

**THE WATER AND POWER EMPLOYEES' RETIREMENT PLAN OF
THE CITY OF LOS ANGELES**

Actuarial Valuation and Review as of June 30, 2000

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*The Segal Company
120 Montgomery Street
San Francisco, CA 94104
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November 28, 2000

*Board of Administration
Water and Power Employees' Retirement Plan
Los Angeles Department of Water and Power
111 North Hope Street
Los Angeles, California 90012*

Dear Members of the Board:

We are pleased to submit the Actuarial Valuation and Review as of June 30, 2000. This valuation is based on financial statements and employee data furnished by the Retirement Office. We would like to take this opportunity to express our appreciation for the courtesy and cooperation accorded to us by the Retirement Office during the course of our work.

This is to certify that The Segal Company has prepared an Actuarial Valuation of the Plan as of June 30, 2000, in accordance with generally accepted actuarial principles and practices. To the best of my knowledge, the information supplied in this Actuarial Valuation is complete and accurate and in my opinion the assumptions used, (a) are reasonable and (b) represent my best estimate of anticipated experience under the Plan. We look forward to reviewing this report with you at your next meeting and to answering any questions you may have.

Sincerely,

THE SEGAL COMPANY

By:



*Paul Angelo, F.S.A., M.A.A.A., F.C.A.
Vice President and Actuary*

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SECTION 1: Valuation Summary for the Water and Power Employees' Retirement Plan of the City of Los Angeles

SIGNIFICANT ISSUES IN VALUATION YEAR:

- The active membership increased by 4.4% during the 1999-2000 plan year.
- The valuation is based on an 8.0% interest assumption, a 5.5% salary scale assumption, and the other actuarial assumptions developed in the June 30, 1996 investigation. All liabilities were projected forward from March 31, 2000 to June 30, 2000.
- The salaries for continuing actives increased by 6.1% from the rate in effect on March 31, 1999 to the rate in effect on March 31, 2000. Since this increase is larger than the assumed rate of 5.5%, the plan experienced an actuarial loss from salary increases. This loss amounted to \$4.5 million for the current year.
- The actuarial value of assets earned a return of approximately 11% for the June 30, 1999 to June 30, 2000 plan year. This resulted in an actuarial gain of \$165 million when measured against the assumed rate of return of 8.0%.
- Once again, the required contribution rate is zero before the mandatory 110% matching of the employee contribution. The required contribution for the 2001 to 2002 year is estimated to be \$23.1 million or 5.7% of pay. Actual contributions will be calculated as 110% of employee contributions.
- This report reflects the new policy for amortizing any surplus or unfunded actuarial accrued liability, as adopted by the Board. This policy is based on 15 year amortization periods and is described in Section 4, Exhibit 3 (page 4-6).

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

A. SUMMARY OF MEMBERSHIP

The Actuarial Valuation and Review considers the number and demographics of covered participants, including active participants, inactive vested participants, pensioners and beneficiaries.

This section presents a summary of significant statistical data on these participant groups. More detailed information for this valuation year can be found in Section 4, Exhibits 1 and 2.

CHART 1

Summary of Membership

	March 31, 2000	March 31, 1999	Percent Increase
I. Active Members			
1. Number	6,807	6,518	4.4%
2. Monthly salary	\$32,007,104	\$29,448,918	8.7%
3. Average monthly salary	\$4,702	\$4,518	4.1%
4. Average age	44.8	44.4	-
5. Average years of service	15.4	15.3	-
II. Terminated Vested Members			
1. Number	1,387	1,450	(4.3)%
2. Average member account balance	\$26,637	\$24,063	10.7%
III. Retired Members			
1. Number	9,749	9,967	(2.2)%
2. Monthly allowances			
(a) basic service benefits and continuance to surviving eligible spouse benefits	\$16,999,040	\$16,872,232	0.8%
(b) cost-of-living benefits	<u>5,532,058</u>	<u>5,312,964</u>	4.1%
(c) total	\$22,531,098	\$22,185,196	1.6%
3. Average total allowance	\$2,311	\$2,226	3.8%

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

B. PROJECTED CONTRIBUTION AND RESERVE ACCOUNTS

The actuarial valuation is based on financial statements that the Retirement Office provided.

CHART 2

Projected Contribution and Reserve Accounts

	June 30, 2000	June 30, 1999
1. Reserve for retirement allowance for retired members	\$3,408,139,712	\$3,181,086,569
2. Contribution accounts:		
(a) members (excluding additional contributions)	392,838,570	353,416,668
(b) Department of Water and Power	(403,506,043)	(334,180,040)
3. Reserve for investment losses	4,565,754	34,289,503
4. General reserve	<u>112,065,935</u>	<u>(2,939,439)</u>
5. Total	<u>\$3,514,103,928</u>	<u>\$3,231,673,261</u>

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

C. UNFUNDED ACTUARIAL ACCRUED LIABILITY

The actuarial value of assets (using the asset smoothing method) has increased from \$5,254,093,071 on June 30, 1999 to \$5,605,856,078 on June 30, 2000.

The actuarial accrued liability (using the entry age method) is a measure of the liability for prior service, and includes a projection of salaries. The actuarial accrued liability has increased from \$4,911,443,303 on June 30, 1999 to \$5,082,960,078 on June 30, 2000.

The actuarial accrued liability less the actuarial value of assets is called the unfunded actuarial accrued liability (UAAL). For the last three years this amount has been negative (actuarial value of assets exceed the actuarial accrued liability).

The change in UAAL is analyzed below. The change in UAAL attributable to 1999-2000 experience was measured using the data provided by the Retirement Plan Manager.

The chart shows the development and reconciliation of the UAAL

CHART 3

Determination of Unfunded Actuarial Accrued Liability; Reconciliation of UAAL

	June 30, 2000	June 30, 1999
<u>Determination of UAAL</u>		
1. Actuarial accrued liability	\$5,082,960,078	\$4,911,443,303
2. Actuarial value of assets	5,605,856,078	5,254,093,071
3. Unfunded actuarial accrued liability (UAAL): (1) - (2)	(\$22,896,000)	(\$342,649,768)
4. Funding Ratio: (2)/(1)	110.3%	107.0%
<u>Reconciliation of UAAL</u>		
1. UAAL on June 30, 1999		(\$342,649,768)
2. Expected decrease, due to normal experience of the plan		(17,021,993)
3. Decrease due to investment return more than 8%		(165,412,112)
4. Increase due to salary increases over 5.5%		4,494,547
5. Increase due to noninvestment actuarial experience		(2,306,674)
6. UAAL on June 30, 2000: (1) + (2) + (3) + (4) + (5)		(\$522,896,000)

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

D. ACTUARIAL EXPERIENCE

To calculate the cost requirements of the plan, 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 and, to the extent that there are differences in that year, the contribution requirement is adjusted. If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

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 run, experience will return to that originally assumed. For contribution requirements to remain stable, assumptions should approximate experience.

When compared to the expected actuarial accrued liability, the net experience variation other than investment experience was not significant. On the following page is a discussion of the investment component of the actuarial experience.

The chart provides a summary of the prior year's actuarial experience.

CHART 4

Actuarial Experience for Year Ended June 30, 2000

1. Net gain/(loss) from investments*	\$165,412,112
2. Net gain/(loss) from salary increases	(4,494,547)
3. Net gain/(loss) from other Plan experience	2,306,674
4. Net experience gain/(loss): (1) + (2) + (3)	\$163,224,239

* Details in Chart 5

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

E. INVESTMENT EXPERIENCE

Because earnings on investments significantly affect the cost of the Plan, an assumption is made about the rate of return on Plan assets. The rate of return is investment income net of investment expenses, expressed as a percentage of the average actuarial value of assets during the year.

Investment income, for the purposes of the actuarial valuation, consists of interest and dividend income, and a four year phase in of realized and unrealized gains and losses.

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

CHART 5
Investment Experience for Year Ended June 30, 2000

1	Net investment return	\$ 576,740,460
2	Average actuarial value of assets	5,141,604,345
3	Rate of return: (1) ÷ (2)	11.22%
4	Assumed rate of return	8.00%
5	Expected net investment return: (2) x (4)	411,328,348
6	Actuarial gain/(loss): (1) - (5)	\$ 165,412,112

SECTION 2: Valuation Results for the Water and Power Employees' Retirement Plan of the City of Los Angeles

F. CONTRIBUTION REQUIREMENTS

The recommended Department contribution is made up of (a) normal – the cost of benefits earned this year, and (b) amortization of the UAAL – the portion of liability assigned to past service that has not yet been funded. The Plan is said to be fully funded when the UAAL is negative or assets exceed past service liability. The Department is now funding the normal cost as a percentage of pay and is funding the dollar amount of the amortization payment. The Plan has a surplus as of June 30, 2000 which is amortized over the period ending June 30, 2015. This produces an amortization credit of \$58,827,120 for actuarial surplus this year. This amortization credit is large enough to fully offset the Department's normal cost. As a minimum, the Department contributes the matching 110% of employee contributions.

Therefore, the total expected contributions to the plan will amount to the expected employee contribution of \$20,988,816 plus the expected matching 110% of employee contributions or \$23,087,698 for a total of \$44,076,514. Additional detail can be found in Section 3, Exhibit F.

The Department's theoretical contribution rate increased as a percentage of pay (i.e., became a smaller negative rate). This was primarily the result of the change in the amortization period partially offset by the asset return being greater than assumed. An analysis of the change from the June 30, 1999 rate to the June 30, 2000 rate is shown below.

The chart summarizes the contribution information for the valuation year.

CHART 6

Contribution Requirements and Reconciliation of Recommended Contribution Rate

Department Contributions	June 30, 2000	June 30, 1999
Normal cost	10.59%	10.57%
Unfunded (surplus) amortization	(14.52%)	(26.72)%
Total*	0.00%	0.00%
Employer 110% Contribution Rate	5.70%	5.58%
Reconciliation of contribution rate**		
June 30, 1999 rate		(16.15%)
Decrease due to noninvestment actuarial gains		(6.64%)
Increase due to salary loss		0.41%
Decrease due to asset gain		(15.25%)
Increase due to change in amortization period		33.70%
June 30, 2000 rate**		(3.93%)

*The recommended contribution rate cannot be less than 0.0% of pay.

**The reconciliation is shown using the underlying negative rates for illustration purposes only.

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT A

The Actuarial Value of Assets

June 30 Year	Market Value Equities	Book Value Equities	Unrealized Gains	Change in Unrealized Gains	Book Value Total Fund	Reserve for Investment Losses	General Reserve
2000	\$3,490,328,856	\$1,168,795,033	\$2,321,533,823	(\$285,848,808)	\$3,514,103,929	\$ 4,565,754	\$112,065,935
1999	3,834,125,994	1,226,743,363	2,607,382,631	330,193,832	3,230,951,816	34,289,503	(2,939,439)
1998	3,505,970,723	1,228,781,924	2,277,188,799	649,758,698	3,176,151,852	4,591,642	39,146,448
1997	2,872,657,054	1,245,226,953	1,627,430,101	639,187,772	2,973,400,243	0	29,572,429
1996	2,168,453,789	1,180,211,460	988,242,329	354,605,147	2,833,621,726	4,539,702	30,000,000

(1)	Book value of total fund	\$ 3,514,103,929
(2)	Book value of equities	1,168,795,033
(3)	Reserve for investment losses	4,565,754
(4)	General reserve	<u>112,065,935</u>
(5)	Actuarial value of assets for nonequities: (1) - (2) - (3) - (4)	\$2,228,677,207
(6)	Market value of equities, June 30, 2000	\$3,490,328,856
(7)	.75 x 2000 change in unrealized gains	(214,386,606)
(8)	.50 x 1999 change in unrealized gains	165,096,916
(9)	.25 x 1998 change in unrealized gains	<u>162,439,675</u>
(10)	Actuarial value of equities, June 30, 2000: (6) - (7) - (8) - (9)	\$3,377,178,871
(11)	Total Actuarial value of assets (5) + (10)	\$5,605,856,078

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT B

Actuarial Balance Sheet

An overview of your Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future Department normal cost contributions, and the present value of future Department amortization payments.

Actuarial Balance Sheet

Assets

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
1. Total actuarial value of assets	\$5,605,856,078	\$5,254,093,071
2. Present value of future contribution by members	222,025,060	203,531,094
3. Present value of future Department contributions for:		
(a) entry age normal cost	437,929,359	409,847,279
(b) unfunded actuarial accrued liability	(522,896,000)	(342,649,768)
4. Total current and future assets	\$5,742,914,497	\$5,524,821,676

Liabilities

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
5. Present value of benefits already granted:	\$3,374,531,483	\$3,359,341,944
6. Present value of benefits to be granted:	\$2,368,383,014	\$2,165,479,732
7. Total liabilities	\$5,742,914,497	\$5,524,821,676

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT C

Recommended Contributions

Department contributions have been determined on the basis of the entry age normal cost funding method. The entry age normal method defines the normal cost as the level percentage of salary necessary to fund the projected future benefit over the period from the date of entry (i.e., employment) to the date of retirement. The normal cost percentage is subdivided into two parts. The first part is the percentage of salary specified as the member contribution; the second part, the Department portion, is the balance after deducting the member contribution percentage from the total normal cost percentage. The actuarial accrued liability is equal to the excess of total

present value of benefits (earned and unearned with respect to all current members) over the present value of future member contributions, and the present value of future Department normal costs with respect to current members. The excess shortfall of the actuarial accrued liability over the actuarial value of assets is called the unfunded (surplus) actuarial accrued liability and is amortized over the period ending June 30, 2015 by level contributions.

The recommended contribution rates for the various types of benefits provided by the Plan set forth below are based on salaries as of June 30, 2000.

Recommended Department Contributions

	June 30, 2000		June 30, 1999
	Dollar amount	As a percent of pay	As a percent of pay
1. Total Normal Cost	\$63,899,656	15.77%	15.64%
2. Expected Member Contribution	<u>20,988,816</u>	<u>5.18</u>	<u>5.07</u>
3. Net Normal Cost: (1) - (2)	\$42,910,840	10.59	10.57
4. Amortization of UAAL (surplus)	(58,827,120)	(14.52)	(26.72)
5. Required Employer Contribution	0	0.00%	0.00%
6. Employer Match	23,087,698	5.70%	5.58%
7. Greater of Required Employer Contribution or Employer Match	23,087,698	5.70%	5.58%

The recommended contribution rate cannot be less than 0.0% of pay. The actual contribution is at least the mandatory 110% of employees contributions.

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT D

Accounting Pension Cost – GASB No. 27

The Department adopted Government Accounting Standards Board Statement No. 27 (GASB 27) in accounting for costs under the Retirement Plan. This statement requires that the Department expense in each

year the actuarial recommended contribution adjusted for the amortization of any Net Pension Obligation existing at the start of the year. The following table shows the costs for the current and prior fiscal years.

<u>Accounting Pension Cost - Estimated</u>	<u>Fiscal Year Ending June 30, 2000</u>	<u>Fiscal Year Ending June 30, 1999</u>
1. Actuarial recommended contribution	\$ 0	\$ 0
2. Adjustment	<u>5,378,281</u>	<u>34,578,361</u>
3. Pension cost	\$ 5,378,281	\$34,578,361

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT E

Value of Earned Benefits – FASB 35

The third view of your Plan is an approach similar to that in Exhibit C. This approach was promulgated by the Financial Accounting Standards Board (FASB) in its Standard No. 35. Under this standard, the plan's financial statement must contain the "present value of accumulated benefits" (the ABO) determined in accordance with FASB No. 35.

FASB No. 35 requires a straightforward determination of the present value of accrued benefits except for one change to the definition used in the traditional view of Exhibit C – that no projection of future salary increases be made. Using this approach, we determined the following.

<u>Funding Ratio – FASB 35</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
1. Present value of benefits earned to date	\$4,295,693,183	\$4,182,401,900
2. Actuarial value of assets	5,605,856,078	5,254,093,071
3. Unfunded present value of benefits: (1) – (2)	(1,310,162,895)	(1,071,691,171)
4. Funding ratio: (2)/(1)	130.5%	125.6%

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT F

Adjusted Reserves

Each year the Retirement Board adjusts its retired reserves to agree with the value calculated during the valuation. The following table presents the required transfers.

<u>Adjusted Reserves</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>
1. Retired reserve balance	\$3,408,139,712	\$3,181,086,569
2. Actuarially computed present value	3,374,531,483	3,359,341,944
3. Actuarial gain (loss): (1) – (2)	33,608,229	(178,255,375)
4. Transfer from (to) DWP contribution accounts from retired reserves:	(33,608,229)	\$178,255,375

SECTION 3: Supplementary Information for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT G

Section 415 Limitations

Section 415 of the Internal Revenue Code specifies the maximum benefits that may be paid to an individual from a plan maintained for its employees by any state or political subdivision.

These rules do not apply to "qualified participants". A qualified participant is defined as a participant who first became a participant in the plan maintained by the employer before January 1, 1990.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is participants could be taxed on their vested benefits.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Social Security Normal Retirement Age to:

A dollar limit of \$90,000 indexed for inflation. The dollar limit (\$90,000, indexed for inflation) is \$135,000 for plan year ending June 30, 2000 and \$ 140,000 for plan year ending June 30, 2001. This is the limit in simplified terms. It must be adjusted based on each participant's circumstances, for such things as age at retirement and form of benefits chosen.

While the actual determination of the exact limits applicable to each participant's benefit can only be done when the individual retires and applies for benefits, the overall impact of the limits has been reflected in this valuation.

Fund Counsel's review and interpretation of the law and regulations must be sought in this area as well.

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 1

Pensions in Pay Status on June 30, 2000

<u>Age</u>	<u>Number</u>	<u>Monthly Amount</u>	<u>Number</u>
Under 50	49	Under \$ 500	685
50 - 54	562	\$500 - 999	1,222
55 - 59	995	1,000 - 1,499	1,318
60 - 64	1,160	1,500 - 1,999	1,362
65 - 69	1,221	2,000 - 2,499	1,380
70 - 74	1,559	2,500 - 2,999	1,151
75 - 79	1,716	3,000 - 3,499	878
80 - 84	1,256	3,500 - 3,999	589
85 & Over	1,231	4,000 - 4,499	397
		4,500 & over	767
<u>Total</u>	<u>9,749</u>	<u>Total</u>	<u>9,749</u>

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 2

Participants in Active Service on June 30, 2000 by Age and by Service

Age	Total	Service								
		Less than 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 20	3	3								
Average Pay	\$36,462	\$36,462								
20 - 24	30	30	-	-	-	-	-	-	-	-
Average Pay	\$37,999	\$37,999	-	-	-	-	-	-	-	-
25 - 29	149	114	30	5	-	-	-	-	-	-
Average Pay	\$43,852	\$39,909	\$57,932	\$49,282	-	-	-	-	-	-
30 - 34	572	154	207	207	4	-	-	-	-	-
Average Pay	\$50,280	\$43,763	\$53,528	\$51,948	\$46,732	-	-	-	-	-
35 - 39	1,257	132	223	600	291	11	-	-	-	-
Average Pay	\$54,677	\$43,842	\$52,575	\$56,173	\$58,048	\$56,497	-	-	-	-
40 - 44	1,449	102	158	433	589	152	15	-	-	-
Average Pay	\$57,111	\$47,432	\$52,263	\$54,184	\$60,910	\$62,570	\$53,987	-	-	-
45 - 49	1,545	72	109	320	413	359	259	13	-	-
Average Pay	\$57,423	\$46,858	\$53,635	\$54,136	\$57,582	\$60,744	\$60,887	\$63,108	-	-
50 - 54	1,072	48	55	199	213	209	231	113	4	-
Average Pay	\$59,802	\$59,853	\$53,310	\$53,693	\$56,974	\$58,354	\$64,477	\$71,468	\$78,939	-
55 - 59	519	18	29	105	110	75	83	76	23	-
Average Pay	\$60,130	\$55,509	\$53,963	\$51,935	\$53,789	\$60,604	\$62,510	\$73,566	\$84,725	-
60 - 64	167	5	19	39	34	27	17	18	6	2
Average Pay	\$56,364	\$59,711	\$51,799	\$48,195	\$56,031	\$55,727	\$61,142	\$66,010	\$75,177	\$81,027
65 - 69	35	2	2	8	5	7	5	3	2	1
Average Pay	\$54,638	\$35,483	\$42,650	\$53,159	\$49,345	\$48,158	\$58,391	\$67,816	\$80,049	\$91,454
70 & Over	9	1	0	1	2	1	2	1	1	-
Average Pay	\$77,763	\$220,806	0	\$41,681	\$49,851	\$58,229	\$72,936	\$81,353	\$52,226	-
Total	6,807	681	832	1,917	1,661	841	612	224	36	3
Average Pay	\$56,425	\$45,521	\$53,141	\$54,237	\$58,423	\$60,144	\$62,315	\$71,251	\$81,328	\$84,503

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 3

Actuarial Assumptions and Actuarial Cost Method

Termination rates before retirement:

		Rate (%)			
		Male			
	Age	Mortality	Disability	Ordinary Withdrawal	Vested Withdrawal
	25	0.04	0.006	5.728	0.888
	30	0.06	0.012	4.296	0.700
	35	0.10	0.012	2.920	0.563
	40	0.15	0.018	2.000	0.463
	45	0.25	0.030	1.144	0.325
	50	0.43	0.054	0.639	0.188
	55	0.70	0.126	0.360	0.088
	60	1.11	0.240	0.070	0.050
	65	0.00	0.000	0.070	0.000
		Female			
	Age	Mortality	Disability	Ordinary Withdrawal	Vested Withdrawal
	25	0.03	0.000	8.416	1.338
	30	0.05	0.006	6.224	1.050
	35	0.08	0.036	4.576	0.838
	40	0.11	0.072	3.048	0.700
	45	0.15	0.102	2.080	0.488
	50	0.19	0.138	1.233	0.275
	55	0.29	0.168	0.690	0.138
	60	0.45	0.000	0.150	0.075
	65	0.00	0.000	0.080	0.000

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 3 – Continued

Actuarial Assumptions and Actuarial Cost Method

Retirement Rates:

Age	Retirement	Retirement
	Probability	Probability
	Male	Female
50	0.51	0.36
51	0.73	1.08
52	1.24	0.72
53	1.39	0.72
54	4.02	3.25
55	9.14	7.22
56	7.68	3.60
57	8.40	5.77
58	8.78	7.22
59	9.87	8.66
60	18.28	11.54
61	16.44	10.82
62	17.54	17.31
63	18.28	14.43
64	25.58	21.64
65	38.38	36.07
66	31.07	25.25
67	31.07	36.07
68	31.07	36.07
69	38.38	36.07
70	100.00	100.00

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 3 – Continued

Actuarial Assumptions and Actuarial Cost Method

50/30 Open Window:	During the window period, retirement rates increased to 20% per year between ages 50 and 55.
Retirement Age and Benefit for Inactive Vested Participants:	Assume an immediate refund of employee normal contribution account plus department matching contribution account.
Post Retirement Mortality Rates:	Healthy: 1983 GAM Set back one year Disabled: Based on Plan experience
Future Benefit Accruals:	1.0 year of service per year
Other Government Service:	(a) 30% of the employees with less than 10 years of service will purchase an average of four years of service. (b) 41.25% of the employees with 10 years or more of service will purchase an average of four years of service.
Unknown Data for Participants:	Same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.
Definition of Active Participants:	First day of biweekly payroll period following employment for new Department employees. Immediately following transfer from other City departments.
Exclusion of Inactive Vested:	All inactive participants are included in the valuation.
Percent Married/Domestic Partner:	85% of male participants; 60% of female participants.
Age of Spouse/Domestic Partner:	Female spouses are 4 years younger than their spouses.

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 3 – Continued

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:	8.00%
Employee Contribution and Matching Account Crediting Rate:	8.00%
Salary Scale:	5.50%
Consumer Price Index:	Increase of 4.0% per year; benefit increases due to CPI subject to 3.0% maximum.
Actuarial Value of Assets:	The actuarial value of assets is determined by phasing in equity unrealized capital gains and losses over a four-year period.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant would have commenced participation if the plan had always been in existence. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.
Funding Policy:	<p>The Department of Water and Power makes contributions equal to the Normal Cost adjusted by amounts 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. The June 30, 2000 Surplus Actuarial Accrued Liability is amortized over the fifteen year period commencing July 1, 2000. Any subsequent changes in Surplus or Unfunded Actuarial Accrued Liability are amortized over separate fifteen year periods. All amortization amounts are determined in equal dollar amounts over the amortization period. The Board may, by resolution, adopt a separate period of not more than thirty years to amortize the change in Surplus or Unfunded Actuarial Accrued Liability resulting from an unusual event, plan amendment or change in assumptions or methods.</p> <p>Finally, the Department of Water and Power contribution is not less than the matching contribution of 110% of member contributions.</p>

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 4

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan 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

Formula Retirement Benefit:

Age & Service Requirement

Age 60 with 5 years of service

Age 55 with 10 years of service in the last 12 years

Any age with 30 year of service; or

Receiving permanent total disability benefits from the Plan.

Note: To be eligible, the employee must have worked or been paid disability four of the last five years immediately preceding eligibility to retire, or while eligible to retire.

Amount

The greater of 2.1% of the Monthly Salary Base or \$9.50 per year of service.

Monthly Salary Base

Equivalent of monthly average salary of highest continuous 26 biweekly payroll periods (one year).

Cost of Living benefit

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

Death after retirement

50% of retiree's unmodified allowance continued to eligible spouse or domestic partner (reduced if difference in ages is greater than five years).

Defined benefit paid monthly for life. If the money purchase annuity amount exceeds the monthly amount of the formula retirement benefit and the retiree meets the eligibility requirements for the Formula retirement benefit, the amount of the money purchase annuity is paid and the cost-of-living and death after retirement continuance features of the formula retirement benefit are also paid.

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 4 – Continued

Summary of Plan Provisions

Member Normal Contributions:

If an employee became a plan member after June 1, 1984, the member normal contribution rate is 6%.

If an employee became a plan member before June 1, 1984 or transferred from CERS with an entry age contribution rate, sample rates by entry age are as follows:

<u>Entry Age</u>	<u>Rate</u>
20	2.601%
25	3.102%
30	3.611%
35	4.161%
40	4.742%
45	5.381%
50	6.042%
55	6.762%
59	7.332%

Department Current Service Contributions:

The Department of Water and Power makes contributions that match employee contributions at the rate of 110%.

Disability:

Disability benefits are paid from the Disability Fund. However, if a member is receiving permanent and total disability benefits, he may elect to retire. Other than a nominal amount, no service credit during disability is earned for the 2.1% formula; however, credit is earned during disability toward the \$9.50 minimum formula.

SECTION 4: Statistics, Assumptions, and Plan Provisions for the Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT 4 – Continued

Summary of Plan Provisions

Deferred Withdrawal Retirement Benefit (Vested):

<i>Age & Service Requirement</i>	Age 60 with one-year contributing membership; or Age 55 with 10-years of contributing membership in the 12 years prior to separation from service.
<i>Amount</i>	Value of employee normal contribution account plus Department matching contribution (called current service contribution) account at retirement date

Death Before Retirement:

Refund of employee contributions with interest. On the death of a member who is eligible for service retirement but who has not yet retired or who has 25 years of service, the member's spouse may elect a monthly allowance payable during the spouse's lifetime in lieu of return of the member's total accumulated contributions. The monthly allowance payable to the surviving spouse is the amount the spouse would have received had the member retired on the day before the member's death and elected a full joint and survivor allowance.

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Money Purchase Annuity:

Value of employee normal contribution account plus Department matching contribution (called current service contribution) account at retirement date.
