DEPARTMENT OF FIRE AND POLICE PENSIONS

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February 12, 2016

The Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: Councilmember Paul Krekorian
Chair, Budget and Finance Committee

Dear Honorable Members:

Subject: **Department of Fire and Police Pensions Annual Report (FY 2014-15)**

Enclosed for your review is a copy of the Annual Report for the Department of Fire and Police Pensions (LAFPP) for fiscal year 2014-15. The report provides financial information for the fiscal year ending June 30, 2015 and includes other pertinent information such as the department's budget summary, investment performance and asset allocation data, plan actuarial data, statistical information, and a summary of the plan provisions. In addition, the report highlights department achievements while serving approximately 25,000 members in 2014-15.

In Fiscal Year 2014-15, the pension benefits were actuarially funded at 91.45 percent and the health subsidy benefits were funded at 45.4 percent. Combined, the funded status of these benefits was 85 percent. It is important to note that LAFPP has been pre-funding health subsidy benefits since 1989, and is one of the few public pension systems to do so.

Plan assets grew from $18.27 billion to over $18.72 billion on a market basis through June 30, 2015. The System is focused on achieving a 7.5 percent return over the long-term with the understanding that there are market fluctuations from year-to-year. The investment rate of return for Fiscal Year 2014-15 was 4.15 percent, less than our actuarial assumed rate of return of 7.5 percent. However, over both the 3- and 5-year periods, the System's average return was 11.53 percent. The System continues to work with its consultants to manage market volatility by investing in a variety of asset classes.

LAFPP's accomplishments throughout the past fiscal year include securing a new headquarters facility, which will be open for business on March 21, 2016. In addition, the pension administration system replacement project is well underway. Over the next three years, staff will work with Creative Pension Administration System, a Xerox Company, to design and implement the new system, which will increase our operational efficiency provided to members. We continue to refine and update our Strategic Plan goals to build upon our prior achievements and meet new challenges. All of these achievements ultimately support our mission – *to advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles.*

You can find this report and other historical financial reports on our website at lafpp.com from the "Financial Reports" link in the *About LAFPP* section.

Please do not hesitate to contact me at (213) 978-4550 should you have questions.

Sincerely,

Raymond P. Ciranna
General Manager

RPC:JS:GM:CT:BHN
Attachment