

DWP BOARD OF ADMINISTRATION Retirement Board

Ex-Officio/Appointed Members



H. David Nahai
Chief Executive Officer
& General Manager



Forescee Hogan-Rowles
Commissioner



Ronald O. Vazquez
Chief Financial Officer



Michael T. Moore
Appointed
Retired Member

Elected Members



Javier Romero
President



Eugene K. Canzano
Vice-President



Cynthia M. Coffin

WATER and POWER EMPLOYEES' RETIREMENT, DISABILITY and DEATH BENEFIT INSURANCE PLAN



SUMMARY ANNUAL REPORT JUNE 30, 2008

Retirement Plan Office
111 N Hope St.—Room 357
Los Angeles, CA 90012

Phone: (213) 367-1712
(800) 367-7164
E-Mail: RETIRE@LADWP.COM
Website: RETIREMENT.LADWP.COM

To All DWP Retirement Plan Members:

To All DWP Retirement Plan Members:

The Summary Annual Report as of June 30, 2008 is submitted in conformity with Section III C (4) of the Retirement Plan. A complete financial report, audited by Simpson & Simpson, CPAs, is posted on our website and is also available upon request.

The highlights for the fiscal year ended June 30, 2008 are as follows:

The Department's contributions to the Retirement Plan were reduced to 20.28% of pay from the previous 21.59% in accordance with the recommendation under the most recent Actuarial Valuation, also posted on the web-site.

Investment returns (net of fees) were -4.15% and -4.39% for the Retirement Fund and Retiree Health Benefits Fund respectively as compared to benchmark returns of -4.64% and -5.30% for the two funds. Market values were \$6.9 billion for the Retirement Fund and \$792 million for the Retiree Health Benefits Fund.

The Retirement Fund portfolio is invested in diverse mandates such as stocks, fixed-income, alternatives, and cash with external investment managers. The Retiree Health Benefits Fund portfolio, initially funded on January 2007, is currently invested in equity and fixed income investments.

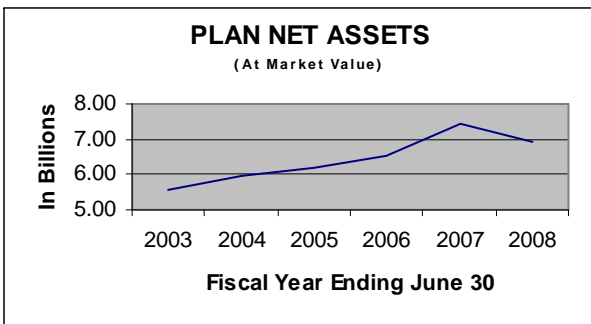
A recently completed new asset liability study recommended changes to the current asset allocation structure for both the Retirement Fund, and the Retiree Health Benefits Fund with the objective of increasing diversification and optimizing investment returns. Due to the recent instability in the economic environment, it was considered prudent to postpone the transition to the new asset allocation structure.

The Retirement Office recently received several inquiries from members regarding the health of the Retirement Plan and the safety of their retirement benefits. It is important to note that the Retirement portfolio is invested for the long-term. Although the Retirement portfolio will continue to change in value, fluctuations in the market have no bearing on the Department's obligation to pay your retirement benefits, which is a solidly established legal requirement.

The Retirement Board and Staff remain committed to the mission of providing responsive and efficient service through responsible administration of the Plan and prudent management of its assets to insure that members and their beneficiaries receive all benefits to which they are entitled.

Javier Romero
President
Retirement Board

Sangeeta Bhatia
Retirement Plan Manager



RETIREMENT PLAN OFFICE STAFF

Sangeeta Bhatia
Retirement Plan Manager

Monette Carranceja
Assistant Retirement Plan Manager

Mary Higgins
Assistant Retirement Plan Manager

Jeremy Wolfson
Chief Investment Officer

Manoj Desai
Chief Accountant

Terri Lopez
Disability & Death Benefits Supervisor

Vacant
Membership Supervisor

Linda Le
Retirement Supervisor

Julie Escudero
Secretary

Veronica Mendez
Utility Administrator

Conney Williams
Management Analyst

Christina Manoz
Management Analyst

Mark Rubin
Management Analyst

Kendrick Mah
Management Analyst

SERVICE PROVIDERS

As Of June 30, 2008

ACTUARY The Segal Co.	INVESTMENT CONSULTANT Pension Consulting Alliance Courtland Partner, LTD
AUDITOR Simpson & Simpson	INVESTMENT MANAGERS Aetos Capital BlackRock Asset Management The Boston Company CB Richard Ellis Investors, LLC. Earnest Partners Fisher Lynch Capital Fred Alger Management Inc. HRJ Capital
CUSTODIAN BANK BNY Mellon Bank	ING Investment Management Intech (Enhanced Investment Technologies LLC) Invesco Global Asset Management (N.A.) Inc. JP Morgan Asset Management Landmark Equity Partners Lexington Capital Partners Loomis Sayles & Company MFS Investment Management Northpointe Capital
COUNSEL Bernstein Liebhard & Lifshitz Coughlin, Stoia, Geller, Rudman & Robbins, LLP Foster Pepper, PLLC Kaplan, Fox & Kilsheimer Klausner & Kaufman Morrison & Foerster, LLP Nossaman, Gunther, Knox & Elliot, LLP Shriffrin, Barroway, Topaz & Kessler	TRANSITION MANAGEMENT Blackrock Transition Services BNY ConverEx Group Mellon Transition Services Russell Investment Group State Street Global Markets, LLC
PROXY SERVICE PROVIDER Glass, Lewis & Co., LLC	Pacific Alternative Asset Management Company (PAAMCO) Paradigm Asset Management Company Prudential Financial Pyramis Global Advisors Trust Co. T. Rowe Price Trust Co. Wells Capital Management

WATER AND POWER EMPLOYEES' RETIREMENT,
DISABILITY, AND DEATH BENEFIT INSURANCE PLAN

**SUMMARY ANNUAL REPORT
JUNE 30, 2008**

STATEMENT OF CHANGES IN PLAN NET ASSETS

(Assets At Market Value)

<u>Retirement Fund</u>	2008	2007
Net Assets- Beginning of Year	\$7,417,827,796	6,513,239,533
Members' Contribution	48,683,048	47,049,554
Installation Payment From Early Retired Employees	10,999	10,892
Department Contribution Towards Benefits (Net of Reversions)	141,862,126	129,154,539
Administration	4,195,096	3,549,724
Total Contributions	\$194,751,269	179,764,709
Total Investment Income ¹	(281,531,566)	1,110,353,674
(Less Securities Lending Expenses)	(24,900,168)	(34,304,268)
(Less Investment Expenses)	(19,563,128)	(17,314,000)
Net Income & Appreciation	\$(325,994,862)	1,058,735,406
Other Income	155,264	10,784,251
Total Additions	\$(131,088,329)	1,249,284,366
Retirement Benefits Paid	353,178,785	338,340,501
Refund of Members' Contribution	6,232,954	3,546,079
Administrative Expenses	3,396,913	2,809,523
Total Deductions	\$362,808,652	344,696,103
Net Increase	(493,896,981)	904,588,263
Net Assets - End of Year	\$6,923,930,815	7,417,827,796

<u>Disability Fund</u>		
Members' Contribution	\$425,293	400,034
Department Contribution	14,224,413	8,395,013
Total Contributions	\$14,649,706	8,795,047

Benefits Paid		
Temporary Disability	8,854,767	9,201,313
Extended Disability	723,525	301,675
Permanent Total Disability	1,542,574	1,493,732
Supplemental Disability	1,105,279	829,409
Total Benefits Paid	\$12,226,145	11,826,129

<u>Death Benefit Fund</u>		
Members' Contribution	\$303,641	288,416
Department Contribution	4,605,207	4,337,386
Total Contributions	\$4,908,848	4,625,802

Benefits Paid		
Death Benefit	\$7,743,729	6,486,244
Family Allowances	793,878	773,630
Total Benefits Paid	\$8,537,607	7,259,874

<u>Retiree Health Benefits Fund</u>	(Date of Inception December 15, 2006)	
Department Contributions	\$157,611,125	642,129,299
Net Investment Income ²	(29,730,510)	23,870,871
Total Additions	\$127,880,615	666,000,170
Retiree Health Benefits Paid	\$57,359,628	16,884,415

¹ Includes Fair Market Value Net Depreciation of \$510,642,656 for 2008 and Appreciation of \$890,825,634 for 2007.
² Includes Fair Market Value Net Depreciation of \$43,393,018 for 2008 and Appreciation of \$17,824,809 for 2007.

ANNUAL ACTIVITY

<u>Active Membership</u>	2008	2007
Number of Contributing Members	8,492	8,103
Number of Contracts to Purchase Service Credit	1,091	1,086
Number of New Members	861	520
Number of Withdrawals of Funds	59	58
Average Age	47.8	47.9
Average Years of Service	17.4	17.5

<u>Retirees</u>		
Number of Retirees	6,855	6,924
Number of Surviving Spouses & Beneficiaries	1,881	1,868
Number Who Retired During the Fiscal Year	228	182
Average Age at Retirement	58.50	57.96

<u>Disability Related</u>		
Number of Temporary Disability Claims	1,033	1,092
Number of Temporary Disability Claims per 1000 Employees	121.6	134.8
Number Paid Worker's Compensation Supplement	190	165
Number on PTD	71	67

<u>Death Benefit Related</u>		
Number of Deaths		
Active members	4	25
Retirees	336	261
Number Receiving Monthly Survivorship	311	323
Number of Family Allowances	77	81
Number of Children on Family Death Benefit Roll	103	113

ACTUARIAL BALANCE SHEET

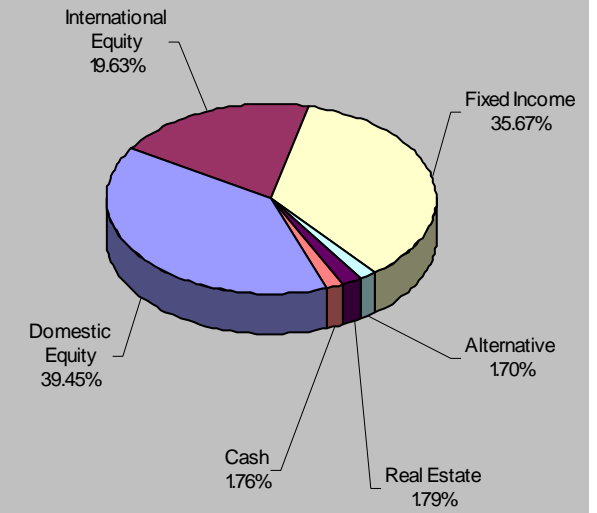
<u>Assets</u>	June 30, 2008	June 30, 2007
Total Actuarial Value of Assets	\$7,247,853,233	6,864,084,005
Present Value of Future Contributions by Members	379,230,772	337,873,462
Present Value of Future Department Contributions for		
a. Normal Cost	786,908,776	649,597,987
b. Unfunded Actuarial Accrued Liability	371,249,702	603,201,344
Total Current and Future Assets	\$8,785,242,483	8,454,756,798
<u>Liabilities</u>		
Present Value of Benefits Already Granted	\$4,025,238,520	3,948,241,152
Present Value of Benefits to be Granted	4,760,003,963	4,506,515,646
Total Liabilities	\$8,785,242,483	8,454,756,798

**RETIREMENT FUND
PORTFOLIO PERFORMANCE**
(Fiscal Year Ended June 30, 2008)

<u>Asset Class vs. Benchmarks</u>	1YR (%)	3YR (%)	5YR (%)
<i>Total Retirement Fund Benchmark</i>	-4.2	6.7	7.9
	-4.6	7.2	9.0
<i>Domestic Equity Russell 3000</i>	-10.4	5.7	9.1
	-12.7	4.7	8.4
<i>International Equity MSCI ACWI ex-US</i>	-9.6	13.0	N/A
	-6.2	16.1	N/A
<i>Fixed Income Lehman Universal</i>	5.5	4.2	3.7
	6.2	4.2	4.2
<i>Alternatives¹ Blended Benchmark¹</i>	8.9	N/A	N/A
	11.5	N/A	N/A
<i>Hedge F of F Tbill + 3%</i>	5.7	N/A	N/A
	7.3	N/A	N/A
<i>Private Equity¹ Cambridge USPE¹</i>	19.4	N/A	N/A
	12.6	N/A	N/A
<i>Real Estate¹ NCREIF¹</i>	14.1	N/A	N/A
	13.6	N/A	N/A
<i>Cash Citigroup T-Bill</i>	4.2	4.6	3.4
	3.3	4.1	3.1

¹ Returns are lagged one quarter.

**Retirement Fund Portfolio
Asset Class by Allocation
As of June 30, 2008**



**RETIREMENT FUND PORTFOLIO
ASSET CLASS BY MARKET VALUE
AND ALLOCATION¹**
(As of June 30, 2008)

<u>Asset Class</u>	<u>Market Value (\$ Million)</u>	<u>Current Allocation (%)</u>	<u>Target Allocation (%)</u>
Domestic Equity	2,724.17	39.45	40.00
International Equity	1,355.30	19.63	15.00
Fixed Income	2,463.18	35.67	35.00
Alternative	117.99	1.70	5.00
Real Estate	123.30	1.79	4.00
Cash	121.37	1.76	1.00
Total Retirement Fund	6,905.31	100.00	100.00

¹ Source: The Bank of New York Mellon Corporation