%</u>	<u>\$328,505,573</u>	<u>18.09%</u>
10. Total recommended contribution, end of pay periods	<u>\$385,079,981</u>	<u>21.19%</u>	<u>\$340,231,571</u>	<u>18.73%</u>
11. Total recommended contribution, 3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012	<u>\$378,927,455</u>	<u>20.85%</u>	<u>\$334,795,600</u>	<u>18.43%</u>
12. Total recommended contribution, 1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012	<u>\$390,438,066</u>	<u>21.48%</u>	<u>\$344,965,626</u>	<u>18.99%</u>
13. Projected payroll (after 2009 ERIP)	\$1,817,662,284		\$1,816,171,212	

* Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period would be 6.18% for the June 30, 2009 valuation and 7.00% for the June 30, 2010 valuation.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 9.37% of payroll. The remaining 11.02% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 22 years.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The contribution rates as of June 30, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2009 to June 30, 2010

Recommended Contribution as of June 30, 2009	\$340,231,571
Effect of change in amortization amounts due to assumed growth in payroll	\$6,570,038
Effect of contributions (more)/less than recommended contribution	4,170,531
Effect of investment (gain)/loss	51,654,640
Effect of increase in employer normal cost due to payroll and demographic changes	5,463,396
Effect of other (gains) and losses on accrued liability	-8,855,717
Effect of implementing the increased employee contribution rate under the 2009 ERIP	<u>-14,154,478</u>
Total change	<u>\$44,848,410</u>
Recommended Contribution as of June 30, 2010	\$385,079,981

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes for governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

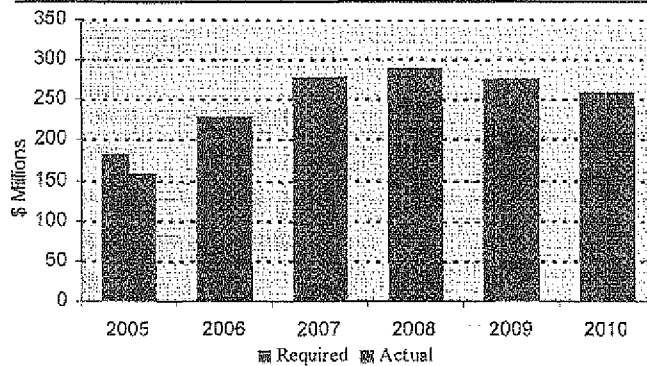
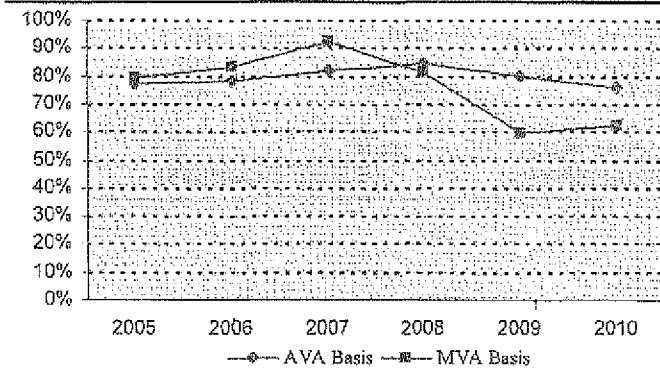


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation:			
Number	26,245	30,065	-12.7%
Average age	46.1	46.4	N/A
Average service	12.1	12.3	N/A
Projected total payroll before ERIP	N/A	\$1,999,861,604	N/A
Projected average payroll before ERIP	N/A	\$66,518	N/A
Projected total payroll after ERIP	\$1,817,662,284*	\$1,816,171,212**	0.1%
Projected average payroll after ERIP	\$69,257*	\$65,632**	5.5%
Account balances	\$1,286,084,101	\$1,423,225,489	-9.6%
Total active vested members	18,822	20,975	-10.3%
Inactive members:			
Number	5,344	4,554	17.3%
Average age	42.9	42.4	N/A
Average contribution balance for those with under 5 years of service	\$4,214	\$3,821	10.3%
Average monthly benefit at age 60 for those with 5 or more years of service***	\$1,360	\$1,355	0.4%
Retired members:			
Number in pay status	12,740	10,563	20.6%
Average service at retirement	27.1	26.5	N/A
Average age at retirement	60.2	60.0	N/A
Average age	70.4	72.0	N/A
Average monthly benefit (includes July COLA)	\$3,642	\$3,439	5.9%
Disabled members:			
Number in pay status	905	902	0.3%
Average service at retirement	12.1	12.0	N/A
Average age at retirement	45.3	45.0	N/A
Average age	62.4	61.6	N/A
Average monthly benefit (includes July COLA)	\$1,455	\$1,416	2.8%
Beneficiaries:			
Number in pay status	3,619	3,526	2.6%
Average age	75.9	75.9	N/A
Average monthly benefit (includes July COLA)	\$1,756	\$1,669	5.2%

* Reflects annualized salaries for part-time members.

** Projected total payroll after ERIP reflecting annualized salaries for part-time members is \$1,865,588,107, for an average of \$67,418.

*** Based on salary at termination from LACERS.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT B

Members in Active Service as of June 30, 2010
By Age, Years of Service, and Average Payroll

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	500	490	10	--	--	--	--	--	--	--
	\$38,076	\$38,057	\$39,024	--	--	--	--	--	--	--
25 - 29	1,762	1,430	326	6	--	--	--	--	--	--
	53,090	52,860	54,126	\$51,515	--	--	--	--	--	--
30 - 34	2,598	1,307	1,049	236	6	--	--	--	--	--
	63,474	60,255	66,331	68,466	\$68,961	--	--	--	--	--
35 - 39	2,919	1,064	1,009	728	103	15	--	--	--	--
	66,975	59,797	67,801	74,496	79,189	\$71,703	--	--	--	--
40 - 44	3,750	888	937	842	514	547	22	--	--	--
	70,607	58,713	64,605	74,670	86,771	78,740	\$71,065	--	--	--
45 - 49	4,753	808	857	754	512	1,315	474	33	--	--
	74,430	60,161	64,714	73,676	82,610	84,522	79,988	\$84,414	--	--
50 - 54	4,359	634	744	543	401	1,130	705	190	12	--
	74,717	58,633	62,454	70,964	79,089	83,105	87,895	79,084	\$75,194	--
55 - 59	3,017	463	611	418	255	696	348	157	66	3
	74,889	61,145	63,170	73,617	81,736	81,895	87,346	88,191	91,051	\$55,505
60 - 64	1,635	238	369	266	137	316	138	90	63	18
	71,079	53,733	57,848	70,417	76,443	78,253	80,953	93,788	108,481	\$94,520
65 - 69	658	105	157	104	61	111	58	24	16	22
	64,742	49,893	53,095	67,039	70,673	71,631	76,391	78,447	84,409	\$96,703
70 & over	294	75	73	33	28	48	17	7	3	10
	53,357	37,200	40,609	59,479	60,348	72,204	64,980	85,129	80,213	\$87,291
Total	26,245	7,502	6,142	3,930	2,017	4,178	1,762	501	160	53
	\$69,257	\$56,473	\$63,454	\$72,798	\$81,556	\$81,940	\$84,306	\$84,984	\$95,858	\$91,854

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT C

Reconciliation of Member Data

	Active Members	Inactive Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2009	30,065	4,554	902	10,563	3,526	49,610
New members	511	N/A	N/A	N/A	N/A	511
Terminations -- with vested rights	-1,213	1,213	0	0	0	0
Retirements*	-2,517	-75	N/A	2,592	N/A	0
New disabilities	-28	0	28	N/A	N/A	0
New beneficiaries*	N/A	N/A	N/A	N/A	273	273
Deaths or benefits expired	-73	-7	-23	-415	-180	-698
Refund of members contributions	-541	-346	0	0	0	-887
Rehired	41	-39	-2	0	N/A	0
Data adjustments	<u>0</u>	<u>44**</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44</u>
Number as of June 30, 2010	26,245	5,344	905	12,740	3,619	48,853

* Includes 2,395 retired members and beneficiaries who elected the 2009 ERIP.

** Includes members who were both hired and terminated during the year.

Note: For the change in the annual benefits from the retirees and beneficiaries added to and removed from the rolls, refer to Exhibit D of the supplemental schedules that accompany this report.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and Larger Annuity Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$362,751,146	\$383,637,842
Employee contributions	<u>126,961,295</u>	<u>118,592,071</u>
Net contribution income	\$489,712,441	\$502,229,913
Investment income:		
Interest, dividends and other income	\$231,005,078	\$269,650,125
Recognition of capital appreciation	71,009,369	9,861,278
Less investment and administrative fees	<u>-40,421,383</u>	<u>-32,400,748</u>
Net investment income	\$261,593,064	\$247,110,655
Total income available for benefits	\$751,305,505	\$749,340,568
Less benefit payments:		
Payment of benefits	-\$653,134,296	-\$584,472,818
Refunds of contributions	<u>-27,971,893</u>	<u>-21,325,182</u>
Net benefit payments	-\$681,106,189	-\$605,798,000
Change in reserve for future benefits	\$70,199,316	\$143,542,568

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT E

Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$372,183,032	\$317,385,409
Accounts receivable:		
Investment income	\$33,361,902	\$37,221,396
Proceeds from sales	37,691,856	59,510,669
Other	<u>4,134,392</u>	<u>2,132,119</u>
Total accounts receivable	\$75,188,150	\$105,864,184
Investments:		
Fixed Income	\$2,275,248,628	\$2,005,804,616
Equities	4,958,267,752	4,518,507,955
Real Estate and Alternative Investment	1,411,152,837	1,279,559,314
Other	<u>1,095,808,401</u>	<u>1,550,993,011</u>
Total investments at market value	\$9,740,477,618	\$9,354,864,896
Total assets	\$10,187,848,800	\$9,778,114,489
Less accounts payable:		
Accounts payable and accrued expenses	-\$29,685,696	-\$26,963,852
Derivative instrument	-24,900	0
Purchases of investments	-169,137,033	-160,749,597
Security lending collateral	<u>-987,636,645</u>	<u>-1,447,412,249</u>
Total accounts payable	-\$1,186,484,274	-\$1,635,125,698
Net assets at market value	<u>\$9,001,364,526</u>	<u>\$8,142,988,791</u>
Net assets at actuarial value	<u>\$11,019,583,518</u>	<u>\$10,949,384,202</u>
Net assets at valuation value (retirement benefits)	<u>\$9,554,027,411</u>	<u>\$9,577,747,421</u>

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT F

Development of the Fund Through June 30, 2010 for Retirement, Health, Family Death and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$229,136,519	\$94,268,171	\$344,723,988	\$479,891,624	\$8,105,746,091
2006	320,399,222	98,262,366	668,300,721	506,604,304	8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556
2008	411,658,277	114,678,456	1,042,592,669***	576,014,324**	10,805,841,634
2009	383,637,842	118,592,071	247,110,655	605,798,000	10,949,384,202
2010	362,751,146	126,961,295	261,593,064	681,106,189	11,019,583,518

* Net of investment fees and administrative expenses.

** Includes transfer of \$6,220,076 to Fire and Police pension.

*** Includes an \$11,000,000 return of excess reserve from PPO carrier.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2010

1. Unfunded actuarial accrued liability at beginning of year	\$2,464,236,515
2. Normal cost at beginning of year	286,582,206
3. Total contributions	-392,819,769
4. Interest	<u>194,869,138</u>
5. Expected unfunded actuarial accrued liability	\$2,552,868,090
6. Changes due to experience loss*	488,129,618
7. Unfunded actuarial accrued liability at end of year	<u>\$3,040,997,708</u>

* Excludes \$47,565,678 loss from contributions less than anticipated due to one-year delay in implementing the higher contribution rate calculated in the June 30, 2009 valuation. That loss is already included in the development of item 5.

The breakdown of the experience loss is as follows:

Investment (gain)/loss	\$589,130,694
(Gain)/loss due to lower than expected salary increases for continuing actives	(7,897,263)
(Gain)/loss due to lower than expected COLA granted to retirees and beneficiaries	(33,359,924)
(Gain)/loss due to reclassification of some prior non-contributing active members as vested or non-vested terminations by LACERS	(56,530,336)
Miscellaneous (gain)/loss	<u>(3,213,553)</u>
Total (gain)/loss	\$488,129,618

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT H

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Contribution phase-in loss	06/30/2004	15	\$29,485,103	\$24,922,769	9	\$3,176,422
Contribution phase-in loss	06/30/2005	15	12,401,167	11,002,371	10	1,283,264
Combined bases	06/30/2005	30	1,715,553,201	1,886,974,841	25	111,683,067
Change in assumptions	06/30/2005	30	371,312,873	408,415,227	25	24,172,588
Experience loss	06/30/2006	15	24,171,861	22,286,933	11	2,402,634
Experience gain	06/30/2007	15	-309,656,196	-294,295,333	12	-29,565,664
Experience gain	06/30/2008	15	-247,657,800	-240,959,213	13	-22,714,145
Change in assumptions	06/30/2008	30	25,605,618	26,748,239	28	1,478,353
Experience loss	06/30/2009	15	367,419,768	363,326,174	14	32,324,426
Plan amendment (2009 ERIP)	06/30/2009	15	300,225,354	296,880,404	14	26,412,875
Experience loss	06/30/2010	15	535,695,296	<u>535,695,296</u>	15	<u>45,207,457</u>
Subtotal before GASB amount				\$3,040,997,708		\$195,861,277
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	24,673,002	9	3,144,589
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	<u>11,275,201</u>	10	<u>1,315,085</u>
Total				\$3,076,945,911		\$200,320,951

* Beginning of year payments, based on level percentage of payroll.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$195,000 for 2010. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 3,619 beneficiaries in pay status)		17,264
2. Inactive members during year ended June 30, 2010 (including 3,804 members with under 5 years of service eligible for a refund of contributions)		5,344
3. Members active during the year ended June 30, 2010		26,245
Fully vested	18,822	
Not vested	7,423	

The actuarial factors as of the valuation date are as follows:

Assets

1. Valuation value of assets (\$9,001,364,526 at market value* and \$11,019,583,518 at actuarial value* as reported by LACERS)		\$9,554,027,411
2. Present value of future normal costs		
Employee	1,130,206,611	
Employer	<u>2,138,068,421</u>	
Total		3,268,275,032
3. Unfunded actuarial accrued liability		<u>3,040,997,708</u>
4. Present value of current and future assets		\$15,863,300,151

Liabilities

5. Present value of future benefits		
Retired members and beneficiaries	\$7,375,657,601	
Inactive members	225,301,578	
Active members	<u>8,262,340,972</u>	
Total		\$15,863,300,151

* Market value and actuarial value of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$292,655,906
2. Expected employee contributions*	<u>-122,342,654</u>
3. Employer normal cost: (1) + (2)	\$170,313,252
4. Payment on projected unfunded actuarial accrued liability	200,320,951
5. Total recommended contribution: (3) + (4), payable beginning of year	<u>\$370,634,203</u>
6. Total recommended contribution: adjusted for July 15 payment	<u>\$371,808,294</u>
7. Total recommended contribution: adjusted for biweekly payment	<u>\$385,079,981</u>
8. Total recommended contribution: adjusted for 3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012	<u>\$378,927,455</u>
9. Total recommended contribution: adjusted for 1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012	<u>\$390,438,066</u>
10. Projected payroll after 2009 ERIP	\$1,817,662,284
11. Item 5 as a percentage of projected payroll: (5) ÷ (10)	20.39%
12. Item 6 as a percentage of projected payroll: (6) ÷ (10)	20.46%
13. Item 7 as a percentage of projected payroll: (7) ÷ (10)	21.19%
14. Item 8 as a percentage of projected payroll: (8) ÷ (10)	20.85%
15. Item 9 as a percentage of projected payroll: (9) ÷ (10)	21.48%

* Discounted to beginning of year.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	\$183,241,489	\$158,131,638	86.30%
2006	227,740,600	227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%
2009	274,554,786	274,554,786	100.00%
2010	258,642,795	258,642,795	100.00%

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2005	\$7,193,142,227	\$9,321,524,967	\$2,128,382,740	77.17%	\$1,589,305,846	133.92%
06/30/2006	7,674,999,374	9,870,662,387	2,195,663,013	77.76%	1,733,339,536	126.67%
06/30/2007	8,599,699,772*	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%
06/30/2009	9,577,747,421	12,041,983,936	2,464,236,515	79.54%	1,816,171,212	135.68%
06/30/2010	9,554,027,411	12,595,025,119	3,040,997,708	75.86%	1,817,662,284	167.30%

* Valuation value of assets is after excluding \$5,269,481 of discounted Harbor Port Police assets transferred in October 2007.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2010
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 30 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases	Ranges from 12.25% to 6.75% for members with less than 5 years of service. Ranges from 6.50% to 4.75% for members with 5 or more years of service.
Cost of living adjustments	3.00%
Plan membership:	
Retired members and beneficiaries receiving benefits	17,264
Inactive members*	5,344
Active members	<u>26,245</u>
Total	48,853

* Either non-vested and entitled to a refund of member contributions or vested with a right to a deferred or immediate benefit.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT V

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) * .08 (c)	ARC Adjustment with Interest (h) / (e) * 1.08 (d)	Amortization Factor (e)	Pension Cost (a) + (c) - (d) (f)	Change in NPO (f) - (b) (g)	NPO Balance NPO + (g) (h)
2005	\$183,241,489	\$158,131,638	\$0	\$0	N/A	\$183,241,489	\$25,109,851	\$83,784,569
2006	227,740,600	227,740,600	4,693,977	5,429,482	11.6712*	227,005,095	(735,505)	83,049,064
2007	277,516,400	277,516,400	6,643,929	7,970,213	11.3532**	276,190,116	(1,326,284)	81,722,780
2008	288,119,041	288,119,041	6,537,822	8,289,017	10.8207	286,367,846	(1,751,195)	79,971,585
2009	274,554,786	274,554,786	6,397,727	8,620,578	10.2384	272,331,935	(2,222,851)	77,748,734
2010***	258,642,795	258,642,795	6,219,899	8,863,501	9.7444	255,999,193	(2,643,602)	75,105,132

* Due to the one-year lag in implementing new contribution rates, only the portion of the NPO established in the June 30, 2004 valuation is being amortized during 2005/2006.

** Similarly, the portion of the NPO established in the June 30, 2005 valuation is being amortized during 2006/2007 and the weighted average factor for the June 30, 2004 and June 30, 2005 layers is shown.

*** The calculation of the NPO has been adjusted to reflect the 4.25% total payroll growth assumption, which was adopted by the Board for fiscal year 2009/2010 funding requirements.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

After Service Retirement: RP-2000 Combined Healthy Mortality Table, set back one year.
After Disability Retirement: RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Termination Rates before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table, set back one year.

Age	Rate (%)	
	Disability	Termination*
25	0.01	4.75
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

* Termination rates are zero for members eligible to retire.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Rates of termination for members with less than 5 years of service are as follows:

Service	Rate (%)
	Termination (Based on Service)
0	9.75
1	8.00
2	6.25
3	5.50
4	4.75

Retirement Rates:

Age	Retirement Probability	
	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Retirement Age and Benefit for Inactive Vested Participants:	Assume pension benefit will be paid at the later of age 57 or the current attained age. For reciprocals, we assume 4.75% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 4 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	6.50%
Net Investment Return:	8.00%

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Salary Increases:

According to the following schedule:

For members with under 5 years of service,

<u>Service</u>	<u>Percentage Increase*</u>
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with over 5 years of service,

<u>Age</u>	<u>Percentage Increase*</u>
20 - 24	2.25%
25 - 29	2.00%
30 - 34	1.75%
35 - 39	1.50%
40 - 44	1.00%
45 - 49	0.75%
50 - 54	0.50%
55 - 69	0.50%

* Before including a 3.75% inflation increase and a 0.50% across the board increase.

Actuarial Value of Assets:

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Actuarial Cost Method: Projected Unit Credit Cost Method.

Funding Policy: The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Under the current funding policy, any future changes in the UAAL due to actuarial gains/losses will be amortized over separate 15 year periods. Any future changes in the UAAL due to assumption or method changes will be amortized over separate 30 year periods. Plan changes, including the 2009 ERIP, will be amortized over separate 15 year periods. Future ERIPs will be amortized over 5 years. And actuarial surplus will be amortized over 30 years.

Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT VII

Summary of Plan Provisions

This exhibit summarizes the major provisions of LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30

Census Date: June 30

Normal Retirement Benefit:

<i>Age & Service Requirement</i> (§ 4.1020)	Age 70; Age 60 with 10 years of continuous service; or Age 55 with at least 30 years of service.
<i>Amount</i> (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.

Early Retirement Benefit:

<i>Age & Service Requirement</i> (§ 4.1020)	Age 55 with 10 years of continuous service; or Any age with 30 year of service.
<i>Amount</i> (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
45	0.6250	50	0.7750
55	0.9250	60	1.0000

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Final Average Monthly Compensation: (§ 4.1010)	Equivalent of monthly average salary of highest continuous 12 months (one year).
Cost of Living Benefit: (§ 4.1040)	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.
Death after Retirement: (§ 4.1044)	<ul style="list-style-type: none">(i) 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);(ii) \$2,500 lump sum death benefit paid to a designated beneficiary; and(iii) Any unused contributions if the member has elected the cash refund annuity option.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Death before Retirement:
(§ 4.1062 and § 4.1054)

Option #1:

- (i) Eligibility – None.
- (ii) Benefit – Refund of contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

<u>Service Credit</u>	<u>Number of Monthly Payments</u>
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

- (i) Eligibility – Duty-related death or after 5 years of service.
- (ii) Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

SECTION 4: Reporting Information for the Los Angeles City Employees' Retirement System

Member Normal Contributions:
 (§ 4.1031)

If an employee became a plan member on or after January 1, 1983, the member normal contribution rate is 6%.

If an employee became a plan member before January 1, 1983, the rate is based on age at entry, sample rates by entry age (before reflecting applicable pick ups by the employers or "defrayals"*) are as follows:

Entry Age	Normal Rate	Survivor Rate
20	8.20%	0.44%
30	9.06%	0.75%
40	10.19%	0.91%
50	11.34%	1.03%

Effective July 1, 2011 the member normal contribution rate will be 7% for all employees. The 7% member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance 180926) is fully paid, whichever comes first.

* The net member rate after defrayals was adjusted to 6% upon the effective date of ERIP Ordinance 180926.

Disability:
 (§ 4.1055)

Service Requirement

5 years of continuous service

Amount

1/70 (about 1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

SECTION 4: Reporting Information for the Los Angeles City Employees' Retirement System

Deferred Withdrawal Retirement Benefit (Vested):

(§ 4.1020 and § 4.1059.1)

Age & Service Requirement

Age 70 with 5 years of continuous service;

Age 60 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or

Age 55 with at least 30 years of service.

Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Amount

See Normal retirement benefit

Age & Service Requirement

Age 55 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or

Age 55 with 10 years of continuous service.

Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.

Amount

See Early retirement benefit

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Changes in Plan Provisions:

There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation, except for the change in the member rates prescribed by ERIP Ordinance 180926.

5046554v1/96043.901

Los Angeles City Employees' Retirement System

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2010
In accordance with GASB Statements No. 43 and No. 45*

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THE PARENT OF THE SEGAL COMPANY
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November 3, 2010

*Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012*

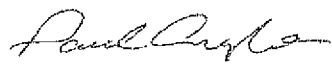
Dear Board members:

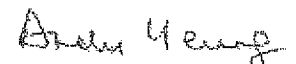
We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2010 under Governmental Accounting Standards Board Statements No. 43 and No. 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2010, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. This report was based on the census data provided the Retirement System and the terms of the Plan. The actuarial calculations were completed under the supervision of Dave Bergerson, FCA, ASA, MAAA, Enrolled Actuary and Patrick Twomey, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

Sincerely,

THE SEGAL COMPANY

By: 
Paul Angelo, FSA, EA, MAAA, FCA
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SECTION 1: Executive Summary for Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of the City of Los Angeles Employees' Retirement System OPEB plan as of June 30, 2010. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- On November 5, 2009, we issued a preliminary valuation report as of June 30, 2009 that did not include the impact of the 2009 Early Retirement Incentive Program (ERIP) offered by the City, as the ERIP elections were not available at that time.

On April 22, 2010, we issued a revised valuation report as of June 30, 2009 to reflect the latest ERIP election information available from the City at that time. The important considerations related to the ERIP group included in our report dated April 22, 2010 and this current report are provided on pages i and ii of this year's Pension valuation report.

For consistency, the June 30, 2009 demographic information shown in this report remains the same as that shown in our June 30, 2009 valuation report dated April 22, 2010. That is, the ERIP members are classified as active as of June 30, 2009 and as retired as of June 30, 2010.

- The recommended contribution has increased from \$116.2 million (6.40% of payroll) to \$130.8 million (7.20% of payroll), assuming contributions are made by the City on July 15.

- Consistent with the June 30, 2009 valuation report, the employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions or (2) on July 15 or (3) throughout the year (i.e. the City will pay contributions at the end of every pay period), or (4) on July 15, 2011 for three-fourths of the full payment and on June 30, 2012 for the remaining one-fourth of the full payment, or (5) on January 3, 2012 for one-half of the full payment and on May 2, 2012 for the remaining one-half of the full payment.
- LACERS has elected to comply with GASB 43 effective with the June 30, 2005 valuation. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The funding method used to develop the actuarial required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll for individual members.
- The funded ratio has decreased from 65.23% to 63.82% in this valuation. The unfunded actuarial accrued liability (UAAL) has increased from \$715.7 million to \$808.2 million. A reconciliation of the change in the UAAL is provided on page 8, Section 2.
- The discount rate for this valuation is 8.00%, and is based on the assumptions that the City is paying a contribution that equals the ARC and that 100% of benefits will be paid from the trust.

SECTION 1: Executive Summary for Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

- > The Board has adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2007 over a fixed period of 28 years beginning July 1, 2007. Health trend and premium assumption changes and gains and losses are amortized over 15 years, and assumption changes recommended in an experience study are amortized over 30 years. In no case will the effective amortization period of the unfunded actuarial accrued liability exceed 30 years. In addition, the costs associated with the 2009 ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.
- > Under the Board's asset smoothing method for the June 30, 2009 valuation, any investment gains/losses relative to the assumed return (currently 8% per year) were recognized over a period of 5 years. In addition, the actuarial value of assets was further adjusted, if necessary, so that it would stay within 50% of the market value of assets. At the September 28, 2010 meeting, the Board adopted two changes to the asset smoothing method, effective with the June 30, 2010 valuation. The first change was to increase the smoothing period from 5 years to 7 years and the second change was to limit the actuarial value of assets to be within 40% of market value (instead of the prior 50%).
- > As indicated in Section 3, Exhibit E of this report, the total unrecognized investment loss as of June 30, 2010 is \$2,018.2 million for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- > The deferred losses of \$2,018.2 million represent 22% of the market value of assets as of June 30, 2010. Unless offset by future investment gains or other favorable experience, the recognition of the \$2,018.2 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 63.82% to 52.13%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable on July 15) would increase from 7.20% to 8.41% of payroll.

SECTION 1: Executive Summary for Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2010	June 30, 2009
Actuarial Accrued Liability (AAL)	\$2,233,874,432	\$2,058,176,825
Actuarial Value of Assets	1,425,726,017	1,342,496,524
Unfunded Actuarial Accrued Liability	808,148,415	715,680,301
Funded Ratio	63.82%	65.23%
Market Value of Assets	\$1,164,606,591	\$998,406,298
Annual Required Contribution (ARC) for coming year		
Normal cost (beginning of year)	\$75,282,221	\$69,782,153
Amortization of the unfunded actuarial accrued liability	<u>55,134,978</u>	<u>46,013,918</u>
Total Annual Required Contribution (beginning of year)	\$130,417,199	\$115,796,071
Total Annual Required Contribution (July 15)	\$130,830,333	\$116,162,889
Total Annual Required Contribution (end of each pay period)	\$135,500,318	\$120,309,320
Projected total payroll*	\$1,817,662,284	\$1,816,171,212
ARC as a percentage of pay		
Beginning of year	7.17%	6.37%
July 15	7.20%	6.40%
End of each pay period	7.45%	6.62%
3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012	7.34%	6.52%
1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012	7.56%	6.72%
Total Participants	45,423	46,779
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (July 15)	\$116,162,889	\$96,511,234
Interest on Net OPEB Obligations	0	0
ARC Adjustments	<u>0</u>	<u>0</u>
Total Annual OPEB Cost	\$116,162,889	\$96,511,234
AOC as a percent of pay	6.40%	5.31%

* Reflects amount calculated in the pension valuation.

SECTION 1: Executive Summary for Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

November 3, 2010

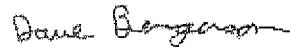
ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims and expense data provided by the LACERS.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.



Dave Bergerson, FCA, ASA, MAAA, EA
Vice President and Actuary



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	2010	2009
Participant Category		
Current retirees, beneficiaries, and dependents	\$1,124,253,854	\$1,118,519,907
Current active members	1,898,431,686	1,723,009,711
Terminated members entitled but not yet eligible	<u>34,454,928</u>	<u>26,181,886</u>
Total as of June 30	\$3,057,140,468	\$2,867,711,504
	2010	2009
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	\$1,425,726,017	\$1,342,496,524
2. Present value of future normal costs	823,266,036	809,534,679
3. Unfunded actuarial accrued liability	<u>808,148,415</u>	<u>715,680,301</u>
4. Present value of current and future assets	\$3,057,140,468	\$2,867,711,504
Liabilities		
5. Actuarial Present Value of total Projected Benefits	\$3,057,140,468	\$2,867,711,504

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members,

and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2010	June 30, 2009
Participant Category		
Current retirees, beneficiaries, and dependents	\$1,124,253,854	\$1,118,519,907
Current active members	1,075,165,650	913,475,032
Terminated members entitled but not yet eligible	<u>34,454,928</u>	<u>26,181,886</u>
Total actuarial accrued liability	\$2,233,874,432	\$2,058,176,825
Unfunded Actuarial Accrued Liability		
Total Actuarial accrued liability	\$2,233,874,432	\$2,058,176,825
Actuarial value of assets	<u>1,425,726,017</u>	<u>1,342,496,524</u>
Unfunded actuarial accrued liability	\$808,148,415	\$715,680,301
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2010		
1. Unfunded actuarial accrued liability at beginning of year	\$715,680,301	
2. Employer normal cost at beginning of year	69,782,153	
3. Total employer contributions at July 15	-96,511,234	
4. Interest	55,467,146	
5. Expected unfunded actuarial accrued liability	744,418,366	
6. Change due to the combined effect of experience gains, updated assumptions and methods	<u>63,730,049</u>	
7. Unfunded actuarial accrued liability at end of year	\$808,148,415	

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize unfunded actuarial accrued liability using the following rules: The unfunded actuarial accrued liability as of June 30, 2007 is amortized over a fixed period of 28 years beginning July 1, 2007. Assumption changes are amortized over 30 years and gains and losses are amortized over 15 years. The costs associated with the 2009 ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Outstanding Balance	Annual Payment*	Years Remaining
Initial Unfunded Actuarial Accrued Liability	06/30/2007	28	\$544,856,288	\$575,548,221	\$34,064,572	25
Experience Loss	06/30/2008	15	2,484,406	2,417,208	227,859	13
Assumption Change	06/30/2008	30	27,599,895	28,831,508	1,593,494	28
Experience Loss	06/30/2009	15	113,097,781	111,837,707	9,949,984	14
Assumption Change	06/30/2009	30	-48,425,091	-49,520,760	-2,681,868	29
Implementation of ERIP	06/30/2009	15	54,735,645	54,125,810	4,815,469	14
Experience Loss	06/30/2010	15	15,609,129	15,609,129	1,317,258	15
Assumption Change	06/30/2010	15	69,299,592	<u>69,299,592</u>	<u>5,848,210</u>	15
Total				\$808,148,415	\$55,134,978	

* Level percentage of pay

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th, three-fourth payment on July 15, 2011 and one-fourth payment on June 30, 2012 or one-half payment on January 3, 2012 and one-half payment on May 2, 2012.

The amortization payment is based on a 28-year amortization of the initial unfunded actuarial accrued liability as of June 30, 2007, 30-year amortization of assumption changes adopted as part of an experience study, and 15-year amortization of gains and losses, and health trend and premium assumption changes on a level percent of payroll basis.

The change in unfunded actuarial accrued liability due to adoption of the Early Retirement Incentive Program (ERIP) was amortized over 15 years.

CHART 4

Determination of Annual Required Contribution (ARC)

Cost Element	Determined as of June 30			
	2010		2009	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	\$75,282,221	4.14%	\$69,782,153	3.84%
2. Amortization of the unfunded actuarial accrued liability	<u>55,134,978</u>	<u>3.03%</u>	<u>46,013,918</u>	<u>2.53%</u>
3. Total Annual Required Contribution (beginning of year)	\$130,417,199	7.17%	\$115,796,071	6.37%
4. Projected Payroll*	\$1,817,662,284		\$1,816,171,212	
5. Adjustment for timing (July 15)	413,134	0.04%	366,818	0.03%
6. Total Annual Required Contribution (July 15)	\$130,830,333	7.20%	\$116,162,889	6.40%
7. Adjustment for timing (end of pay period)	5,083,119	0.28%	4,513,249	0.25%
8. Total Annual Required Contribution (end of pay period)	\$135,500,380	7.45%	\$120,309,320	6.62%
9. Total Annual Required Contribution (3/4 payment on July 15, 2011 and 1/4 payment on June 30, 2012)	\$133,335,393	7.34%	\$118,387,105	6.52%
10. Total Annual Required Contribution (1/2 payment on January 3, 2012 and 1/2 payment on May 2, 2012)	\$137,385,685	7.56%	\$121,983,317	6.72%

* Reflects amount calculated in the pension valuation.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The Annual OPEB Cost (AOC) adjusts the ARC for any past differences between the ARC and contributions in relation to the ARC as tracked in the Net OPEB Obligation (NOO). The AOC is the cost of OPEB actually recognized as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)
Determination of Annual OPEB Cost (AOC)

Cost Element	Determined as of June 30			
	2010		2009	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Annual Required Contribution (July 15)	\$130,830,333	7.20%	\$116,162,889	6.40%
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	0	0.00%	0	0.00%
3. ARC adjustment	0	0.00%	0	0.00%
4. Annual OPEB Cost (July 15)	<u>\$130,830,333</u>	<u>7.20%</u>	<u>\$116,162,889</u>	<u>6.40%</u>

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the

schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006*	\$76,116,104	\$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%
2010	96,511,234	96,511,234	100.00%

* ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2006*	\$76,116,104	\$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%
2010	96,511,234	96,511,234	100.00%

* ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 45 because the plan's funding policy excluded active employees with less than 10 years of service.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2005	\$893,378,123	\$1,718,898,792	\$825,520,669	51.97%	\$1,589,305,346	51.94%
06/30/2006	990,269,715	1,730,798,950	740,529,235	57.21%	1,733,339,536	42.72%
06/30/2007	1,185,543,893	1,730,400,181	544,856,288	68.51%	1,896,609,013	28.73%
06/30/2008	1,342,919,611	1,928,042,900	585,123,289	69.65%	1,977,644,640	29.59%
06/30/2009	1,342,496,524	2,058,176,825	715,680,301	65.23%	1,816,171,212	39.41%
06/30/2010	1,425,726,017	2,233,874,432	808,148,415	63.82%	1,817,662,284	44.46%

* Reflects amount calculated in the pension valuation.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System June 30, 2010 Measurement Under GASB 43 and 45

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Fiscal Year (g)
06/30/2006*	\$76,116,104	\$0	\$0	\$76,116,104	\$76,116,104	\$0	\$0
06/30/2007	115,232,538	0	0	115,232,538	115,232,538	0	0
06/30/2008	108,848,499	0	0	108,848,499	108,848,499	0	0
06/30/2009	95,122,090	0	0	95,122,090	95,122,090	0	0
06/30/2010	96,511,234	0	0	96,511,234	96,511,234	0	0

* ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

*This exhibit summarizes
the participant data
used for the current and
prior valuations.*

**EXHIBIT A
Summary of Participant Data**

	June 30, 2010	June 30, 2009
Retirees*		
Number of non-disabled	11,510	9,594
Number of disabled	<u>288</u>	<u>529</u>
Total number of retirees	11,798	10,123
Average age of retirees	70.4	71.2
Number of spouses	4,930	4,147
Average age of spouses	66.7	66.0
Surviving Spouses*		
Number	1,644	1,770
Average age	78.8	75.4
Active Participants		
Number	26,245	30,065
Average age	46.1	46.4
Average years of service	12.1	12.3
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	806	674
Average age	50.2	49.6

* Excludes retirees not yet eligible for retiree health benefits.

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT B

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2011	18,372	818	19,190	\$90,245,000	\$4,572,042	\$94,817,042
2012	17,930	1,505	19,435	91,915,602	9,312,508	101,228,110
2013	17,445	2,244	19,689	95,217,157	15,351,909	110,569,066
2014	16,929	3,065	19,994	97,307,080	22,817,431	120,124,511
2015	16,392	3,961	20,353	99,179,153	31,923,255	131,102,408
2016	15,817	4,938	20,755	100,275,521	42,804,078	143,079,599
2017	15,235	6,022	21,257	100,952,942	55,740,883	156,693,825
2018	14,645	7,162	21,807	100,987,477	70,228,672	171,216,149
2019	14,042	8,339	22,381	100,987,993	86,033,481	187,021,474
2020	13,438	9,541	22,979	100,145,847	103,442,377	203,588,224

* Includes spouses of retirees, but excludes those not receiving a subsidy from LACERS.

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT C

**Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and
Larger Annuity Benefits**

	Year Ended June 30, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$362,751,146	\$383,637,842
Employee contributions	<u>126,961,295</u>	<u>118,592,071</u>
Net contribution income	\$489,712,441	\$502,229,913
Investment income:		
Interest, dividends and other income	\$231,005,078	\$269,650,125
Recognition of capital appreciation	71,009,369	9,861,278
Less investment and administrative fees	<u>-40,421,383</u>	<u>-32,400,748</u>
Net investment income	<u>\$261,593,064</u>	<u>\$247,110,655</u>
Total income available for benefits	\$751,305,505	\$749,340,568
Less benefit payments:		
Payment of benefits	-\$653,134,296	-\$584,472,818
Refunds of contributions	<u>-27,971,893</u>	<u>-21,325,182</u>
Net benefit payments	-\$681,106,189	-\$605,798,000
Change in reserve for future benefits	\$70,199,316	\$143,542,568

Note: Results may be slightly off due to rounding.

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT D

Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2010	Year Ended June 30, 2009
Cash equivalents	\$372,183,032	\$317,385,409
Accounts receivable:		
Investment income	\$33,361,902	\$37,221,396
Proceeds from sales	37,691,856	59,510,669
Other	<u>4,134,392</u>	<u>2,132,119</u>
Total accounts receivable	\$75,188,150	\$105,864,184
Investments:		
Fixed Income	\$2,275,248,628	\$2,005,804,616
Equities	4,958,267,752	4,518,507,955
Real Estate and Alternative Investment	1,411,152,837	1,279,559,314
Other	<u>1,095,808,401</u>	<u>1,550,993,011</u>
Total investments at market value	\$9,740,477,618	\$9,354,864,896
Total assets	\$10,187,848,800	\$9,778,114,489
Less accounts payable:		
Accounts payable and accrued expenses	-\$29,685,696	-\$26,963,852
Derivative instrument	-24,900	0
Purchases of investments	-169,137,033	-160,749,597
Security lending collateral	<u>-987,636,645</u>	<u>-1,447,412,249</u>
Total accounts payable	-\$1,186,484,274	-\$1,635,125,698
Net assets at market value	<u>\$9,001,364,526</u>	<u>\$8,142,988,791</u>
Net assets at actuarial value	<u>\$11,019,583,518</u>	<u>\$10,949,384,202</u>
Net assets at valuation value (retiree health benefits)	<u>\$1,425,726,017</u>	<u>\$1,342,496,524</u>

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
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It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

EXHIBIT E

Determination of Actuarial Value of Assets for Year Ended June 30, 2010

1. Market value of assets				\$9,001,364,526
2. Calculation of unrecognized return*	Original Amount	Percent Not Recognized	Amount Not Recognized	
(a) Year ended June 30, 2010	\$392,956,483	85.71%	\$336,819,843	
(b) Year ended June 30, 2009	-2,964,832,484	66.67%	-1,976,554,989	
(c) Year ended June 30, 2008	-1,549,293,380	48.00%	-743,660,822	
(d) Year ended June 30, 2007	1,054,377,186	30.00%	316,313,156	
(e) Year ended June 30, 2006	366,478,652	13.33%	48,863,820	
(f) Total unrecognized return				-\$2,018,218,992
3. Preliminary actuarial value: (1) - (2f)				\$11,019,583,518
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$11,019,583,518</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				122.42%
7. Market value of retiree health assets				\$1,164,606,591
8. Valuation value of retiree health assets (5) ÷ (1) × (7)				\$1,425,726,017
9. Deferred return recognized in each of the next 6 years:				
(a) Amount recognized on 6/30/2011				-\$395,219,935
(b) Amount recognized on 6/30/2012				-395,219,935
(c) Amount recognized on 6/30/2013				-419,651,845
(d) Amount recognized on 6/30/2014				-525,089,564
(e) Amount recognized on 6/30/2015				-339,174,358
(f) Amount recognized on 6/30/2016				<u>56,136,640</u>
(g) Subtotal (may not total exactly due to rounding)				-\$2,018,218,997

*Total return minus expected return on a market value basis

**SECTION 3: Supplemental Valuation Details for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

The chart below details the changes in the ARC from the prior valuation to the current year's valuation.

**EXHIBIT F
Reconciliation of Recommended Contribution**

Item	Amount
Expected ARC (beginning of year)	\$115,796,071
Change in amortization amount due to assumed growth in payroll	\$1,955,592
Other experience gains/losses	-1,891,079
Investment loss	3,208,337
Assumption changes	5,848,210
Changes in composition of active population	<u>5,500,068</u>
Actual ARC (beginning of year)	<u>\$130,417,199</u>

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2010	
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group	
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.	
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Assumption changes resulting from experience study are amortized over 30 years. Health trend and premium assumption changes amortized over 15 years. The initial unfunded on June 30, 2007 were combined and amortized over 28 years. Plan changes, including the liability change due to the ERIP is amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years.	
Asset valuation method	Market value of assets less unrecognized returns. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. In addition, the actuarial value of assets is further adjusted, if necessary, to stay within 40% of the market value of assets (previously, the limit was 50%).	
Actuarial assumptions:		
Investment rate of return	8.00%	
Inflation rate	3.75%	
Real across-the-board salary increase	0.50%	
Projected salary increases	N/A	
Medical cost trend rate	Actual increase for 2010-2011, 9.75% starting in the 2011-2012 fiscal year graded down by 0.50% per year over 10 years to an ultimate rate of 5.00%	
Dental cost trend rate	5.00%	
Medicare Part B premium	5.00%	
Plan membership:	June 30, 2010	June 30, 2009
Current retirees, beneficiaries, and dependents receiving benefits	18,372	16,040
Current active participants	26,245	30,065
Terminated participants entitled but not yet eligible	<u>806</u>	<u>674</u>
Total	45,423	46,779

SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data and financial data for postemployment benefits were provided by LACERS.

Unknown Data for Members: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Actuarial Cost Method: Projected unit credit.

Termination Rates before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality table, set back one year.

Age	Disability	Termination*
25	0.01%	4.75%
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

All deaths are assumed to be non-duty related.

No termination is assumed after a member is eligible for retirement.

* Termination rates for actives with less than 5 years of service are as follows:

Service	Rate
0	9.75%
1	8.00
2	6.25
3	5.50
4	4.75

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

Measurement Date: June 30, 2010

Discount Rate: 8.00%, net of investment and administrative expenses

Postretirement Mortality Rates:

Healthy

RP-2000 Combined Healthy Mortality table, set back one year.

Disabled

RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Active Retirement Rates:

Age	Retirement Probability	
	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45

**Retirement Age and Benefit for
Inactive Vested Participants:**

Assume pension benefit will be paid at the later of age 57 or the current attained age.

Exclusion of Inactive Vested:

Inactive vested with less than 10 years of service are excluded.

Per Capita Cost Development:

The assumed costs on a composite basis are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Maximum Dental Subsidy (same as premium)

<u>Carrier</u>	<u>Participation Percent</u>	<u>Monthly 2010- 2011 Fiscal Year Subsidy</u>
Met Life PPO	76.4	\$36.16
SafeGuard	23.6	\$12.38

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

Per Capita Cost Development:

2010-2011 Fiscal Year		Participant Under Age 65 or Not Eligible for Medicare A & B								
CARRIER	Election Percent	Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser	60.0	\$578.98	\$1,156.50	\$578.98	\$1,155.98	\$1,156.50	\$1,155.98	\$578.98	\$578.98	\$578.98
Blue Cross PPO	21.5	\$955.66	\$1,156.50	\$955.66	\$1,905.08	\$1,156.50	\$1,156.50	\$955.66	\$578.98	\$578.98
Blue Cross HMO	18.5	\$660.46	\$1,156.50	\$660.46	\$1,314.69	\$1,156.50	\$1,156.50	\$660.46	\$578.98	\$578.98

2010-2011 Fiscal Year		Participant Eligible for Medicare A & B								
CARRIER	Election Percent	Single Party			Married/With Domestic Partner			Eligible Survivor		
		Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser	57.5	\$205.45	\$205.45	\$205.45	\$408.91	\$408.91	\$408.91	\$205.45	\$205.45	\$205.45
Blue Cross PPO	30.1	\$460.25	\$460.25	\$460.25	\$891.76	\$661.10	\$661.10	\$460.25	\$460.25	\$460.25
Secure Horizons CA	12.4	\$208.28	\$208.28	\$208.28	\$412.31	\$412.31	\$412.31	\$208.28	\$208.28	\$208.28

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Surviving Spouse Coverage	With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	Retiree Medical and Dental Coverage Election:

Service Range	Percent Covered*
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

* *Inactive members are assumed to elect coverages at 50% of the rates shown above.*

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.						
Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium						
First Fiscal Year (July 1, 2010 through June 30, 2011)						
PLAN	Blue Cross PPO, Under Age 65	Blue Cross PPO, Age 65 and Over	Kaiser HMO, Under Age 65	Senior Advantage	Blue Cross HMO, Under 65	Secure Horizons
Trend to be applied to 2010-2011 Fiscal Year premium	8.44%	8.52%	7.84%	4.39%	10.03%	8.55%
			The fiscal year trend rates are based on the following Calendar year trend rates:			
Fiscal Year	Trend (Approx)		Calendar Year	Trend (applied to calculate following year premium)		
2011-2012	9.75%		2011	10.00%		
2012-2013	9.25%		2012	9.50%		
2013-2014	8.75%		2013	9.00%		
2014-2015	8.25%		2014	8.50%		
2015-2016	7.75%		2015	8.00%		
2016-2017	7.25%		2016	7.50%		
2017-2018	6.75%		2017	7.00%		
2018-2019	6.25%		2018	6.50%		
2019-2020	5.75%		2019	6.00%		
2020-2021	5.25%		2020	5.50%		
2021 and later	5.00%		2021 and later	5.00%		
Dental Premium Trend	5.00% for all years					
Medicare Part-B Premium Trend	Trend for the 2010-11 fiscal year will be calculated based on actual increase in Medicare Part B premium from 2010 to 2011 when it becomes available. 5.00% for years following the 2011 calendar year.					

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
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Plan Design: Development of plan liabilities was based on the substantive plan of benefits in effect.

Administrative Expenses: No administrative expenses were valued separately from the claim costs.

Assumption Changes

Since Prior Valuation:

Premiums were updated.

Health care trend rates were updated.

Medical and dental carrier election assumptions were updated.

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

Retirees

§4.1103.2

Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a disabled retiree before the member reaches age 55.

Health Subsidy for Members:

Under Age 65 or

Over Age 65 And Only

Enrolled in Medicare Part B:

§4.1103.2

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2010, the maximum health subsidy was \$1,123 per month, and will increase to \$1,190 per month on January 1, 2011.

Over Age 65 and Enrolled in

Both Medicare Parts A and B:

§4.1103.2

For retirees, a maximum health subsidy limited to the single-party monthly premium of the plan in which the member is enrolled, is provided subject to the following vesting schedule:

<u>Completed Years of Service</u>	<u>Vested Percentage</u>
10-14	75%
15-19	90%
20+	100%

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

An additional amount is added for coverage of dependents which shall not exceed the amount provided a retiree not enrolled in Parts A and B and covered by the same medical plan and with the same years of service.

The combined member and dependent subsidy shall not exceed the actual premium.

Dental Subsidy for Members:
§4.1105.2

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2010, the maximum dental subsidy was \$36.16 per month and will remain at \$36.16 on January 1, 2011.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

**Medicare Part B Subsidy for
Members:**
§4.1104

If a City Retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Part B Medicare premium.

Surviving Spouse Subsidy:
§4.1107 & §4.1107.1

The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on member's years of service and the surviving dependent's eligibility for Medicare.

*Under Age 65 or Over Age 65
And Only Enrolled in Medicare
Part B:*

The maximum health subsidy available for survivors is the Kaiser single-party premium (\$562.36 per month as of July 1, 2010, increasing to \$595.60 on January 1, 2010) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

*Over Age 65 and Enrolled in
Both Medicare Parts A and B:*

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

<u>Completed Years of Service</u>	<u>Vested Percentage</u>
10-14	75%
15-19	90%
20+	100%

SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45

EXHIBIT IV
Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial
Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Actuarial Present Value of Total
Projected Benefits (APB):**

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability
For Actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability
For Retirees:**

The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
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Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valuation. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
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Net OPEB Obligation (NOO):

The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions (if any). There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
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EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 -- *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibits IV and VI of Section

**SECTION 4: Supporting Information for the Los Angeles City Employees' Retirement System June 30, 2010
Measurement Under GASB 43 and 45**

4 contain a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

5107374v2/05806.003



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VIA E-MAIL AND USPS

March 21, 2011

Mr. Thomas Simonovski
Senior Labor Relations Specialist
City of Los Angeles
Office of the City Administrative Officer
200 North Main Street, Room 1200
Los Angeles, CA 90012

**Re: City of Los Angeles Fire and Police Pension Plan
Medical Subsidy Freeze Study**

Dear Thomas:

We have prepared a study to determine the cost impact to LAFPP of freezing the medical subsidy (at the 2010-2011 fiscal year levels¹) for future retirees retiring on or after July 1, 2011. As the membership data as of July 1, 2011 is not currently available, the cost in this study has been calculated as of June 30, 2010 assuming the savings from this benefit change will become effective for all retirements on or after July 1, 2010. Our reduction in cost results are shown in the enclosed Exhibits. We have provided the results by tier in addition to the impact on the entire plan.

Methodology and Assumptions

All assumptions, actuarial methodologies, and plan provisions used in this study are the same as those shown in the actuarial valuation report as of June 30, 2010, except where noted otherwise in this letter.

¹ For non-Medicare retirees, the maximum monthly subsidy in 2010-2011 is the same \$1,025.62 for single retirees and retirees providing coverage for spouse or domestic partner. For Medicare retirees, the maximum monthly subsidy is different between single retirees and retirees providing coverage for spouse or domestic partner. The maximum subsidy for retirees with coverage for spouse or domestic partner is also different between the different medical plans offered by LAFPP. Also of note is that the maximum monthly subsidy payable to a surviving spouse or non-Medicare domestic partner is different from that payable to a single non-Medicare retiree.



In preparing the regular valuation as of June 30, 2010, the entire unfunded actuarial accrued liability (UAAL) for the medical plan was amortized over 26 years. It is our understanding that neither the Charter nor the Administrative Code provides specific instructions on the length of the amortization period for use in this type of plan change for the medical plan. For the purpose of this study, we have continued to use a 26-year period to amortize the change in the UAAL in this study. As we are not aware of any prior amendments that decrease benefits, the Board of Retirement should be consulted on the amortization period that should be used for this change.

As stated above, we approximated the change in costs by assuming that the medical subsidy amount would be frozen for all future retirees as of July 1, 2010 (instead of July 1, 2011), so the savings are slightly overstated. Two scenarios have been included in this study. Under Scenario #1, we assume that the medical subsidy amounts payable for the current 2010/2011 fiscal year would be frozen for 3 years² and under Scenario #2 we assume that the medical subsidy amounts for the current 2010/2011 fiscal year would be frozen indefinitely.

For the scenario with the 3-year medical subsidy freeze, in the 4th year (fiscal year 2014/2015), we assumed that the medical subsidy would increase by the assumed medical inflation trend assumption for that single year (i.e., 9.5%) and that there would be no making up for medical inflation (assumed or actual) for fiscal years 2011/2012, 2012/2013 and 2013/2014.

Unlike the medical subsidy amounts, we have continued to assume that Medicare Part B and dental subsidies would not be frozen. They would be fully indexed with inflation for Medicare Part B and the dental plan.

While as always we defer to legal counsel on all legal issues, for this study we have assumed that there is no vested right issue associated with not providing an increase in the medical subsidy level for future retirees.

Results

The reduction in costs are 1.79% and 6.03% of payroll under Scenarios #1 and #2, respectively.

The cost reduction in Scenario #2 is especially significant as the contribution rate determined in the June 30, 2010 regular valuation for providing current medical plan benefits is only 12.27% of payroll. The primary reason for that cost reduction is that a higher actuarial liability has been accrued in the regular valuation under the current assumption that fully indexed medical subsidy amounts would be paid based on the service earned by the active members from their date of employment to the date of the valuation. Under this study, there would now be a reduction in those liabilities as the fully indexed medical amounts would not be paid even with respect to the service already earned.

² Specifically, we assume there will be no increase in the medical subsidy amounts for the 2011/2012, 2012/2013 and 2013/2014 fiscal years.

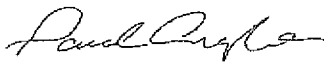
Mr. Thomas Simonovski
March 21, 2011
Page 3

As previously discussed, we calculated the amortization amount for these plan changes using a period of 26 years. That 26-year period complied with GASB standards that require that the current net amortization amount correspond to a single equivalent amortization period of not more than 30 years.

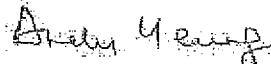
Even if it were to be determined that the Charter or the Administrative Code would allow a shorter amortization period for this amendment and the Board of Retirement would approve such period, it would be important to confirm that the equivalent single amortization period under GASB 43 and 45 for the combined existing and reduced unfunded actuarial accrued liability as a result of this study would be no longer than 30 years³. We are available to recalculate the additional cost reductions relative those provided in the attached Exhibits once that amortization period is defined⁴.

If you have any questions, feel free to call.

Sincerely,



Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

RPT/kek
Enclosures

³ The shortest plan amendment amortization period that would result in a GASB compliant period for the combined amortization amount is about 14 years for the 3-year freeze under Scenario #1 and is about 22 years for the indefinite freeze under Scenario #2.

⁴ If a 14-year period is used for Scenario #1, there would be a further reduction in cost by about 0.5% of payroll. If a 22 year-period is used for Scenario #2, there would instead be a further reduction in cost by about 0.3% of payroll.

City of Los Angeles Fire and Police Pension Plan

EXHIBIT A

Cost savings due to freezing the medical subsidy
Cost Impact on Entire Plan

Determined as of June 30, 2010

	Scenario #1 3-Year Freeze Amortize UAAL over 26 years	Scenario #2 Freeze Indefinitely Amortize UAAL over 26 years
Decrease in normal cost	-\$11,780,375	-\$41,507,908
Decrease in Unfunded Actuarial Accrued Liability		
Current Retirees	\$0	\$0
Future Retirees	<u>-207,164,721</u>	<u>-662,761,872</u>
Total	-\$207,164,721	-\$662,761,872
Decrease in Annual Payment (in dollars)		
Normal Cost	-\$11,780,375	-\$41,507,908
Unfunded Actuarial Accrued Liability	-11,678,025	-37,360,365
Interest Adjustment	<u>-892,053</u>	<u>-2,999,122</u>
Total	-\$24,350,453	-\$81,867,395
Payroll	\$1,356,986,476	\$1,356,986,476
Decrease in Annual Payment (percent of pay)		
Normal Cost	-0.87%	-3.06%
Unfunded Actuarial Accrued Liability	-0.86	-2.75
Interest Adjustment	<u>-0.06</u>	<u>-0.22</u>
Total	-1.79%	-6.03%

City of Los Angeles Fire and Police Pension Plan

EXHIBIT B

Scenario #1 - Cost savings due to freezing the medical subsidy for 3 years
Amortize UAAL over 26 years
Cost Impact by Tier

Determined as of June 30, 2010

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (Without HPP)	Tier 5 (HPP)
Decrease in Annual Payment (in dollars)						
Normal Cost	\$0	-\$117,195	-\$834,946	-\$357,654	-\$10,367,393	-\$103,187
Unfunded Actuarial Accrued Liability	0	-272,315	-948,512	-429,917	-9,995,571	-31,710
Interest Adjustment	0	<u>-14,812</u>	<u>-67,820</u>	<u>-29,949</u>	<u>-774,342</u>	<u>-5,130</u>
Total	\$0	-\$404,322	-\$1,851,278	-\$817,520	-\$21,137,306	-\$140,027
Payroll	N/A	\$1,356,986,476	\$97,967,569	\$45,131,204	\$1,186,271,650	\$10,381,200
 Decrease in Annual Payment (percent of pay)						
Normal Cost	N/A	-0.01%	-0.85%	-0.79%	-0.87%	-0.99%
Unfunded Actuarial Accrued Liability	N/A	-0.02	-0.97	-0.95	-0.84	-0.31
Interest Adjustment	N/A	<u>-0.00</u>	<u>-0.07</u>	<u>-0.08</u>	<u>-0.07</u>	<u>-0.05</u>
Total	N/A	-0.03%	-1.89%	-1.82%	-1.78%	-1.35%



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VIA EMAIL & USPS

March 22, 2011

Mr. Thomas Simonovski
Senior Labor Relations Specialist
City of Los Angeles
Office of the City Administrative Officer
200 North Main Street, Room 1200
City Hall East, Mail Stop 139
Los Angeles, CA 90012

Re: **Los Angeles City Employees' Retirement System
Medical Subsidy Freeze Study**

Dear Thomas:

We have prepared a study to determine the cost impact to LACERS of freezing the medical subsidy at the 2011 calendar year levels¹ for future retirees retiring on or after July 1, 2011. As the membership data as of July 1, 2011 is not currently available, the cost in this study has been calculated as of June 30, 2010 assuming the savings from this benefit change will become effective for all retirements on or after July 1, 2010. Our reduction in cost results are shown in the enclosed Exhibit.

Methodology and Assumptions

All assumptions, actuarial methodologies, and plan provisions used in this study are the same as those shown in the actuarial valuation report as of June 30, 2010, except where noted otherwise in this letter. The change in the unfunded actuarial accrued liability in this study is being amortized over 15 years as a level percentage of payroll. We have used 15 years because that is the amortization period adopted by the Board for plan amendments.

¹ For non-Medicare retirees, the maximum monthly subsidy in 2011 is the same \$1,190 for single retirees and retirees providing coverage for spouse or domestic partner. For Medicare retirees, the maximum monthly subsidy is different between single retirees and retirees providing coverage for spouse or domestic partner. The maximum subsidy is also different between the different medical plans offered by LACERS. Also of note is that the maximum monthly subsidy payable to a surviving spouse or domestic partner may be different from that payable to a single retiree.

Benefits, Compensation and HR Consulting Offices throughout the United States and Canada

As stated above, we approximated the change in costs by assuming that the medical subsidy amount would be frozen for all future retirees as of July 1, 2010 (instead of July 1, 2011), so the savings are slightly overstated. Two scenarios have been included in this study. Under Scenario #1, we assume that the medical subsidy amounts payable for the current 2011 calendar year would be frozen for 3 years² and under Scenario #2 we assume that the medical subsidy amounts for the current 2011 calendar year would be frozen indefinitely.

For Scenario #1 with the 3-year medical subsidy freeze, in the 4th year (fiscal year 2014/2015), we have assumed that the medical subsidy amounts payable starting in the second half of the fiscal year (i.e., 2015 calendar year) would be increased by the assumed medical inflation trend assumption for that single year only (i.e., 8.5%) and that there would be no making up for medical inflation (assumed or actual) for calendar years 2012, 2013 and 2014.

Unlike the medical subsidy amounts, we have continued to assume that Medicare Part B and dental subsidies would not be frozen. They would continue to be fully indexed with inflation for Medicare Part B and the dental plan.

While as always we defer to legal counsel on all legal issues, for this study we have assumed that there is no vested right issue associated with not providing an increase in the medical subsidy level for future retirees.

Results

The reductions in costs are 1.59% and 4.94% of payroll under Scenarios #1 and #2, respectively.

The cost reduction in Scenario #2 is especially significant as the contribution rate determined in the June 30, 2010 regular valuation for providing the current medical plan benefits is only 7.45% of payroll. The primary reason for that cost reduction is that a higher actuarial liability has been accrued in the regular valuation under the current assumption that fully indexed medical subsidy amounts would be paid based on the service earned by the active members from their date of employment to the date of the valuation. Under this study, there would now be a reduction in those liabilities as the fully indexed medical amounts would not be paid even with respect to the service already earned.

As previously discussed, we calculated the amortization amount for these plan changes using a period of 15 years. For Scenario #1, this complied with GASB standards that require that the current net amortization amount correspond to a single equivalent amortization period of not more than 30 years. In contrast, under Scenario #2, the results using the 15 year period did not comply with the GASB standard. The equivalent single amortization period under GASB 43 and 45 for the combined existing and reduced unfunded actuarial accrued liability as a result of this study was longer than 30 years. So we adjusted the period that we used to amortize this new

² Specifically, we assume there will be no increase in the medical subsidy amounts for calendar years 2012, 2013 and 2014.

Mr. Thomas T. Simonovski
March 22, 2011
Page 3

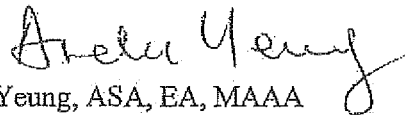
layer of reduction in liability so that the combined amortization amount complies with the 30-year requirement.

If you have any questions, feel free to call.

Sincerely,



Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary



Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary

Enclosure
RPT/hy

As stated above, we approximated the change in costs by assuming that the medical subsidy amount would be frozen for all future retirees as of July 1, 2010 (instead of July 1, 2011), so the savings are slightly overstated. Two scenarios have been included in this study. Under Scenario #1, we assume that the medical subsidy amounts payable for the current 2011 calendar year would be frozen for 3 years² and under Scenario #2 we assume that the medical subsidy amounts for the current 2011 calendar year would be frozen indefinitely.

For Scenario #1 with the 3-year medical subsidy freeze, in the 4th year (fiscal year 2014/2015), we have assumed that the medical subsidy amounts payable starting in the second half of the fiscal year (i.e., 2015 calendar year) would be increased by the assumed medical inflation trend assumption for that single year only (i.e., 8.5%) and that there would be no making up for medical inflation (assumed or actual) for calendar years 2012, 2013 and 2014.

Unlike the medical subsidy amounts, we have continued to assume that Medicare Part B and dental subsidies would not be frozen. They would continue to be fully indexed with inflation for Medicare Part B and the dental plan.

While as always we defer to legal counsel on all legal issues, for this study we have assumed that there is no vested right issue associated with not providing an increase in the medical subsidy level for future retirees.

Results

The reductions in costs are 1.59% and 4.94% of payroll under Scenarios #1 and #2, respectively.

The cost reduction in Scenario #2 is especially significant as the contribution rate determined in the June 30, 2010 regular valuation for providing the current medical plan benefits is only 7.45% of payroll. The primary reason for that cost reduction is that a higher actuarial liability has been accrued in the regular valuation under the current assumption that fully indexed medical subsidy amounts would be paid based on the service earned by the active members from their date of employment to the date of the valuation. Under this study, there would now be a reduction in these liabilities as the fully indexed medical amounts would not be paid even with respect to the service already earned.

As previously discussed, we calculated the amortization amount for these plan changes using a period of 15 years. For Scenario #1, this complied with GASB standards that require that the current net amortization amount correspond to a single equivalent amortization period of not more than 30 years. In contrast, under Scenario #2, the results using the 15 year period did not comply with the GASB standard. The equivalent single amortization period under GASB 43 and 45 for the combined existing and reduced unfunded actuarial accrued liability as a result of this study was longer than 30 years. So we adjusted the period that we used to amortize this new

² Specifically, we assume there will be no increase in the medical subsidy amounts for calendar years 2012, 2013 and 2014.

City of Los Angeles Fire and Police Pension Plan

EXHIBIT B (Continued)

Scenario #2 - Cost savings due to freezing the medical subsidy indefinitely
Amortize UAAL over 26 years
Cost Impact by Tier

Determined as of June 30, 2010

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (Without HPP)	Tier 5 (HPP)
Decrease in Annual Payment (in dollars)						
Normal Cost	\$0	-\$307,403	-\$2,971,798	-\$1,288,089	-\$36,536,358	-\$404,260
Unfunded Actuarial Accrued Liability	0	-719,890	-3,342,437	-1,495,380	-31,693,969	-\$108,689
Interest Adjustment	<u>0</u>	<u>-39,065</u>	<u>-240,111</u>	<u>-105,847</u>	<u>-2,594,593</u>	<u>-\$19,506</u>
Total	\$0	-\$1,066,358	-\$6,554,346	-\$2,889,316	-\$70,824,920	-\$532,455
Payroll						
	N/A	\$1,356,986,476	\$97,967,569	\$45,131,204	\$1,186,271,650	\$10,381,200
Decrease in Annual Payment (percent of pay)						
Normal Cost	N/A	-0.03%	-3.03%	-2.85%	-3.08%	-3.89%
Unfunded Actuarial Accrued Liability	N/A	-0.05	-3.41	-3.31	-2.67	-1.05
Interest Adjustment	N/A	<u>-0.00</u>	<u>-0.25</u>	<u>-0.25</u>	<u>-0.22</u>	<u>-0.19</u>
Total	N/A	-0.08%	-6.69%	-6.41%	-5.97%	-5.13%

Los Angeles City Employees' Retirement System

EXHIBIT A

Cost Savings Due to Freezing the Medical Subsidy

	Determined as of June 30, 2010	
	Scenario #1 3-Year Freeze	Scenario #2 Freeze Indefinitely
Decrease in normal cost	-\$12,571,242	-\$43,441,075
Decrease in Unfunded Actuarial Accrued Liability		
Current Retirees	\$0	\$0
Future Retirees	<u>-180,758,715</u>	<u>-581,224,382</u>
Total	-\$180,758,715	-\$581,224,382
Decrease in Annual Payment (in dollars)		
Normal Cost	-\$12,571,242	-\$43,441,075
Unfunded Actuarial Accrued Liability	-15,254,272	-43,079,862
Interest Adjustment	<u>-1,084,522</u>	<u>-3,372,226</u>
Total	-\$28,910,036	-\$89,893,163
Payroll	\$1,817,662,284	\$1,817,662,284
Decrease in Annual Payment (percent of pay)		
Normal Cost	-0.69%	-2.39%
Unfunded Actuarial Accrued Liability	-0.84	-2.37
Interest Adjustment	<u>-0.06</u>	<u>-0.18</u>
Total	-1.59%	-4.94%

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ATTACHMENT D

SUMMARY - RETIREE MEDICAL SUBSIDY FREEZE SCENARIOS
ESTIMATED GENERAL FUND SAVINGS

YEAR	LACERS		LAFPP		TOTAL		CUMULATIVE	
	Scenario #1	Scenario #2	Scenario #1	Scenario #2	Scenario #1	Scenario #2	Scenario #1	Scenario #2
1	\$14,183,017	\$44,065,474	\$20,342,087	\$68,225,990	\$34,525,104	\$112,291,464	\$34,525,104	\$112,291,464
2	\$13,690,551	\$42,535,422	\$19,681,324	\$66,009,832	\$33,371,875	\$108,545,254	\$67,896,979	\$220,836,718
3	\$13,215,185	\$41,058,499	\$19,042,023	\$63,865,661	\$32,257,208	\$104,924,160	\$100,154,187	\$325,760,878
4	\$12,756,324	\$39,632,856	\$18,423,488	\$61,791,138	\$31,179,812	\$101,423,994	\$131,333,999	\$427,184,872
5	\$12,313,396	\$38,256,715	\$17,825,046	\$59,784,002	\$30,138,442	\$98,040,717	\$161,472,441	\$525,225,589
6	\$11,885,847	\$36,928,357	\$17,246,042	\$57,842,062	\$29,131,889	\$94,770,419	\$190,604,330	\$619,996,008
7	\$11,473,145	\$35,646,123	\$16,685,846	\$55,963,201	\$28,158,991	\$91,609,324	\$218,763,321	\$711,605,331
8	\$11,074,771	\$34,408,410	\$16,143,846	\$54,145,372	\$27,218,617	\$88,553,782	\$245,981,938	\$800,159,113
9	\$10,690,231	\$33,213,674	\$15,619,452	\$52,386,589	\$26,309,683	\$85,600,263	\$272,291,621	\$885,759,376
10	\$10,319,042	\$32,060,421	\$15,112,092	\$50,684,937	\$25,431,134	\$82,745,358	\$297,722,755	\$968,504,733
Cumulative	\$121,601,509	\$377,805,949	\$176,121,246	\$590,698,784	\$297,722,755	\$968,504,733		

Scenario #1: Three-Year Freeze

Scenario #2: Permanent Freeze