

The Guardian

Los Angeles Police Relief Association, Inc.



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Third Quarter 2012

Annual Treasurer's Report

By Tim McBride

Each year the Los Angeles Police Relief Association (LAPRA) provides members a summary of the annual audit and actuarial report to inform you of the financial status of the association. We also try to provide information about the association that the board feels may be of interest to members.

The financial rebound I reported in last year's annual treasurer's report did not continue in calendar year 2011. It was nothing like the debacle of 2008. However, 2011 was neither pretty nor very profitable. In 2008, Pimco bond guru Bill Gross cited expectations of a "new normal", a prevailing climate of slow growth, occurring in the U.S. and across much of the world. His prophetic prediction had come to pass. Charles Schwab reported the following results for markets in 2011:

Large Cap Equities	-4.80%
Small Cap Equities	-18.72%
International Equities	-16.73%
Fixed Income	-5.07%
Cash	+0.01%

Given Schwab's report, the return on our LAPRA investments with an average decline of less than one percent is reasonable. The nimble work of several investment managers resulted in the following gains that LAPRA enjoyed:

Pimco Total Return Bond Fund	+4.50%
Metropolitan West Total Return Bond Fund	+5.58%
Vanguard Wellesley (a balanced fund)	+9.63%
Vanguard Wellington (a balanced fund)	+3.85%

Not all of LAPRA's investments outperformed the market however. Our worst performer was the Janus Overseas Fund posting a -32.70%.

Some changes have been made to the LAPRA portfolio in 2012 designed to improve results without adding risk. For example, approximately 20% of assets that had been managed by other entities



Tim McBride

have now been brought in-house (10% by an investment firm in CO, and another 10% by Wells Fargo's Certificate of Deposits shopping service).

Short-term CDs have been returning approximately 0.5%. We are now purchasing short-term government bond funds with a return of approximately 1.5%. Although not a big

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difference in the rate of return, 1% can make an appreciable difference when 40% of your money is invested in government insured and/or government backed investments... the difference between a positive year and a negative year.

What do we see in the future? First, of course, an election with a new direction or not. The headwinds the economy faces are well known. High government debt,

declining revenues and volatile international relations will likely create a continued slow growth environment... the "new normal."

The 2011 Actuarial Report is shown below. A summary of the annual audit compiled by the Certified Public Accounting firm of Romberger, Wilson and Beeson, Inc. is shown on page 3. The audit was once again categorized as "unqualified", the highest rating given. ■



2011 Actuarial Report

By Tim McBride

Mercer Company completed our annual actuarial report. They evaluate the ability of the association to fund benefits offered to members. Once again, their report indicates the association is sufficiently funded to provide for member benefits. The actuarial assumption, a number the firm assigns to indicate expectation of long-term investment return, remains at 7.5%. LAPRA is pleased that Mercer maintained the same assumption. Should that number

drop, additional assets would have to be allocated and held as reserve for the benefits offered. Mercer calculated the previous ten-year investment return in excess of 5% annually. The period from 1980-2000 was beneficial to members with an annual investment return of approximately 10%.

Additional information in the annual report shows the composition of the association as seen in the table below.

The long-term trend of our association members living longer than the average population continued. In 2011, 7 active duty LAPRA members and 115 retired members passed away compared to mortality tables with an average of 14 deaths of working-age adults and 136 deaths of retirees. ■

Actives	2011	2010
Members	9,380	9,508
Average Age	41.2	40.6
Entry Age	26.7	26.7
Service	14.4	13.8
Retirees	2011	2010
Members	5,976	5,960



Los Angeles Police Relief Association, Inc.

Summary of Financial Statement Statement of Net Assets Available for Benefits and Benefit Obligations December 31, 2011

	Self-Insured and Insured Plans	Emergency Relief Fund	Total
NET ASSETS AVAILABLE FOR BENEFITS			
ASSETS			
Investments, at Fair Value			
• Certificates of Deposit	\$ 5,763,966	–	\$ 5,763,966
• Mutual Funds	40,786,012	–	40,786,012
• Cash in Interest Bearing Accounts	<u>12,055,476</u>	–	<u>12,055,476</u>
TOTAL INVESTMENTS	<u>58,605,454</u>	–	<u>58,605,454</u>
Receivables	<u>219,676</u>	<u>\$ 97,427</u>	<u>317,103</u>
Prepaid Expenses and Deposits	42,414	–	42,414
Obligation Reserves	63,820,122	–	63,820,122
Cash	84,339	–	84,339
Net Property and Equipment	<u>5,165,894</u>	–	<u>5,165,894</u>
TOTAL ASSETS	<u>127,937,899</u>	<u>97,427</u>	<u>128,035,326</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	475,163	–	475,163
Advanced Member Contributions and City Subsidy	6,663,558	–	6,663,558
Police Charity Plan	<u>106,420</u>	–	<u>106,420</u>
TOTAL LIABILITIES	<u>7,245,141</u>	–	<u>7,245,141</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>120,692,758</u>	<u>97,427</u>	<u>120,790,185</u>
BENEFIT OBLIGATIONS			
Amounts Currently Payable for Participants	403,188	–	403,188
Amounts Due to Insurance Companies	12,590,158	–	12,590,158
Dental Claims Liability	782,548	–	782,548
Paid-Up Life Insurance for Participants	1,319,739	–	1,319,739
Estimated Future Death, Policy Surrender and Sick Benefits	<u>21,052,808</u>	–	<u>21,052,808</u>
TOTAL BENEFIT OBLIGATIONS	<u>36,148,411</u>	–	<u>36,148,411</u>
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ 84,544,317</u>	<u>\$ 97,427</u>	<u>\$ 84,641,744</u>

Helping Our Members in Times of Need

By Tim McBride

When you least expect it, life can change in an instant. A tragic auto accident, a home fire, the death of a loved one; at one time, or another, we have all faced personal challenges.

We scramble to make sense of it all, why it happened, what we are going to do. And then there are all the details. How long will it take to get my insurance check? How can I afford my rent or mortgage? How can I take the time off from work that I need? Where can I turn for help?

The Los Angeles Police Relief and Assistance Foundation (LAPRAF) was formed to provide financial assistance and other support to active and retired officers and their families who find themselves in dire financial

circumstances. The foundation was established in 2007 from donations of dollars and securities from individuals and officers dating all the way back to the 1970's.

Since 2007, LAPRAF has helped a number of members and their families with financial assistance resulting from the death or serious illness or injury of an officer or family member.

In August this year, LAPRAF awarded its first-ever academic scholarships to four worthy recipients to help offset the cost of pursuing a college degree. You can read more about the scholarship winners on page 5.

For the foundation to thrive and reach its full potential, we are reaching out to

our members for their support. Here are some ways you can make a donation:

- Contribute a small ongoing amount through charity deductions on your paycheck.
- Make a tax-deductible direct donation to the foundation.
- Through estate planning, add the foundation as a beneficiary to your trust or will.
- Reach out to your contacts who have the means and the desire to offer financial support to the foundation.

We encourage all active and retired members to consider making a donation to this worthwhile cause and help the foundation take care of its own. For more information on how you can make a donation, please call (213) 674-3724. ■



“The Los Angeles Police Relief and Assistance Foundation (LAPRAF) was formed to provide financial assistance and other support to active and retired officers and their families who find themselves in dire financial circumstances.”

2012 LAPRAF Academic Scholarship Winners Announced

By Tim McBride

The Los Angeles Police Relief and Assistance Foundation (LAPRAF) awarded its first-ever academic scholarships to four recipients at an awards breakfast on August 7. We received 21 applications that were reviewed by board members and a scholarship committee comprised of Paul Enox, Ruby Malachi and Rigo Romero. Each of the scholarship winners will receive \$10,000 awarded at \$2,500 per year for four years as long as they maintain an acceptable grade point average and a full load of college classes. All of the scholarship winners maintained a high GPA and scored highly on college entrance exams. They also participated in numerous activities during high school.

The LAPRAF Board joins the families of these worthy young people in providing congratulations and best wishes as they each pursue their desired field of study. Whenever I read troubling articles about today's youth, I will remember our future is secure with fine young adults such as the 2012 LAPRAF scholarship winners.

Donovan Cullins, the brother of officer Joshua Cullins who was killed in the line of duty in Afghanistan, went on a medical mission for six days to Guatemala. While in Guatemala, he worked alongside doctors from UCLA triaging children in remote villages. Donovan was the captain of his high school football team. He received the science award at his high school for the 10th and 11th grade and the math award for the 9th, 10th and 11th grades. He will attend Whittier College and major in mechanical engineering.



Our 2012 LAPRA Academic Scholarship winners pictured from left to right are Donovan Cullins, Lisa Rene Zuniga, Janice Walker and Nicholas Valois

Nicholas Valois has played high school varsity soccer, AYSO league soccer, and worked as a volunteer soccer referee. In high school, Nicholas took basic and advanced engineering and discovered he has talent in this area. He is also fascinated by aerospace. Nicholas is planning to study aerospace engineering at Embry-Riddle Aeronautical University in Arizona.

Janice Walker was named valedictorian of her high school graduating class. She ran on the cross country and track teams. She competed as a hurdler and thrower for four years. She was in the Scholarship Federation for four years and also participated in Key Club, Impact, the National Honor Society and the American Cancer Society. Janice volunteers for several local service groups, including Help the Children, Bridges to Ability

and Teens Are Mad. Janice will be attending UCLA focusing on a degree in molecular, cellular and developmental biology. She plans to become a doctor to focus on ending cancer.

Lisa Rene Zuniga played softball and soccer at club level until an injury ended those athletic endeavors. As a peer counselor at her high school, Lisa counseled students on a variety of issues from relationships to violence and drug avoidance. She also participated in Girl Scouts. Lisa was on the Dean's List for mathematics, honors English and advanced placement science. For the past five years, she has participated in the altar server program at her local Catholic church. Lisa is enrolled in the nursing program at Cal State Fullerton with a goal of receiving a Bachelor Degree in nursing. ■

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Your Donation Helps Us Take Care of Our Own

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Los Angeles Police Relief Association, Inc.
 600 North Grand Avenue
 Los Angeles, California 90012



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