

A stylized graphic of a city skyline in light blue and white, set against a dark blue background. A single palm tree is positioned on the right side of the skyline. The foreground is a solid red block.

**LA FPP**

LOS ANGELES FIRE AND POLICE PENSIONS

# 2011-12 Annual Report

August 26, 2013

To Serve Those Who Protect



## 2011-12 Highlights

- System assets grew to over \$14.23 billion
- Market return of 1.89% similar to other systems (prior year was 22.09%)
- Pension benefits actuarially funded at 83.7%
- Health benefits actuarially funded at 37.1%
- Combined benefits actuarially funded at 77.7 %
- Service to over 25,770 members



## 2012-13 Results

- Preliminary return (unaudited) of 12.67%
- System assets grew to \$15.70 billion
- Service to over 25,640 members
- Annual valuation to be completed in November



## Prior Actions to Assist the City in Managing Costs

- Adopted 7-year smoothing policy in 2009
- Phased-in assumption changes in 2011
- Extended amortization periods for actuarial gains and losses
- Deferred approximately \$380 million in costs over the last four years

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## Cost Saving Measures - Investment Fees

- Pursuing passive investment strategies where appropriate
- Implemented multi-system investment manager fee discounts
- Reducing fees by limiting high-cost investment strategies

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## Other Cost Saving Measures

- Established an Internal Audit Unit
  - Annual Savings of approximately \$500k from DROP interest calculations
- Credit to City for excess benefit plan (approximately \$1M annually)
- Implementing operational best practices
- Strategic plan goals
  - Moving to a “near paperless” environment
    - Document imaging
    - Backfile conversion
  - Greater communication and outreach
  - Member and payroll system replacement

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## Outreach Efforts

- Emerging Manager Program
  - One of the first systems to implement in 1991
- Approximately \$4 billion is invested in:
  - California/Local firms
  - Minority-owned firms
  - Clean/green tech investments
  - Community redevelopment





## Current Studies

- 5-Year Management Audit in progress
  - Prior audit completed in 2007
  - Interim audit report indicates that the System is well run
- DROP cost-neutrality study is in progress
- Actuarial Audit







## Areas of Concern

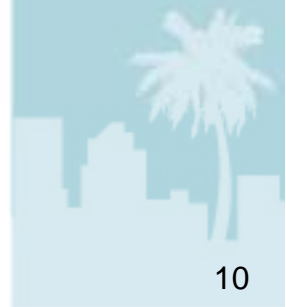
- Pending Litigation on health subsidy freeze
- City contributions will continue to increase due to prior losses
- Pressure to lower the return assumption from 7.75%
- GASB accounting changes





## Summary

- City contributions will increase over the next few years but Tier 6 will help
- Strategic planning goals will help reduce costs and increase operational efficiencies for the system





# Questions?

