

The Water and Power Employees' Retirement  
Plan of the City of Los Angeles

*Actuarial Valuation and Review  
as of July 1, 2008*

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October 7, 2008

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 as of July 1, 2008. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008-2009 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Retirement Office. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this 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 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.

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

Sincerely,

THE SEGAL COMPANY

By:

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

John Monroe, ASA, MAAA, EA  
Vice President and Associate Actuary

KR/dvb

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

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### Purpose

This report has been prepared by The Segal Company to present a valuation of The Water and Power Employees' Retirement Plan of the City of Los Angeles as of July 1, 2008. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Plan, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of March 31, 2008, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2008, 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. 8*

- The market value of assets earned a return of -4.43% for the July 1, 2007 to June 30, 2008 plan year. The actuarial value of assets earned a return of 8.15% for the July 1, 2007 to June 30, 2008 plan year due to the recognition of prior investment gains. This resulted in an actuarial gain of \$10.3 million when measured against the assumed rate of return of 8.00%. This actuarial investment gain decreased the Plan's required contribution by 0.16% of compensation.

*Ref: Pg. 13*

*Ref: Pg. 13*

- The salaries for continuing actives increased by 5.1% from the rates in effect on March 31, 2007 to the rates in effect on March 31, 2008. Since this increase is lower than the average assumed rate of approximately 5.5%, the plan experienced an actuarial gain from salary increases. This gain amounted to \$12.2 million for the current year, which decreased the Plan's required contribution by 0.19% of compensation.

*Ref: Pg. 12*

- Under the Plan's funding policy, the required contribution rate continues to be larger than the mandatory 110% matching of the employee contribution. The required contribution for the 2008-2009 plan year is 20.28% of pay, which is estimated to be \$143.7 million. This includes amortization of the components of the Plan's unfunded actuarial accrued liability (UAAL) over 15-year fixed periods.

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

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*Ref: Pg. 5*

- The total unrecognized return (i.e., the difference between the market value of assets and the “smoothed” actuarial value of assets) changed by \$872.7 million during the plan year from a \$479.7 million unrecognized gain in 2007 to a \$393.0 million unrecognized loss in 2008. This unrecognized return represents the deferred market value losses that will be recognized over the next four years. Once recognized, the \$393.0 million will increase the required contribution by about 6.24% of pay unless offset by future actuarial gains.

*Ref: Pg. 27*

- This year, the balance in the General Reserve and the Reserve for Investment Gains and Losses increased from \$2,162 million as of June 30, 2007 to \$2,325 million as of June 30, 2008. These two reserves track changes in the book value of assets. Consistent with prior valuations, this year we have been instructed to include all but \$69.2 million of the end of year General Reserve and Reserve for Investment Gains and Losses as valuation assets. This is approximately 1% of the end of year market value of assets.

*Ref: Pg. 22*

- The actuarial accrued liability exceeds the actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$371.2 million. The Board’s funding policy determines the Department’s required contribution as the normal cost increased or offset by a UAAL amortization charge or credit. Under this funding policy, the Plan’s UAAL is amortized over various 15 year periods, each beginning with the year that each portion or base of the UAAL was first identified and amortized.

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

**Summary of Key Valuation Results**

	<b>2008</b>	<b>2007</b>
<b>Contributions for plan year beginning July 1:</b>		
Required under funding policy	\$143,697,537	\$144,743,767
Percentage of payroll	20.28%	21.59%
<b>Funding elements for plan year beginning July 1:</b>		
Total normal cost	\$133,394,667	\$105,450,550
Market value of assets	6,924,141,445	7,417,827,797
Actuarial value of assets	7,247,853,233	6,864,084,005
Actuarial accrued liability	7,619,102,935	7,467,285,349
Unfunded actuarial accrued liability	371,249,702	603,201,344
Funded ratio	95.13%	91.92%
<b>GASB 25/27 for plan year beginning July 1:</b>		
Annual pension cost	\$149,174,554	\$140,061,851
Actual contributions	--	141,862,126
Percentage contributed	--	101.29%
Covered payroll	\$708,731,840	\$623,674,973
<b>Demographic data for plan year beginning July 1:</b>		
Number of retired members and beneficiaries	8,670	8,746
Number of vested former members*	1,548	1,535
Number of active members	8,164	7,993
Total projected compensation	\$708,731,840	\$670,372,663
Average projected compensation	\$86,812	\$83,870

\* Includes terminated members due a refund of employee contributions.

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

**A. MEMBER DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

*A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.*

**CHART 1**  
**Member Population: 1999 – 2008**

<b>Year Ended June 30</b>	<b>Active Members</b>	<b>Vested Terminated Members*</b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
1999	6,518	1,450	9,967	1.75
2000	6,807	1,387	9,749	1.64
2001	7,250	1,415	9,576	1.52
2002	7,403	1,426	9,353	1.46
2003	7,731	1,445	9,161	1.37
2004	7,893	1,525	8,973	1.33
2005	7,967	1,397	8,868	1.29
2006	7,926	1,481	8,817	1.30
2007	7,993	1,535	8,746	1.29
2008	8,164	1,548	8,670	1.25

*\*Includes terminated members due a refund of employee contributions.*

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

**Active Members**

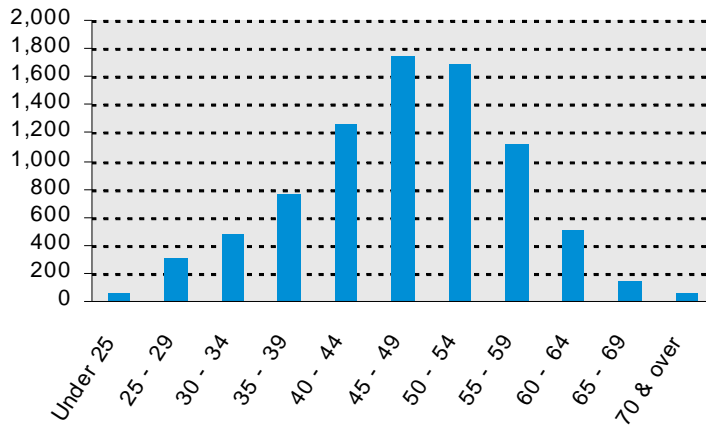
Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 8,164 active members with an average age of 47.8, average years of service of 17.4 years and average compensation of \$86,812. The 7,993 active members in the prior valuation had an average age of 47.9, average service of 17.5 years and average compensation of \$83,870.

**Inactive Members**

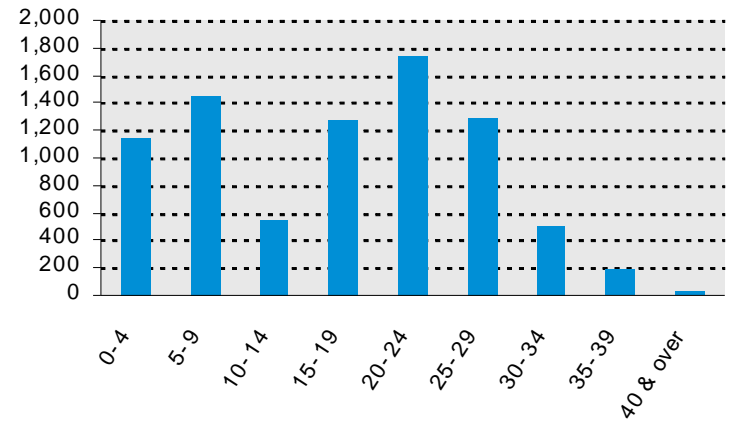
In this year's valuation, there were 1,548 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their employee contributions.

*These graphs show a distribution of active members by age and by years of service.*

**CHART 2**  
**Distribution of Active Members by Age as of June 30, 2008**



**CHART 3**  
**Distribution of Active Members by Years of Service as of June 30, 2008**





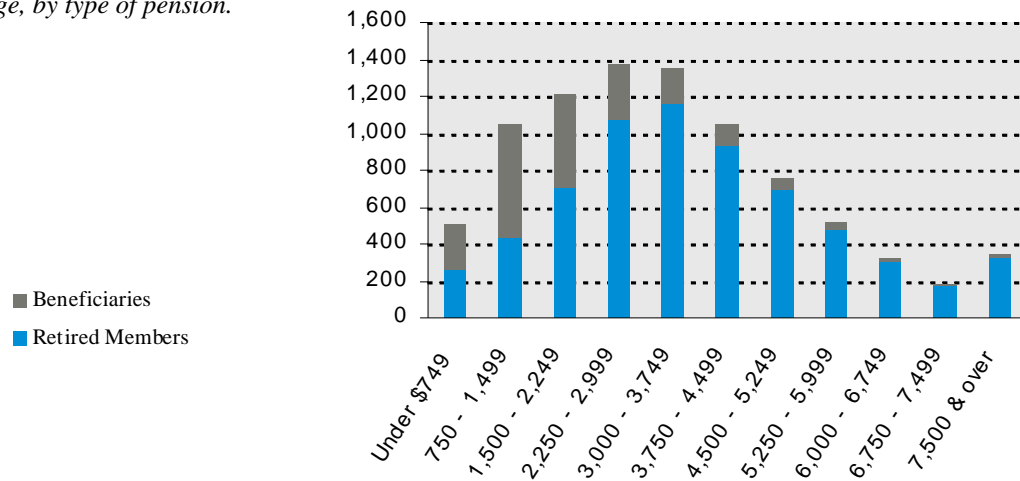
**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Retired Members and Beneficiaries**

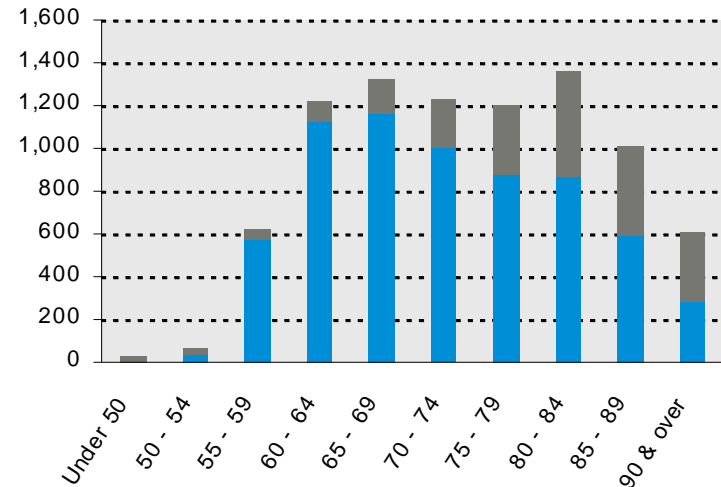
As of June 30, 2008, 6,501 retired members and 2,169 beneficiaries were receiving total monthly benefits of \$30,272,190. For comparison, in the previous valuation, there were 6,557 retired members and 2,189 beneficiaries receiving monthly benefits of \$29,006,547.

*These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.*

**CHART 4**  
**Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2008**



**CHART 5**  
**Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2008**



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

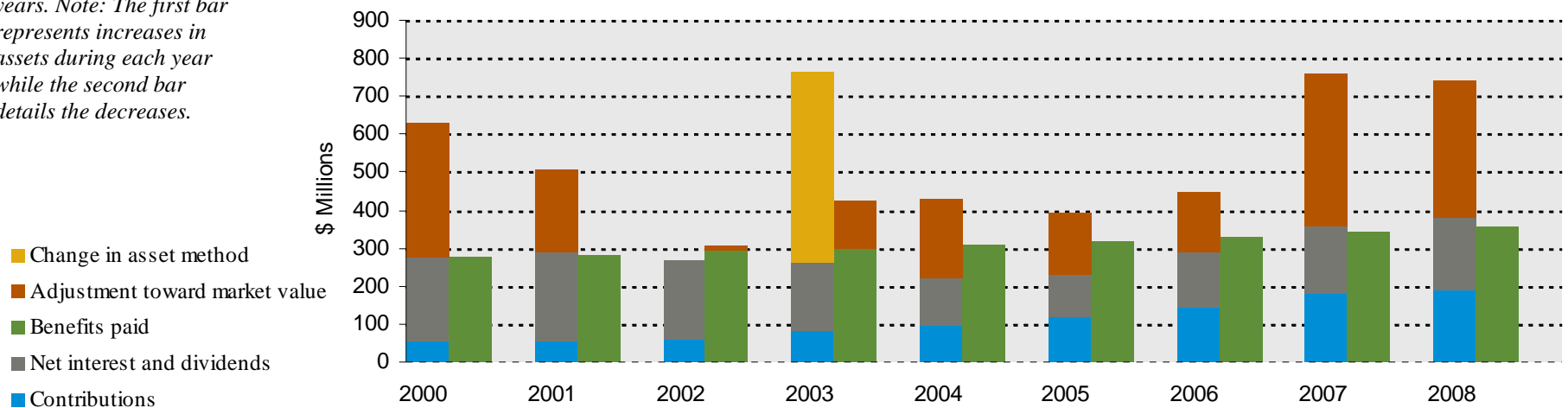
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

*The chart depicts the components of changes in the actuarial value of assets over the last nine years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2000 – 2008**



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

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative.

Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Please note that as instructed by Plan Staff, we have included all but \$69.2 million (approximately 1% of the end of year market value of assets) in the General Reserve and Reserve for Investment Gains and Losses as valuation assets.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

### CHART 7

#### Determination of Actuarial Value of Assets for Year Ended June 30, 2008

1	Original Amount*	Unrecognized Return **	
Market value of assets, June 30, 2008			\$6,924,141,445
2			
(a) Year ended June 30, 2008	-\$911,502,787	-\$729,202,230	
(b) Year ended June 30, 2007	555,827,560	333,496,536	
(c) Year ended June 30, 2006	30,315,338	12,126,135	
(d) Year ended June 30, 2005	<u>-46,868,215</u>	<u>-9,373,643</u>	
(e) Total Unrecognized Return***			-392,953,202
3			7,317,094,647
4			69,241,414
5			<u>\$7,247,853,233</u>
6			104.7%

\* Total return minus expected return on a market value basis

\*\* Recognition at 20% per year over 5 years

\*\*\* Deferred return as of June 30, 2008 recognized in each of the next 4 years:

(a) Amount Recognized during 2008/2009	-\$74,445,621
(b) Amount Recognized during 2009/2010	-65,071,978
(c) Amount Recognized during 2010/2011	-71,135,046
(d) Amount Recognized during 2011/2012	<u>-182,300,557</u>

Subtotal -\$392,953,202

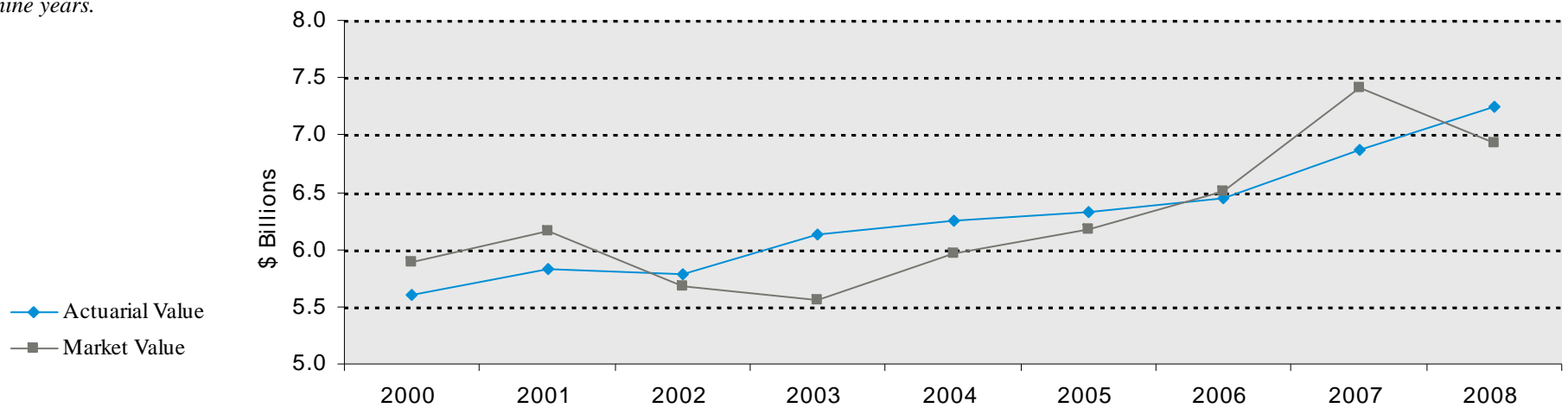
**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

Both the actuarial value and market value of assets are representations of the LADWP's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the LADWP's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Note that in the chart below, actuarial value of assets are exclusive of the General Reserve and Reserve for Investment Gains and Losses while that Reserve is included in the development of the market value of assets.

*This chart shows the change in the actuarial value of assets versus the market value over the past nine years.*

**CHART 8**  
**Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2000 – 2008**



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

**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, 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. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

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 term, experience will

return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is \$195,915,924, \$10,252,296 from investments and \$185,663,628 from all other sources. The net experience variation from individual sources other than investments was 2.4% of the actuarial accrued liability and is almost solely due to the change in actuarial consulting firm. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

**CHART 9  
Actuarial Experience for Year Ended June 30, 2008**

1. Net gain/(loss) from investments*	\$10,252,296
2. Net gain/(loss) from salaries	12,167,693
3. Net gain/(loss) from other experience**	<u>173,495,935</u>
4. Net experience gain/(loss): (1) + (2) + (3)	\$195,915,924

\* Details in Chart 10

\*\* Includes a gain of \$181.1 million due to the change in actuarial consulting firms.

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

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the LADWP's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return on an actuarial basis for the 2007-2008 plan year was 8.15%.

Since the actual return for the year was greater than the assumed return, the LADWP experienced an actuarial gain during the year ended June 30, 2008 with regard to its investments.

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

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**CHART 10**  
**Actuarial Value Investment Experience for Year Ended June 30, 2008**

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1. Actual return	\$552,624,794
2. Average value of assets	6,779,656,222
3. Actual rate of return: (1) ÷ (2)	8.15%
4. Assumed rate of return	8.00%
5. Expected return: (2) x (4)	\$542,372,498
6. Actuarial gain/(loss): (1) – (5)	<u>\$10,252,296</u>

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

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last nine years, including five-year and nine-year averages.

Based upon future expectations, we have maintained the assumed rate of return 8.00%. The investment return assumption will be reviewed, along with the other actuarial assumptions, in the next experience study.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2000 - 2008**

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Change in Asset Method		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2000	\$222,306,427	4.35	\$351,743,541	6.87	--	--	\$574,049,968	11.22	\$22,463,396	0.39
2001	232,814,492	4.24	217,489,958	3.96	--	--	450,304,450	8.20	492,327,362	8.52
2002	206,326,546	3.61	-14,327,506	-0.25	--	--	191,999,040	3.36	-251,053,638	-4.16
2003	182,004,368	3.20	-127,029,513	-2.24	\$503,018,121	8.86	557,992,976	9.82	107,504,970	1.93
2004	126,468,819	2.10	205,922,559	3.42	--	--	332,391,378	5.52	611,980,245	11.22
2005	114,263,238	1.86	164,012,112	2.66	--	--	278,275,350	4.52	419,463,599	7.16
2006	142,834,044	2.29	157,384,016	2.52	--	--	300,218,060	4.81	514,526,795	8.45
2007	175,884,502	2.76	402,557,938	6.33	--	--	578,442,440	9.09	1,066,710,135	16.58
2008	<u>191,456,313</u>	2.82	<u>361,168,481</u>	5.33	--	--	<u>552,624,794</u>	8.15	<u>-324,830,786</u>	-4.43
Total	\$1,594,358,749		\$1,718,921,586		\$503,018,121		\$3,816,298,456		\$2,659,092,078	
							Five-year average return	6.47%		7.34%
							Nine-year average return	7.12%		4.90%

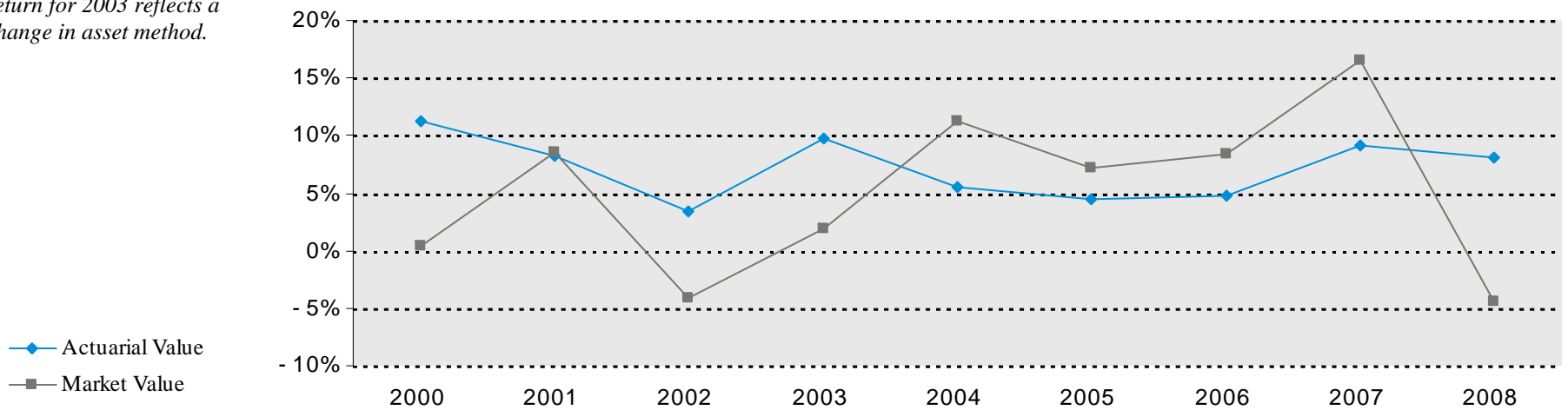
*Note: Each year's yield is weighted by the average asset value in that year.*

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

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

*This chart illustrates how this leveling effect has actually worked over the years 2000 - 2008. The return for 2003 reflects a change in asset method.*

**CHART 12**  
**Market and Actuarial Rates of Return for Years Ended June 30, 2000 - 2008**





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

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### **Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2008 amounted to \$185,663,627 which is 2.4% of the actuarial accrued liability.

The gain is primarily due to the change in actuarial consulting firms from Buck Consultants to The Segal Company.

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

**D. RECOMMENDED CONTRIBUTION**

The required Department contribution is made up of (a) the normal cost and (b) the amortization of the unfunded or overfunded actuarial accrued liability. For this year, another amortization base is created for the actuarial gain during plan year ending June 30, 2008. This produces a net amortization charge of \$48,320,338.

Under the current funding policy, the Department's required contribution rate decreased as a percentage of pay. This was primarily the result of the "smoothed" investment return being slightly greater than assumed, lower than expected salary increases for active members and other favorable actuarial experience.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 13**

**Required Contribution**

**Year Beginning July 1:**

	2008		2007	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$133,394,667	18.82%	\$105,450,550	15.73%
2. Expected employee contributions	<u>-43,544,296</u>	<u>-6.14%</u>	<u>-36,681,405</u>	<u>-5.47%</u>
3. Employer normal cost: (1) + (2)	\$89,850,371	12.68%	\$68,769,145	10.26%
4. Actuarial accrued liability	7,619,102,935		7,467,285,349	
5. Actuarial value of assets	<u>7,247,853,233</u>		<u>6,864,084,005</u>	
6. Unfunded/(overfunded) actuarial accrued liability: (4) - (5)	\$371,249,702		\$603,201,344	
7. Amortization of projected unfunded/(overfunded) actuarial accrued liability	48,320,338	6.82%	70,407,554	10.50%
8. Total required contribution: (3) + (7), adjusted for timing*	<u>143,697,537</u>	<u>20.28%</u>	<u>144,743,767</u>	<u>21.59%</u>
9. Employer match (110% of (2)), adjusted for timing*	49,814,675	7.03%	41,963,527	6.26%
10. Greater of employer match (9) or total required contribution (8)	<u>\$143,697,537</u>	<u>20.28%</u>	<u>\$144,743,767</u>	<u>21.59%</u>
11. Projected compensation	\$708,731,840		\$670,372,663	

*\*Required contributions are assumed to be paid at the middle of every year.*

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

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The contribution rates as of July 1, 2008 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

### Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

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### CHART 14

#### Reconciliation of Required Contribution Rate from July 1, 2007 to July 1, 2008

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<b>Required Contribution Rate as of July 1, 2007</b>	21.59%
Effect of change in actuary	-0.55%
Effect of contributions (more)/less than the required contribution	-0.13%
Effect of investment (gain)/loss	-0.16%
Effect of (gains)/losses on salary experience	-0.19%
Effect of other (gains)/losses	<u>-0.28%</u>
<b>Total change</b>	-1.31%
<b>Required Contribution Rate as of July 1, 2008</b>	20.28%

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

**E. 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 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. Chart 15 below presents a graphical representation of this information for the Plan.

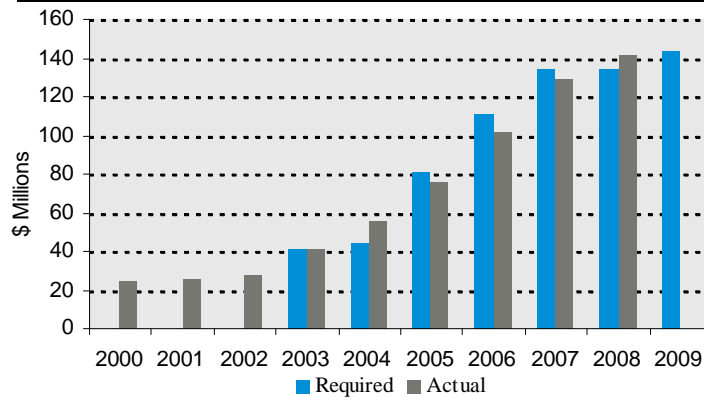
The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to cover the Plan'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. This information is shown in Chart 16.

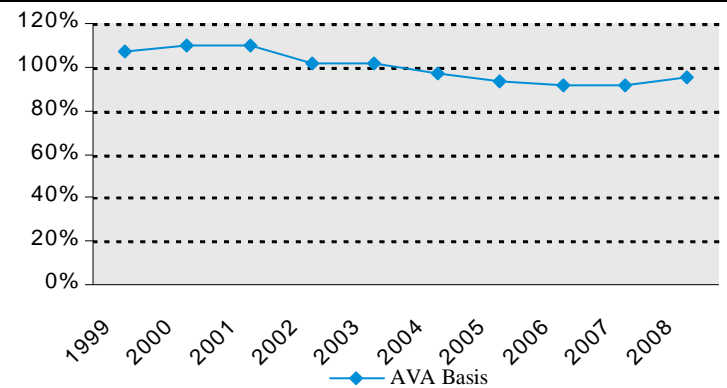
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**  
**Required Versus Actual Contributions**



**CHART 16**  
**Funded Ratio**



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

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2008</b>	<b>2007</b>	
<b>Active members in valuation:</b>			
Number	8,164	7,993	2.1%
Average age	47.8	47.9	N/A
Average service	17.4	17.5	N/A
Projected Total compensation	\$708,731,840	\$670,372,663	5.7%
Projected Average compensation	86,812	83,870	3.5%
Account balances	793,450,328	718,501,983	10.4%
<b>Vested terminated members*</b>			
Number	1,548	1,535	0.9%
Average age	50.0	49.4	N/A
Average account balances	\$43,386	\$39,637	9.5%
<b>Retired members:</b>			
Number in pay status	6,501	6,557	-0.9%
Average age	72.7	72.6	N/A
Average monthly benefit	\$3,913	\$3,718	5.2%
<b>Beneficiaries:</b>			
Number in pay status	2,169	2,189	-0.9%
Average age	79.7	79.6	N/A
Average monthly benefit	\$2,230	\$2,114	5.5%

\* Includes terminated members due a refund of employee contributions.

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

**EXHIBIT B**

**Members in Active Service as of June 30, 2008  
By Age, Years of Service, and Average Compensation**

<b>Age</b>	<b>Total</b>	<b>0-4</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30-34</b>	<b>35-39</b>	<b>40 &amp; over</b>
Under 25	54	53	1	--	--	--	--	--	--	--
	\$63,969	\$63,450	\$91,458	--	--	--	--	--	--	--
25 - 29	314	220	93	1	--	--	--	--	--	--
	75,968	71,687	86,001	\$84,560	--	--	--	--	--	--
30 - 34	484	209	245	30	--	--	--	--	--	--
	75,023	70,518	79,096	73,145	--	--	--	--	--	--
35 - 39	773	206	324	127	110	6	--	--	--	--
	78,803	72,776	77,632	80,150	\$92,165	\$75,455	--	--	--	--
40 - 44	1,268	152	274	144	408	283	7	--	--	--
	86,476	74,407	77,340	82,109	94,784	91,891	\$92,824	--	--	--
45 - 49	1,746	140	222	97	339	597	338	13	--	--
	88,808	71,450	78,972	82,093	86,875	92,710	98,994	\$100,174	--	--
50 - 54	1,681	91	158	66	203	428	528	198	9	--
	92,085	76,567	78,130	82,909	90,695	89,948	99,467	99,805	\$91,327	--
55 - 59	1,124	52	80	46	120	263	249	200	108	6
	90,052	80,715	79,345	85,019	83,221	86,835	91,954	96,401	103,677	\$94,138
60 - 64	510	15	44	22	66	102	119	76	52	14
	89,856	87,241	86,305	81,736	82,946	87,678	90,720	92,498	102,956	94,673
65 - 69	148	1	8	9	21	40	32	13	16	8
	86,293	67,108	82,214	116,838	75,799	79,758	81,067	97,423	93,461	107,105
70 & over	62	1	3	3	8	17	12	7	7	4
	78,667	65,011	63,180	75,226	77,171	71,021	88,839	69,241	90,178	97,600
<b>Total</b>	<b>8,164</b>	<b>1,140</b>	<b>1,452</b>	<b>545</b>	<b>1,275</b>	<b>1,736</b>	<b>1,285</b>	<b>507</b>	<b>192</b>	<b>32</b>
	<b>\$86,812</b>	<b>\$72,616</b>	<b>\$78,981</b>	<b>\$82,024</b>	<b>\$89,680</b>	<b>\$90,140</b>	<b>\$96,483</b>	<b>\$96,893</b>	<b>\$101,559</b>	<b>\$98,047</b>

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

**EXHIBIT C**

**Reconciliation of Member Data**

	<b>Active Members</b>	<b>Vested Former Members*</b>	<b>Retired Members</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2007	7,993	1,535	6,557	2,189	18,274
New members	621	N/A	N/A	N/A	621
Terminations – with vested rights	-95	95	N/A	N/A	0
Retirements	-210	-28	238	N/A	0
Died with beneficiary	-8	-1	-119	128	0
Died without beneficiary	0	0	-178	-154	-332
Rehired	21	-21	0	N/A	0
Data adjustments	0	23	3	6	32
Contribution refunds	<u>-158</u>	<u>-55</u>	<u>N/A</u>	<u>N/A</u>	<u>-213</u>
Number as of July 1, 2008	8,164	1,548	6,501	2,169	18,382

\* Includes terminated members due a refund of employee contributions.

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

**EXHIBIT D**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended June 30, 2008	Year Ended June 30, 2007
<b>Contribution income:</b>		
Employer contributions	\$141,862,126	\$129,154,539
Employee contributions	48,694,047	47,060,446
Administrative expense contributions	<u>4,195,096</u>	<u>3,549,724</u>
Net contribution income	\$194,751,269	\$179,764,709
<b>Investment income:</b>		
Interest, dividends and other income	\$210,010,628	\$196,008,023
Adjustment toward market value	361,168,481	402,557,938
Less investment and administrative fees	<u>-22,749,411</u>	<u>-20,123,521</u>
Net investment income	<u>548,429,698</u>	<u>578,442,440</u>
<b>Total income available for benefits</b>	<b>\$743,180,967</b>	<b>\$758,207,149</b>
<b>Less benefit payments:</b>		
Retirement benefits paid	-\$353,178,785	-\$338,340,501
Refund of members' contributions	<u>-6,232,954</u>	<u>-3,546,079</u>
Net benefit payments	-\$359,411,739	-\$341,886,580
<b>Change in reserve for future benefits</b>	<b>\$383,769,228</b>	<b>\$416,320,569</b>



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

**EXHIBIT E**

**Table of Financial Information**

	Year Ended June 30, 2008	Year Ended June 30, 2007*
<b>Cash equivalents</b>	\$1,008,365	\$585,946
<b>Accounts receivable:</b>		
Accrued investment income	\$24,186,580	\$21,914,269
Open investment trades and others	667,861,795	231,472,401
Securities lending - collateral	746,102,425	871,728,424
Department of Water and Power	<u>21,103,724</u>	<u>14,794,118</u>
Total accounts receivable	1,459,254,524	1,139,909,212
<b>Investments:</b>		
Fixed income	2,510,478,526	2,396,332,127
Equities	4,025,380,107	4,785,563,423
Other assets	<u>554,201,429</u>	<u>380,960,259</u>
Total investments at market value	<u>7,090,060,062</u>	<u>7,562,855,809</u>
<b>Total assets</b>	\$8,550,322,951	\$8,703,350,967
<b>Less accounts payable:</b>		
Accounts payable	-880,079,081	-413,794,746
Security lending - collateral	<u>-746,102,425</u>	<u>-871,728,424</u>
Total accounts payable	-\$1,626,181,506	-\$1,262,928,866
<b>Net assets at market value</b>	<u>\$6,924,141,445</u>	<u>\$7,417,827,797</u>
<b>Net assets at actuarial value</b>	<u>\$7,247,853,233</u>	<u>\$6,864,084,005</u>

\* Due to revised audit information, some components for 2007 differ from last year's report; the total asset values did not change.

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

**EXHIBIT F**

**Development of the Fund Through June 30, 2008**

<b>Year Ended June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions*</b>	<b>Other Contributions</b>	<b>Net Investment Return**</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2001	\$25,763,218	\$27,688,883	\$2,406,582	\$450,304,450	\$278,744,629	\$5,833,274,582
2002	27,241,801	30,002,271	2,214,752	191,999,040	294,469,498	5,790,262,948
2003	40,560,882	36,490,767	2,623,157	557,992,976	299,555,007	6,128,375,723
2004	55,804,924	38,045,999	2,452,293	332,391,378	305,649,192	6,251,421,125
2005	75,490,143	38,855,089	2,534,097	278,275,350	315,528,276	6,331,047,528
2006	101,556,257	41,324,895	2,914,174	300,218,060	329,297,478	6,447,763,436
2007	129,154,539	47,060,446	3,549,724	578,442,440	341,886,580	6,864,084,005
2008	141,862,126	48,694,047	4,195,096	548,429,698	359,411,739	7,247,853,233

\* Includes member normal contributions, Additional Annuity program contributions and contributions due to open contracts for purchased service.

\*\* Net of investment fees and administrative expenses. Includes a change in asset method of \$503 million for 2003.

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

**EXHIBIT G**

**Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2008**

1. Unfunded actuarial accrued liability at beginning of year		\$603,201,344
2. Normal cost at beginning of year		105,450,550
3. Total actual contributions		-190,556,173
4. Interest		
(a) For whole year on (1) + (2)	\$56,692,152	
(b) For half year on (3)	<u>-7,622,247</u>	
(c) Total interest		<u>49,069,905</u>
5. Expected unfunded actuarial accrued liability		\$567,165,626
6. Changes due to:*		
(a) Change in actuary	-\$181,115,894	
(b) Investment (gain)/loss	-10,252,296	
(c) (Gains)/losses on salary experience	-12,167,693	
(d) Other (gains)/losses	<u>7,619,959</u>	
(e) Total changes		<u>-195,915,924</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$371,249,702</u>

\* Does not include a contribution gain of \$8,251,667 during the year.

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

**EXHIBIT H**

**Table of Amortization Bases**

<b>Type*</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment*</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Combined Base	07/01/2004	15	\$170,392,797	\$18,432,327	11.00	\$142,114,742
Actuarial Loss	07/01/2005	15	267,915,003	28,981,841	12.00	235,882,168
Actuarial Loss	07/01/2006	15	183,420,211	19,841,574	13.00	169,369,223
Actuarial Loss	07/01/2007	15	47,238,833	5,110,085	14.00	45,499,048
Assumption Changes	07/01/2007	15	-18,102,738	-1,958,273	14.00	-17,436,022
Actuarial Gain	07/01/2008	15	-204,179,457	<u>-22,087,216</u>	15.00	<u>-204,179,457</u>
Total				\$48,320,338		\$371,249,702

\* Level dollar amount. The outstanding July 1, 2004 amortization bases were combined into a single amortization base and amortized over 15 years.

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

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**EXHIBIT I**

**Section 415 Limitations**

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Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$185,000 for 2008. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

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

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**EXHIBIT J**

**Definitions of Pension Terms**

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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 Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan 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 benefit 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 to which the actuarial accrued liability of the Plan exceeds the assets of the Plan.

**Amortization of the Unfunded**

**Actuarial Accrued Liability:**

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

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

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**Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

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

**EXHIBIT K  
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 or credits

**Actuarial Balance Sheet**

Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
1. Total actuarial value of assets	\$7,247,853,233	\$6,864,084,005
2. Present value of future contribution by members	379,230,772	337,873,462
3. Present value of future Department contributions for:		
(a) entry age normal cost	786,908,776	649,597,987
(b) unfunded actuarial accrued liability	371,249,702	603,201,344
4. Total current and future assets	\$8,785,242,483	\$8,454,756,798

Liabilities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
5. Present value of benefits for retirees and beneficiaries:	\$4,025,238,520	\$3,948,241,152
6. Present value of benefits for terminated vested members:	\$148,096,063	\$105,524,228
7. Present value of benefits for active members:	\$4,611,907,900	\$4,400,991,418
8. Total liabilities	\$8,785,242,483	\$8,454,756,798



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

**EXHIBIT L**

**Reserves and Designated Balances**

	<u>June 30, 2008</u>	<u>June 30, 2007**</u>
1. Reserve for retirement allowance for retired members	\$4,240,797,538	\$4,085,445,244
2. Contribution accounts:		
(a) Members (excluding additional contributions)	880,343,492	811,705,433
(b) Department of Water and Power	(1,038,834,320)	(943,773,758)
3. General Reserve and Reserve for Investment Gains and Losses*	<u>2,324,880,110</u>	<u>2,161,988,955</u>
4. Total	\$6,407,186,820	\$6,115,365,874

\* Out of the total General Reserve and Reserve for Investment Gains and Losses, \$74,000,000 and \$69,241,414 are not included as valuation assets as of June 30, 2007 and June 30, 2008, respectively.

\*\* Due to revised audit information, some components from 2007 differ from last year's report.

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

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**EXHIBIT M**  
**Adjusted Reserves**

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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, 2008</u>	<u>June 30, 2007</u>
1. Retired reserve balance	\$4,240,797,538	\$4,085,445,244
2. Actuarially computed present value	4,025,238,520	3,948,241,152
3. Actuarial gain (loss): (1) – (2)	215,559,018	137,204,092
4. Transfer from (to) DWP contribution accounts from retired reserves:	(215,559,018)	(137,204,092)

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**EXHIBIT I**

**Summary of Actuarial Valuation Results**

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

1. Retired members as of the valuation date (including 2,169 beneficiaries in pay status)	8,670
2. Members inactive during year ended June 30, 2008 with vested rights*	1,548
3. Members active during the year ended June 30, 2008	8,164

---

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

1. Normal cost		\$133,394,667
2. Present value of future benefits		8,785,242,483
3. Present value of future normal costs		1,166,139,548
4. Actuarial accrued liability		7,619,102,935
Retired members and beneficiaries	\$4,025,238,520	
Inactive members with vested rights	148,096,063	
Active members	3,445,768,352	
5. Actuarial value of assets (\$6,924,141,445 at market value as reported by Retirement Office)		7,247,853,233
6. Unfunded actuarial accrued liability		\$371,249,702

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\* Includes terminated members due a refund of employee contributions.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

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	<b>Dollar Amount</b>	<b>% of Payroll</b>
The determination of the required and recommended contribution is as follows:		
1. Total normal cost	\$133,394,667	18.82%
2. Expected employee contributions	<u>-43,544,296</u>	<u>-6.14%</u>
3. Employer normal cost: (1) + (2)	\$89,850,371	12.68%
4. Amortization of unfunded/(overfunded) actuarial accrued liability	<u>48,320,338</u>	<u>6.82%</u>
5. Total required contribution: (3) + (4), adjusted for timing*	\$143,697,537	20.28%
6. Employer match (110% of (2)), adjusted for timing*	49,814,675	7.03%
7. Greater of employer match (6) or total required contribution (5)	\$143,697,537	20.28%
8. Projected payroll	\$708,731,840	

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\* *Required contribution is assumed to be paid at the middle of every year.*

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Annual Pension Cost</b>	<b>Actual Contributions</b>	<b>Actual Contributions/ Annual Required Contributions</b>	<b>Actual Contributions/ Annual Pension Cost</b>
2000	\$0	\$34,578,361	\$24,426,465	--	70.6%
2001	0	5,378,281	25,763,218	--	479.0%
2002	0	6,132,578	27,241,801	--	444.2%
2003	40,910,999	47,823,973	40,560,882	99.1%	84.8%
2004	44,128,205	50,773,126	55,804,924	126.5%	109.9%
2005	80,784,677	87,615,788	75,490,143	93.4%	86.2%
2006	110,268,590	116,651,020	101,556,257	92.1%	87.1%
2007	134,504,482	140,328,366	129,154,539	96.0%	92.0%
2008	134,651,427	140,061,851	141,862,126	105.4%	101.3%
2009	143,697,537	149,174,554	--	--	--

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Projected Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)</b>
07/01/1999	\$5,254,093,071	\$4,911,443,303	-\$342,649,768	106.98%	\$355,000,000	0.00%
07/01/2000	5,605,856,078	5,082,960,078	-522,896,000	110.29%	368,000,000	0.00%
07/01/2001	5,833,274,582	5,306,262,736	-527,011,846	109.93%	403,265,472	0.00%
07/01/2002	5,790,262,948	5,714,524,649	-75,738,299	101.33%	430,397,884	0.00%
07/01/2003	6,128,375,723	6,042,086,785	-86,288,938	101.43%	527,787,469	0.00%
07/01/2004	6,251,421,125	6,421,813,922	170,392,797	97.35%	581,038,783	29.33%
07/01/2005	6,331,047,528	6,763,079,839	432,032,311	93.61%	616,270,095	70.10%
07/01/2006	6,447,763,436	7,046,571,241	598,807,805	91.50%	635,728,131	94.19%
07/01/2007	6,864,084,006	7,467,285,349	603,201,343	91.92%	670,372,663	89.98%
07/01/2008	7,247,853,233	7,619,102,935	371,249,702	95.13%	708,731,840	52.38%

\* *Not less than zero*

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**EXHIBIT IV**

**Supplementary Information Required by the GASB**

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<b>Valuation date</b>	July 1, 2008
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Level dollar amortization
<b>Remaining amortization period</b>	The June 30, 2004 Unfunded Actuarial Accrued Liability is amortized over the 15-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods.
<b>Asset valuation method</b>	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market returns and the expected returns on a market value basis, and is recognized over a five-year period.
<b>Actuarial assumptions:</b>	
Investment rate of return	8.00%
Inflation rate	3.75%
Projected salary increases	5.29% to 9.46%*
Cost of living adjustments	Contingent upon CPI increases with a 3.00% maximum
<b>Plan membership:</b>	
Retired members and beneficiaries receiving benefits	8,670
Terminated members entitled to, but not yet receiving benefits	1,548
Active members	<u>8,164</u>
Total	18,382

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\* Includes inflation at 3.75%, "across the board" increases of 0.50% plus merit and promotional increases. See Exhibit VI for these increases.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT V**

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

<b>Plan Year Ended June 30</b>	<b>Employer Annual Required Contribution (a)</b>	<b>Employer Amount Contributed (b)</b>	<b>Interest on NPO (c)</b>	<b>ARC Adjustment (h) / (e) (d)</b>	<b>Amortization Factor (e)</b>	<b>Pension Cost (a) + (c) – (d) (f)</b>	<b>Change in NPO (f) – (b) (g)</b>	<b>NPO Balance NPO + (g) (h)</b>
2000	\$0	\$24,426,465	-\$10,631,644	-\$45,210,005	3.4395	\$34,578,361	\$10,151,896	-\$145,348,653
2001	0	25,763,218	-10,973,809	-16,352,090	8.8887	5,378,281	-20,384,937	-165,733,590
2002	0	27,241,801	-12,512,869	-18,645,447	8.8887	6,132,578	-21,109,223	-186,842,813
2003	40,910,299	40,560,882	-14,106,614	-21,020,288	8.8887	47,823,973	7,263,091	-179,579,722
2004	44,128,205	55,804,924	-13,558,251	-20,203,172	8.8887	50,773,126	-5,031,798	-184,611,520
2005	80,784,677	75,490,143	-13,938,151	-20,769,262	8.8887	87,615,788	12,125,645	-172,485,874
2006	110,268,590	101,556,257	-13,022,666	-19,405,096	8.8887	116,651,020	15,094,763	-157,391,111
2007	134,504,482	129,154,539	-11,883,013	-17,706,897	8.8887	140,328,366	11,173,827	-146,217,285
2008	134,651,427	141,862,126	-11,039,390	-16,449,814	8.8887	140,061,851	-1,800,275	-148,017,560
2009	143,697,537	143,697,537*	-11,175,312	-16,652,329	8.8887	149,174,554	5,477,017	-142,540,543

\* The amount indicated for June 30, 2009 assumes the actual employer contribution for the year is equal to the contribution requirement under the Board's current funding policy.



**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*After Service Retirement and Pre-retirement:* 1994 Group Annuity Mortality Table.

*After Disability Retirement* 1994 Group Annuity Mortality Table.

**Termination Rates before Retirement:**

Age	Rate (%)					
	Mortality		Disability		Total Withdrawal*	
	Male	Female	Male	Female	Male	Female
25	0.066	0.029	0.006	0.000	6.550	9.250
30	0.080	0.035	0.012	0.006	4.700	7.550
35	0.085	0.048	0.012	0.036	3.250	5.850
40	0.107	0.071	0.018	0.072	2.300	4.650
45	0.158	0.097	0.030	0.102	1.700	3.410
50	0.258	0.143	0.054	0.138	1.320	2.640
55	0.443	0.229	0.126	0.168	1.020	2.200
60	0.798	0.444	0.240	0.000	0.720	1.100
65	1.454	0.864	0.000	0.000	0.000	0.000

\* No withdrawal is assumed after a member is first assumed to retire. Ordinary withdrawal members are assumed to receive their account balance at termination. Vested withdrawal members are assumed to receive a deferred benefit from the plan. 65% of male terminations and 60% of female terminations are assumed to be ordinary withdrawals, with the remaining being vested withdrawals.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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<b>Retirement Rates:</b>	<b>Age</b>	<b>Under 30 Years of Service</b>	<b>Over 30 Years of Service</b>
	50	0.00%	30.00%
	51	0.00	12.50
	52	0.00	12.50
	53	0.00	5.00
	54	0.00	5.00
	55	5.00	25.00
	56	3.00	12.50
	57	3.00	12.50
	58	3.00	12.50
	59	4.00	12.50
	60	4.00	15.00
	61	4.00	10.00
	62	4.00	10.00
	63	5.00	20.00
	64	5.00	20.00
	65	100.00	100.00

**Retirement Age and Benefit for Inactive**

**Vested Participants:** A liability is determined for (a) an immediate refund of employee normal contribution accounts plus department matching contribution accounts and (b) a deferred benefit at age 60. The plan liability is the greater of these two calculations.

**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.

**Percent Married/Domestic Partner:** 90% of male participants and 75% of female participants are assumed to be married at pre-retirement death or retirement. Spousal gender is opposite of member.

**Age of Spouse:** Females are 3 years younger than their spouses.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**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.

**Consumer Price Index:** Increase of 3.75% per year; benefit increases due to CPI subject to 3.00% maximum.

**Employee Contribution and Matching Account Crediting Rate:** 8.00%

**Net Investment Return:** 8.00%, net of administration and investment expenses.

**Salary Increases:** Annual Rate of Compensation Increase

Inflation: 3.75% per year, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotional increases.

<u>Years of Service</u>	<u>Increase</u>
0	5.00%
1	4.00%
2	3.00%
3	2.00%
4	1.50%
5 & Over	1.00%

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

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**Actuarial Value of Assets:** The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. As directed by the Retirement Office, the actuarial value of assets may be reduced by an amount classified as a non-valuation reserve.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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<b>Actuarial Cost Method:</b>	Entry Age Normal 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.
<b>Funding Policy:</b>	The Department of Water and Power makes contributions equal to the Normal Cost adjusted by an amount 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 July 1, 2004 Unfunded Actuarial Liability is amortized over a fifteen year period commencing July 1, 2004. Any subsequent change 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. Finally, the Department of Water and Power contribution is not less than the matching contribution of 110% of member contributions.
<b>Changes in Assumptions:</b>	There have been no changes in actuarial assumptions since the last valuation.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**EXHIBIT VII**

**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of the LADWP included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

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**Plan Year:** July 1 through June 30

**Census Date:** March 31

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**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 years 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. For those age 55 or older with 30 or more years of service the factor is 2.3% of the Monthly Salary Base.

*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.

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**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).

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Minimum Benefit:** 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.

**Sample Early Retirement Reduction Factors:** The early retirement factor is determined by the attained age on the effective date of retirement. Every three months of attained age will affect the factor

<b>Attained Age at Actual Retirement</b>	<b>Exact Age</b>	<b>+3 Months</b>	<b>+6 Months</b>	<b>+9 Months</b>
48	.7150	.7225	.7300	.7375
49	.7450	.7525	.7600	.7675
50	.7750	.7825	.7900	.7975
51	.8050	.8125	.8200	.8275
52	.8350	.8425	.8500	.8575
53	.8650	.8725	.8800	.8875
54	.8950	.9025	.9100	.9175
55	.9250	.92875	.9325	.93625
56	.9400	.94375	.9475	.95125
57	.9550	.95875	.9625	.96625
58	.9700	.97375	.9775	.98125
59	.9850	.98875	.9925	.99625
60 & Over	1.0000			

The factor is 1.0000 for those retiring at age 55 or later with at least 30 years of service.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**Member Normal Contributions:**

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

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%

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**Department Current Service Contributions:**

The Department of Water and Power makes actuarially based contributions that are a minimum of 110% of employee contributions.

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**Disability:**

Disability benefits are paid from the Disability Fund. However, if a member is receiving permanent and total disability benefits, the member 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: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

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**Deferred Withdrawal Retirement Benefit (Vested):**

<i>Age &amp; 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

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**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.

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**Withdrawal of Contributions Benefit (Ordinary Withdrawal):**

Refund of employee contributions with interest.

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**Money Purchase Annuity:**

A monthly lifetime benefit equal in value to the employee normal contribution account plus Department matching contribution (current service contribution) account at retirement date.

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

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