



**FOR RETIRED MEMBERS**




# THE PLAN

Water and Power Employees' Retirement Plan

Fall 2015

**WATER AND POWER  
EMPLOYEES' RETIREMENT PLAN**



Los Angeles Department of Water & Power  
 Department of Water & Power  
 Los Angeles, California 90051-0100

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# Timothy Hemming, Retiree Representative



I was recently appointed to fill the remainder of Retiree Representative Robert Rozanski's term on the Board of Administration for the Retirement Plan. Robert's service on the Board was of the same outstanding quality and high value as his predecessor's Michael Moore. My goal is to serve to the best of my ability in the same manner as Robert and Michael and to work with my fellow Board members to safeguard the Plan.

The Retirement Plan is performing quite well in a strong market. The history of the financial markets reflects movement in cycles, responding to a multitude of forces, events, investor emotions, and governmental actions. The current bull market has enabled the Plan to grow the portfolio for more than five years. As of June 30, 2015, the investment returns were 10.38% (net of fees) over a five-year period and the Plan's assets have grown to approximately \$12 billion.

In July 2015, the Retirement Board completed an Asset/Liability Study that will set the tone of the Plan's investment portfolio for the near future. The Board conducts these studies every three to five years to examine the portfolio's current and future liabilities and risk exposures. The latest study was done by the Plan's general investment advisor, RVK, Inc. with input from the Plan's actuary, Segal Consulting. With this information, the Retirement Board develops an Asset Allocation plan which establishes investment targets by asset class (i.e. stocks, bonds, real estate, etc.) for the portfolio. These targets are intended to meet the financial needs of the Plan while not taking on too much risk. The adopted Asset Allocation plan guides the Retirement Board's investment decisions.

I want to conclude by quoting from one of Robert Rozanski's messages from a previous edition of this newsletter, with which I completely agree: "What the future may bring is always an uncertainty, but I can assure you our pension system is strong and continues to be well positioned to meet its promises today and in the future."

## Cost of Living Adjustments



The Plan provides for annual cost of living adjustments for eligible retirees, surviving spouses/domestic partners/beneficiaries, and Plan members on Permanent Total Disability. These cost of living adjustments are based on the Consumer Price Index (CPI) for the Los Angeles – Riverside – Orange County,

California - Metropolitan area as published by the Bureau of Labor Statistics. The maximum annual cost of living increase, permitted by the Plan, is 3.0%. If the increase in the CPI is greater than 3.0%, the percentage in excess of 3.0% is carried over and added to the person's cost of living bank. When the increase in the CPI is less than 3.0%, any balance in the cost of living bank is used to increase the cost of living adjustment up to the 3.0% maximum.

The increase in the CPI used to determine the cost of living adjustment for July 1, 2015, was 1.3%. The increase would have appeared in the retirement check dated August 1. All recipients of monthly allowances received an individual letter in July explaining the adjustment.

## Retirement Information at Your Fingertips

The Retirement Information System (RIS) was implemented in January 2015 by the Retirement Plan Office (RPO). RIS provides Plan members individualized retirement information, such as service credit and total contribution balances. In addition, members can calculate an estimate of their retirement allowance. New features were added this July, which include an Additional Annuity calculator and the ability to have an Option D amount computed when using the retirement calculator. RIS is accessible on the retirement website at

<http://retirement.ladwp.com> to all active Plan members with network access to the Department's intranet. We plan to have representatives of the RPO present at future Department events to answer questions and demonstrate RIS. At these events those without network access will also be provided an opportunity to use RIS.



# Investments

The Retirement Board and Investment Staff continuously strive to stay well informed of the changes in the financial markets and global macroeconomics to achieve optimal results for the Plan's portfolio. As part of this effort, the Retirement Board and Investment staff will seek advice and expertise with respect to the investment and management of assets for the Plan. The Plan has three consultants, RV Kuhns & Associates (RVK), Pension Consulting Alliance (PCA), and Courtland Partners (Courtland).

RVK was hired by the Retirement Board on December 1, 2014, replacing PCA as general fund consultant. RVK will advise on portfolio structure including the development, implementation and revision of investment policies and guidelines plan wide. RVK will also analyze and advise on the capabilities of investment managers, including the analysis of an investment manager's personnel, investment philosophies and processes, internal risk controls, risk-adjusted performance and performance relative to benchmarks and peers. In conjunction with the Staff, the consultant will periodically review the performance of investment managers.

PCA, the plan's private equity consultant assists the Retirement Board in developing its private equity program through education and strategic analysis. The scope of work performed by PCA includes the review of the Board's private equity policies, guidelines, and private equity portfolio on an ongoing basis and make recommendations for modifications as required, prepare quarterly investment performance reports and analysis of the Plan's private equity portfolio and present this material to the Board as requested. In addition, provide an annual performance report to the Board analyzing the Plan's aggregate private equity investment portfolio asset mix, risk and return.

Courtland, the Plan's real estate consultant assists the Retirement Board in developing its real estate investment program through education and strategic analysis. The scope of work performed by Courtland includes reviewing the Board's real

estate investment policies, guidelines, and real estate investment portfolio on an ongoing basis and make recommendations for modifications as required, prepare quarterly investment performance reports and analysis of the Board's real estate portfolio and present this material to the Board as requested. In addition, review and make recommendations on real estate strategy and investments, while maintaining compliance with the Board's Real Estate investment policy, as requested by the Board.

The Plan's portfolio is invested in a variety of asset classes, including domestic and international equity, fixed income, real estate, private equity, and alternative investments. The Retirement Board is in the final stages of adding new fixed income strategies to the portfolio such as the global credit and bank loans to further diversify the portfolio. Adding new strategies to the portfolio takes time to implement, therefore, there are often differences between the actual and target allocation.

The Board's adopted long-term asset allocation targets and the portfolio's current allocation are as follows:

Asset Class	Target Percent	As of 6/30/15
Domestic Equity	33.0%	39.2%
International Equity	21.0%	21.4%
Fixed Income	24.0%	19.6%
Covered Calls	5.0%	7.0%
Real Estate	5.0%	3.9%
Private Equity	5.0%	2.5%
Real Return	6.0%	5.3%
Cash	1.0%	1.1%

The Retirement Board has adopted this diversified asset allocation structure to maximize investment returns while incurring a prudent level of risk in those returns. Careful

attention is given not only to how the various classes perform during different market cycles, but also how they perform relative to each other. By having strategic classes that perform differently, the chance of significant losses is reduced.

As of June 30, 2015, the Retirement Plan had an aggregate market value of assets of \$11.7 billion. The Plan's portfolio has outperformed more than half the public sector plans of similar size by 0.98% for the one-year period ending June 30, 2015.

The next important review of the portfolio will be done this winter using returns from September 30, 2015.

## Monthly Allowance

The current payment policy for retirement allowances states that retirement checks and direct deposits for any particular month are payable on the first day of the following month. For example, the allowance for August 2015 will be payable September 1, 2015. However, if the first day of the month falls on a Saturday, Sunday or holiday, retirement checks are then payable on the last business day of the same month. January 1st is an exception to the rule; the December retirement allowance is always payable the first business day in January. This exception is necessary to insure retirees do not receive 13 checks in a calendar year.

Following is the payment schedule for the remaining months of 2015.

Allowance	Payment Date
September	October 1, 2015
October	October 30, 2015
November	December 1, 2015
December	January 4, 2016

## A Message from Retirement Plan Manager Linda P. Le

I have enjoyed my 18 years working for the City of Los Angeles, working in a variety of assignments in multiple departments. Prior to returning to the Retirement Office, I was the Water System Administrative Services Manager, overseeing the personnel, budgetary, and administrative functions, policies, and procedures for the system. I participated on several committees and served as a director on the Management Employees Association (MEA) Board. For the Retirement Office, my assignments have included supervising both the Death/Disability Section and the Retirement Section. During these assignments, I helped the Plan to implement several amendments and to transition benefit calculations and payments to a new computer system.

Since my return to the office this past January, I have worked on several issues that are core to my philosophy in administering benefits. The most prominent being service to you – our members and your loved ones. To this end, I have prioritized staffing to ensure we have the right mix of employees at the ideal levels to improve your customer service experience. Office hours have been extended from 7:00 a.m. to 4:00 p.m., Monday through Friday, excluding holidays. I have also assigned staff to participate in several DWP events to answer questions and provide information directly to our members.

I have worked with our Board, the DWP Board of Commissioners, Labor Relations Office, and the unions on several Plan amendments that will not affect your benefits, but will maintain the continued financial health of the Plan.

As you know, change can take time to implement properly. One of the improvements I am hoping to present to you in the near future is secure access to our website to view your individualized retirement benefit information. Of course, a system improvement of this magnitude comes with challenges. We are working our way through them as quickly as possible to further improve your customer experience.

If you have ideas that may help enhance your interaction with the Retirement Plan Office, please let me know. I wish you continued health and happiness in your retirement.

## Farewell to Carl W. Taylor



On February 1, 2015, the Retirement Plan Office (RPO) staff sent one of its own, a dear friend and co-worker, Carl W. Taylor off to his retirement. Carl is a special person who will be missed by all for his professionalism, integrity and personal qualities. As receptionist, Carl touched many Plan members with his keen ability to listen and identify customer needs quickly. He was always willing to share his own knowledge or direct members to one of our Plan specialists.

On January 14, 2015, the Board of Administration (Retirement Board) and RPO staff presented Carl with a certificate and extended their appreciation for his conscientious and professional service to the Water and Power Employees' Retirement Plan. Carl served as a messenger clerk, receptionist and a recognized representative of the RPO for the last 15 of his 39.8-year career with the City of Los Angeles. In that capacity, he assisted thousands of active and retired members, the public and City officials with enthusiasm, a great sense of humor and a resolute dedication to care for Plan members and co-workers from 1999 to 2015.

The Retirement Board and Retirement Office staff will truly miss Carl and wish him all the best in retirement!



## Contact Us

### TELEPHONE

DWP Retirement Toll Free:  
(800) 367-7164  
(213) 367-1715  
(Retirement Applications,  
Beneficiary Changes, Report the  
Death of Retiree/Eligible Spouse)

DWP Disability:  
(213) 367-1680

DWP Health Plan and Medicare:  
(800) 831-4778

DWP Credit Union:  
(800) 300-9728

DWP Employee's Association:  
(213) 367-3146

DWP INTAKE Magazine:  
(213) 367-1361

LACEA (City Club):  
(213) 620-0388

EAP (Horizon Health):  
(888) 439-7327

I.D. Badges:  
(213) 367-3303

### INTERNET

<http://retirement.ladwp.com>

E-Mail: [retire@ladwp.com](mailto:retire@ladwp.com)

### MAIL

Water and Power Employees'  
Retirement Plan  
111 North Hope Street  
Room 357  
Los Angeles, CA 90012

We welcome your suggestions and comments regarding this newsletter. Please email us at [retire@ladwp.com](mailto:retire@ladwp.com).