

**The Water and Power Employees'
Retirement Plan of the City of Los Angeles
Insured Lives Death Benefit Fund for
Noncontributing Members**

GASB Actuarial Valuation and Review as of July 1, 2013



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December 5, 2013

Board of Administration

*The Water and Power Employees' Retirement Plan of the City of Los Angeles
111 North Hope Street, Room 357
Los Angeles, California 90012*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of the Insured Lives Death Benefit Fund for Noncontributing Members as of July 1, 2013. It summarizes the actuarial data used in the valuation and establishes the Governmental Accounting Standards Board (GASB) reporting requirements for fiscal 2013-2014.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. The census and financial information on which our calculations were based was prepared by the Retirement Office. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

*Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary*

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SECTION 1: Valuation Summary for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Purpose

This report has been prepared by Segal Consulting to present a valuation of the Insured Lives Death Benefit Fund for Noncontributing Members (Fund) of The Water and Power Employees' Retirement Plan of the City of Los Angeles as of July 1, 2013. The principal purpose of this report is to document the calculation of various information required by the Governmental Accounting Standards Board (GASB). The results presented in this report are based on:

- The benefit provisions of the Fund, as administered by the Board;
- The characteristics of covered active members, inactive vested members, retired and disabled members as of March 31, 2013, provided by the Retirement Office;
- The assets of the Fund as of June 30, 2013, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

- Ref: Pg. 4* ➤ The net assets allocated to the Fund earned a return of -2.5% for the July 1, 2012 to June 30, 2013 plan year. This resulted in an actuarial loss of \$0.8 million when measured against the assumed rate of return of 5.00%; however, this actuarial loss caused only a slight increase in the Fund's Annual Required Contribution (ARC).
- Ref: Pg. 8* ➤ As of July 1, 2013, the Fund's actuarial accrued liability is \$96.8 million. Fund assets are \$10.4 million and therefore the unfunded actuarial accrued liability (UAAL) is \$86.4 million.
- Ref: Pg. 9* ➤ The components of the ARC for the 2013-2014 plan year are the Fund's normal cost of \$1.6 million; the total of the 15-year UAAL amortization layer payments, which is \$10.7 million; and interest on each of the above for one-half year (2.5%). The total ARC for the 2013-2014 plan year is \$12.6 million, which is 1.40% of the projected covered payroll of \$900.3 million. The ARC for the 2013-2014 plan year increased by \$0.7 million from the previous year. This increase was mainly due to actual contributions for 2012-2013 being less than the ARC.
- Ref: Pg. 14* ➤ The expected Department contributions for 2013-2014, reflecting the average recommended contribution rate of \$1.31 per \$100 of retirement benefit, are \$4.9 million. The Annual Pension Cost of \$11.1 million exceeds the expected Department contributions by \$6.2 million.
- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for Plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.
- The Board may want to authorize a review of the assumptions, funding methods and reserving policies for this Fund.

SECTION 1: Valuation Summary for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Summary of Key Valuation Results

	2013	2012
Funding elements for plan year beginning July 1:		
Total normal cost	\$1,584,909	\$1,551,788
Market value of assets	10,446,743	10,358,504
Actuarial value of assets	10,446,743	10,358,504
Actuarial accrued liability	96,808,939	95,907,085
Unfunded actuarial accrued liability	86,362,196	85,548,581
Funded ratio	10.8%	10.8%
GASB 25/27 for plan year beginning July 1:		
Annual pension cost	\$11,114,702	\$10,679,472
Actual contributions	--	5,021,181
Percentage contributed	--	47.0%
Covered payroll*	\$900,254,454	\$817,421,028
Demographic data for plan year beginning July 1:		
Number of retired members	6,495	6,458
Number of vested former members**	780	851
Number of active members	8,913	8,962
Total projected compensation	\$900,254,454	\$886,539,366
Average projected compensation	\$101,005	\$98,922

* For 2012, this represents the actual covered payroll for 2012-2013 as reported by the Retirement Office.

** Excludes terminated members with less than five years of service.

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT A

Table of Fund Coverage

Category	Year Ended June 30		Change From Prior Year
	2013	2012	
Active members in valuation:			
Number	8,913	8,962	-0.5%
Average age	49.3	48.9	N/A
Average service	18.4	18.2	N/A
Projected total compensation	\$900,254,454	\$886,539,366	1.5%
Projected Average compensation	\$101,005	\$98,922	2.1%
Vested terminated members*			
Number	780	851	-8.3%
Average age	52.8	51.9	N/A
Retired members:			
Number in pay status	6,495	6,458	0.6%
Average age	73.3	73.3	N/A
Average monthly Retirement Plan benefit	\$4,844	\$4,654	4.1%

* Excludes terminated members with less than five years of service.

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT B

**Members in Active Service as of June 30, 2013
By Age, Years of Service, and Average Compensation**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	29	29	--	--	--	--	--	--	--	--
	\$88,614	\$88,614	--	--	--	--	--	--	--	--
25 - 29	249	144	104	1	--	--	--	--	--	--
	95,512	94,824	\$96,247	\$118,078	--	--	--	--	--	--
30 - 34	616	171	311	128	6	--	--	--	--	--
	97,887	92,640	98,716	102,979	\$95,840	--	--	--	--	--
35 - 39	799	117	302	322	58	--	--	--	--	--
	94,219	88,122	92,685	98,379	91,413	--	--	--	--	--
40 - 44	1,087	83	289	401	178	132	4	--	--	--
	95,026	91,266	90,072	92,774	98,205	\$110,971	\$89,226	--	--	--
45 - 49	1,565	78	199	306	178	479	320	5	--	--
	102,669	90,733	89,147	93,198	101,457	112,939	108,321	\$104,117	--	--
50 - 54	1,954	60	158	248	142	374	631	325	16	--
	104,499	91,641	87,582	92,660	93,851	103,577	111,151	116,562	\$111,957	--
55 - 59	1,464	42	96	163	88	229	405	339	101	1
	106,383	97,621	90,562	89,706	95,022	106,494	108,061	119,355	111,554	\$86,690
60 - 64	786	23	38	79	53	124	206	139	94	30
	100,323	83,083	85,557	87,606	98,120	97,991	102,751	104,963	109,789	111,426
65 - 69	264	3	10	33	16	42	68	49	25	18
	100,004	62,674	83,497	90,508	94,103	93,374	104,916	106,037	103,608	113,538
70 & over	100	2	4	7	7	15	27	13	7	18
	91,621	55,463	51,611	78,289	97,771	98,264	87,209	96,914	95,267	103,166
Total	8,913	752	1,511	1,688	726	1,395	1,661	870	243	67
	\$101,005	\$91,538	\$92,189	\$94,049	\$97,102	\$107,109	\$108,113	\$114,839	\$109,611	\$109,405

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT C

Table of Financial Information

Statement of Death Benefit Fund Assets	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash	\$919,762	\$1,031,942
Accounts receivable	880,475	984,720
Investment in bonds and mortgage-backed securities at fair value	26,208,830	24,719,737
Short-term commercial paper, amortized cost which approximates market	<u>717,742</u>	<u>1,016,499</u>
Total Assets	\$28,726,809	\$27,752,898
Accounts payable	(797,534)	(518,896)
Death claims in process-insured lives	<u>(2,909,143)</u>	<u>(2,477,449)</u>
Net Assets at Market Value	\$25,020,132	\$24,756,553
Less: Unrealized Appreciation/(Depreciation), included in the above	<u>2,220,076</u>	<u>2,698,586</u>
Total Reserves and Designated Balances	\$22,800,056	\$22,057,967
Allocation of Net Assets to Insured Lives Death Benefit Fund for Noncontributing Members	Year Ended June 30, 2013	Year Ended June 30, 2012
1. Net Assets at Market Value	\$25,020,132	\$24,756,553
2. General Reserves		
a. Reserve for Benefits Granted:		
i. Family Death Benefits	\$3,852,072	\$4,053,861
ii. Supplemental Family Death Benefits	<u>450,959</u>	<u>191,065</u>
iii. Total for Benefits Granted	\$4,303,031	\$4,244,926
b. Contribution Accounts:		
i. Family Death Benefits	\$1,429,131	\$1,695,783
ii. Supplemental Family Death Benefits	<u>5,387,702</u>	<u>5,399,935</u>
iii. Total for Contribution Accounts	\$6,816,833	\$7,095,718
c. Total General Reserve for Family and Supplemental Family Death Benefits	\$11,119,864	\$11,340,644
3. Insured Lives General Reserve for Contributing Members (Mean Funds)	3,453,525	3,057,405
4. Net Assets for Insured Lives Death Benefit Fund for Noncontributing Members = (1) – (2c) – (3)*	\$10,446,743	\$10,358,504

* General Reserve for Noncontributing Members is \$8,226,667 at June 30, 2013 and \$7,659,918 at June 30, 2012.

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT D

Development of the Fund Through June 30, 2013

Year Ended June 30	Employer Contributions	Benefit Payments	Net Investment Return	Assets at End of Year	Average Assets During Year	Rate of Return
2006	-	-	-	\$7,049,552	-	-
2007	\$3,671,046	\$4,828,038	\$636,402	6,528,962	\$6,471,056	9.83%
2008	3,825,394	5,633,430	11,152	4,732,078	5,624,944	0.20%
2009	4,445,208	4,650,282	734,532	5,261,536	4,629,541	15.87%
2010	5,133,632	4,811,131	1,602,934	7,186,971	5,422,787	29.56%
2011	5,552,771	5,360,830	894,351	8,273,263	7,282,942	12.28%
2012	5,001,416	4,555,657	1,639,482	10,358,504	8,496,143	19.30%
2013	5,021,181	4,666,084	(266,858)	10,446,743	10,536,053	-2.53%

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT E

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Fund is calculated including:

- (a) Investment return — the rate of investment yield that the Fund will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent that the actuarial accrued liability of the Fund exceeds the assets of the Fund.

SECTION 2: Supplemental Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Amortization of the Unfunded Actuarial Accrued Liability:

Payments made over a period of years equal in value to the Fund's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the Fund.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements.

The other critical piece of information regarding the Fund's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to cover the Fund's accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

The details regarding the calculations of these values and other GASB numbers may be found in this Section 3.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date	6,495
2. Members inactive during year ended June 30, 2013 with vested rights*	780
3. Members active during the year ended June 30, 2013	8,913

The actuarial factors as of the valuation date are as follows:

1. Normal cost	\$1,584,909
2. Present value of future benefits	110,083,855
3. Present value of future normal costs	13,274,916
4. Actuarial accrued liability	\$96,808,939
Retired members	\$69,750,415
Inactive members with vested rights*	3,905,288
Active members	23,153,236
5. Actuarial value of assets	\$10,446,743
6. Unfunded actuarial accrued liability	\$86,362,196

* Excludes terminated members with less than five years of service.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

	Dollar Amount	% of Payroll
The determination of the Annual Required Contribution is as follows:		
1. Total normal cost	\$1,584,909	0.18%
2. Expected employee contributions	<u>0</u>	<u>0.00%</u>
3. Employer normal cost: (1) + (2)	\$1,584,909	0.18%
4. Amortization of unfunded actuarial accrued liability	10,668,711	1.19%
5. Total Annual Required Contribution (ARC): (3) + (4), adjusted for timing*	12,559,961	1.40%
6. Projected payroll	\$900,254,454	

* *Annual Required Contribution is assumed to be paid at the middle of every year.*

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT II

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Initial UAAL	07/01/2007	15	\$72,495,279	\$6,651,773	9.00	\$49,643,592
Actuarial Loss	07/01/2008	15	20,577,353	1,888,066	10.00	15,308,101
Actuarial Loss	07/01/2009	15	4,809,233	441,269	11.00	3,848,632
Actuarial Loss	07/01/2010	15	6,203,070	569,160	12.00	5,296,838
Assumption Changes	07/01/2010	15	(6,329,269)	(580,739)	12.00	(5,404,602)
Actuarial Loss	07/01/2011	15	6,536,049	599,712	13.00	5,915,114
Actuarial Loss	07/01/2012	15	4,924,411	451,837	14.00	4,696,203
Actuarial Loss	07/01/2013	15	7,058,318	<u>647,633</u>	15.00	<u>7,058,318</u>
Total				\$10,668,711		\$86,362,196

* Level dollar amount.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Annual Pension Cost	Actual Contributions	Actual Contributions/ Annual Required Contributions	Actual Contributions/ Annual Pension Cost
2009	\$10,084,010	\$9,846,797	\$4,445,208	44.1%	45.1%
2010	10,708,915	10,221,070	5,133,632	47.9%	50.2%
2011	10,717,090	9,993,189	5,552,771	51.8%	55.6%
2012	11,379,225	10,449,289	5,001,416	44.0%	47.9%
2013	11,862,188	10,679,472	5,021,181	42.3%	47.0%
2014	12,559,961	11,114,702	--	--	--

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT IV

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
07/01/2008	\$4,732,078	\$94,445,113	\$89,713,035	5.01%	\$708,731,840	12.66%
07/01/2009	5,261,536	95,302,626	90,041,090	5.52%	805,137,795	11.18%
07/01/2010	7,186,971	92,173,753	84,986,782	7.80%	856,089,559	9.93%
07/01/2011	8,273,263	94,627,428	86,354,165	8.74%	870,203,423	9.92%
07/01/2012	10,358,504	95,907,085	85,548,581	10.80%	886,539,366	9.65%
07/01/2013	10,446,743	96,808,939	86,362,196	10.79%	900,254,454	9.59%

* *Not less than zero.*

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT V

Supplementary Information Required by the GASB

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Cost Method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2007 Unfunded Actuarial Accrued Liability is amortized over a closed 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate closed 15-year periods effective with that valuation.
Asset valuation method	Total market value of the Death Benefit Fund at valuation date, less the Reserves for Benefits Granted and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members (Mean Funds).
Actuarial assumptions:	
Investment rate of return	5.00%
Inflation rate	3.50%
Projected salary increases	5.35% to 10.50%*
Cost of living adjustments	3.00% (actual increases are contingent upon CPI increases with a 3.00% maximum)
Plan membership:	
Retired members	6,495
Terminated vested members**	780
Active members	<u>8,913</u>
Total	16,188

* Includes inflation at 3.50%, "across the board" increases of 0.75% plus merit and promotional increases. See Exhibit VII for these increases.

** Excludes terminated members with less than five years of service.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT VI

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (c)	ARC Adjustment (h) / (e) (d)	Amortization Factor (e)	Pension Cost (a) + (c) – (d) (f)	Change in NPO (f) – (b) (g)	NPO Balance NPO + (g) (h)
2007	–	–	–	–	–	–	–	\$0
2008	\$8,937,748	\$3,825,394	\$0	\$0	10.6328	\$8,937,748	\$5,112,354	5,112,354
2009	10,084,010	4,445,208	243,597	480,810	10.6328	9,846,797	5,401,589	10,513,943
2010	10,708,915	5,133,632	500,977	988,822	10.6328	10,221,070	5,087,438	15,601,381
2011	10,717,090	5,552,771	743,387	1,467,288	10.6328	9,993,189	4,440,418	20,041,799
2012	11,379,225	5,001,416	954,967	1,884,903	10.6328	10,449,289	5,447,873	25,489,672
2013	11,862,188	5,021,181	1,214,552	2,397,268	10.6328	10,679,472	5,658,291	31,147,963
2014	12,559,961	4,945,792	1,484,163	2,929,422	10.6328	11,114,702	6,168,910	37,316,873

* The amount indicated for June 30, 2014 is assumed to be equal to an average rate of \$1.31 per \$100 of retirement plan benefit paid during July 1, 2013 through the end of the plan year. Will be updated to equal the actual employer contribution after June 30, 2014.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT VII

Actuarial Assumptions and Methods

Demographic Assumptions:

Mortality Rates:

After Service Retirement and Pre-Retirement:

RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

After Disability Retirement:

RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

The tables shown above were determined to reasonably reflect mortality experience through the measurement date; however, they do not provide any margin for future mortality improvement.*

Termination Rates before Retirement:			Rate (%)			
Age	Mortality**		Disability		Total Withdrawal***	
	Male	Female	Male	Female	Male	Female
25	0.037	0.020	0.006	0.000	6.550	9.200
30	0.039	0.025	0.012	0.006	4.350	7.250
35	0.063	0.044	0.012	0.036	3.060	5.550
40	0.096	0.065	0.018	0.072	2.180	4.150
45	0.130	0.103	0.030	0.102	1.660	3.150
50	0.186	0.155	0.054	0.138	1.260	2.450
55	0.292	0.242	0.126	0.168	0.980	2.100
60	0.527	0.444	0.240	0.000	0.720	1.100
65	1.001	0.862	0.000	0.000	0.420	0.350

* The recommended mortality table from the 2012 Actuarial Experience Study is the RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA. That table would include a margin for future mortality improvement.

** 5% of pre-retirement deaths are assumed to be duty related, with the remaining being non-duty related.

*** No withdrawal is assumed after a member is first eligible to retire. Ordinary withdrawal members are assumed to receive their account balance at termination. Vested termination members are assumed to receive a deferred retirement benefit. 45% of terminations are assumed to be ordinary withdrawals, with the remaining being vested terminations.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Retirement Rates:	Age	Under 30 Years of Service	Over 30 Years of Service
	50	0.00%	0.00%
	51	0.00	0.00
	52	0.00	0.00
	53	0.00	0.00
	54	0.00	0.00
	55	4.00	25.00
	56	3.00	15.00
	57	3.00	12.50
	58	3.00	12.50
	59	4.00	12.50
	60	5.00	20.00
	61	5.00	10.00
	62	5.00	10.00
	63	5.00	25.00
	64	5.00	20.00
	65	15.00	25.00
	66	15.00	25.00
	67	15.00	25.00
	68	15.00	25.00
	69	15.00	25.00
	70	100.00	100.00

Retirement Age and Benefit for Inactive

Vested Participants:

Inactive vested members are assumed to retire at age 60 with a Money Purchase Annuity. Members receiving Permanent Total Disability benefits are assumed to retire at the earlier of age 60 or age 55 with 30 years of service.

Definition of Active Members:

First day of biweekly payroll following employment for new Department employees or immediately following transfer from other city department.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Data Adjustments: Data as of March 31 has been adjusted to June 30 by adding three months of age and for active members three months of service. For members in pay status, we have increased their Retirement Plan benefits by the assumed July 1 COLA.

Percent with Beneficiaries: All members are assumed to have a beneficiary at post-retirement death.

Future Benefit Accruals: 1.0 year of service per year.

Other Government Service: Members are assumed to purchase an additional 0.15 years of service per year.

Economic Assumptions:

Consumer Price Index: Increase of 3.50% per year; benefit increases due to CPI subject to 3.00% maximum.

Net Investment Return: 5.00%, net of administration and investment expenses.

Salary Increases: Annual Rate of Compensation Increase
 Inflation: 3.50% per year, plus “across the board” salary increases of 0.75% per year, plus the following merit and promotional increases.

<u>Years of Service</u>	<u>Increase</u>
0	6.25%
1	5.25%
2	4.75%
3	3.50%
4	2.00%
5 & Over	1.10%

The merit and promotional increases are added to the sum of the inflationary and “across the board” salary increases.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

Actuarial Methods:

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age equals attained age less years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percent of salary, with Normal Cost determined as if the current benefit accrual rate had always been in effect (“replacement life”).

Actuarial Value of Assets: Total market value of the Death Benefit Fund at valuation date, less the Reserves for Benefits Granted and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members (Mean Funds).

Funding Policy: The Department of Water and Power makes contributions based on a rate recommended by the Board’s Actuary designed to maintain the General Reserve at a target level equal to the average of the benefits paid for the last five years.

Changes in Assumptions: There were no changes to the actuarial assumptions since the prior valuation.

SECTION 3: Reporting Information for the Insured Lives Death Benefit Fund for Noncontributing Members of The Water and Power Employees' Retirement Plan of the City of Los Angeles

EXHIBIT VIII

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Insured Lives Death Benefit Fund for Noncontributing Members 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

Census Date: March 31

Death Benefit:

Age & Service Requirement Any age provided the member was employed by the Department for at least five years.

Amount A single sum distribution equal to 14 times the member's Full Retirement Allowance (to a maximum of \$20,000).

Additional Requirement Death must occur after retirement.

Member Contribution Rate: None.

Department Contribution Rate: Rate recommended by Board's Actuary as an amount per \$100 of retirement benefits paid during the year.

Changes in Plan Provisions: There have been no changes in plan provisions since the last valuation.

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