



**FOR RETIRED MEMBERS**



# THE PLAN

Water and Power Employees' Retirement Plan

Spring 2014



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

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# A Message from ROBERT ROZANSKI regarding Pension Reform



The Retirement Board and staff work diligently to ensure the Water and Power Employees' Retirement Plan (Plan) remains fiscally strong, and a reliable source of retirement income you expect and deserve. Obviously, we are aided in this regard by the strong commitment to appropriate funding of the Plan

provided for in the Plan document itself and the City Charter, and accomplished through Department contributions to the Plan and prudent investment of the Plan's portfolio. As a result, the Plan is approximately 80% funded and well placed to meet all of its commitments.

Despite the prudence with which the Plan has been funded and administered, the Department needed to look into the future to determine the level of benefits it could provide new employees with the same level of future reliability we retirees are provided. In order to ensure the Plan's long-term stability, the Department and unions have agreed to the new tier of pension benefits explained in the last newsletter. Tier 2 brings about significant changes for employees who are hired at the DWP or

transferred from the City of Los Angeles to DWP on or after January 1, 2014, which result in significant savings. But, there is no impact on the benefits of current retirees or active employees.

Additionally, the Department and unions have agreed to the suspension of the current Reciprocity Program between the Los Angeles City Employees' Retirement System (LACERS) and the Plan. City employees will continue to receive the portability factor of their pension benefit; however it will mitigate unanticipated liability for either retirement system.

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.

## State Tax Tables

### Five Things You Ought to Know About California Income Tax Withholding

1. Beginning July 2014, you will have the option to withhold California State taxes based on the number of allowances claimed and marital status. By selecting this option, the withholding amount will be automatically adjusted based on the annual California tax tables from the Franchise Tax Board.
2. If you reside in California, the Water and Power Employee's Retirement Plan (Plan) will withhold California income tax as if you were married with three dependents, unless you instruct the Plan otherwise.
3. If you reside outside of California, your state's income taxes cannot be withheld.
4. You may instruct the Plan to withhold California income tax based on the California tax table, additional fixed dollar amounts to suit your individual tax needs, a flat designated amount, or to NOT withhold any taxes at all.
5. Your most recent withholding instructions remain in effect, even if you move outside of California, until you give the Plan new tax withholding instructions.

If you wish to update your California income tax withholding, please call the Retirement Section at (213) 367-1715 and ask for a new DE 4P to be mailed to you, or you can access the form online at [http://www.edd.ca.gov/pdf\\_pub\\_ctr/de4p.pdf](http://www.edd.ca.gov/pdf_pub_ctr/de4p.pdf). The Plan continually looks for ways to improve service to our members. We therefore welcome your comments and suggestions.

## Tier 2

As stated in our last newsletter, pension reform measures went into effect on January 1, 2014. There is NO impact on the retirement, disability, or death benefits for current employees and retirees. Included in the reform is the suspension of reciprocity between the Water and Power Employees' Retirement Plan (Plan) and the Los Angeles City Employees' Retirement System (LACERS). This change can affect the pension benefits for active employees who transfer to the City or for active City employees who transfer to DWP.

As of April 30, 2014, DWP hired a total of 176 new employees after the changes to the pension benefits on January 1, 2014, including 55 transfers from the City. As expected, the Retirement Office Staff has received numerous phone calls from City employees inquiring as to how the suspension of reciprocity could affect them if they accepted a position with DWP. Staff is available to discuss the various factors over the phone and to provide employees with materials that could assist them with their decision-making process. There are many additional factors and assumptions that need to be considered and made before calculating the pension outcomes.

For more information regarding pension changes, please visit the Retirement Office website at <http://retirement.ladwp.com> or contact the Retirement Plan Office at (213) 367-1692.



## Farewell to Retirement Plan Manager, **SANGEETA BHATIA**

On April 1, 2014, after 25 years of service with the Department of Water and Power (LADWP), Sangeeta Bhatia retired as the Retirement Plan Manager of the Water and Power Employees' Retirement Plan (the Plan). Sangeeta devoted the last 15 years of her career to serving the members of the Plan. Under her leadership and expertise, the Plan achieved several milestones, including the effective implementation of the Board's investment strategy to transition the management of

investments to external full discretion investment management. Additionally, Institutional Investor Magazine recognized the Retirement Plan for the speed at which transition of that magnitude was accomplished. Furthermore, she established the Retiree Health Benefits Trust and the related successful transition of DWP funds to the Trust, and implemented Plan amendments such as changes to the Additional Annuity program, interest crediting rate change, and suspension of Reciprocity with the City. Most importantly, she administered Plan benefits with great professionalism and deep compassion.

Sangeeta began her career with DWP in 1988 as a Utility Accountant in the

Internal Audit Division, of the Financial Services Organization and promoted to Senior Utility Accountant in 1991. While in these roles, she represented DWP in numerous audits and was closely involved in the development and implementation of the currently used DWP budget information system. Since 1998, she has faithfully served Water and Power Employees' Retirement Plan. Sangeeta joined the Retirement Office in 1998 as the Plan's Chief Accountant, promoted to Assistant Retirement Plan Manager in 2001 and was appointed Retirement Plan Manager in 2005.

The Retirement Board and Retirement Office staff will truly miss Sangeeta and wishes her all the best in retirement!

## Investments

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 process of adding new fixed income strategies to the portfolio such as the global credit and bank loans to further protect the portfolio. Adding new strategies and rebalancing the portfolio to match the target percentages takes time. Therefore, there are often differences between the actual and target allocation, as shown below.

The Board's adopted long-term asset allocation targets, as well as current asset allocation percentages are as follows:

Asset Class	Target Percent	As of 3/31/14
Domestic Equity	33.0%	38.2%
International Equity	21.0%	23.0%
Fixed Income	24.0%	21.5%
Covered Calls	5.0%	7.3%
Real Estate	5.0%	2.0%
Private Equity	5.0%	1.2%
Real Return	6.0%	5.8%
Cash	1.0%	1.0%

The Retirement Board has adopted this diversified asset allocation structure to maximize investment returns while incurring a prudent level of volatility in those returns. Careful attention is paid 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 act differently, the chance of significant losses is reduced.

As of March 31, 2014, the Retirement Plan had an aggregate value of \$9.3 billion. This represents a \$131 million increase in value over the last quarter and \$1.08 billion over the same date in 2013.

The Plan's portfolio has outperformed the median (more than half the) public sector plans of similar size and assets.

The Retirement Board's general investment consultant, Pension Consulting Alliance, Inc. (PCA) remains cautiously optimistic about the portfolio returns in 2014. PCA notes that they are expecting higher future interest rates, which will likely decrease bond prices for the markets. However, the Plan's portfolio is well diversified to help minimize interest rate risk. In addition, the market continues to respond positively to the winding down of the Federal Reserve's economic stimulus program, which was used to improve the conditions for economic growth.

The next important review of the portfolio will be done this summer using returns from June 30, 2014.

# A message from the Interim Retirement Plan Manager, MARY HIGGINS



2014 is shaping up to be an active year in the Retirement Office for so many reasons. As noted elsewhere in this Newsletter, Sangeeta Bhatia, who had been the Retirement Plan Manager since 2005, retired on

April 1<sup>st</sup>. The Retirement Plan Manager is a civil service position; therefore, the Personnel Department will conduct a search and selection process for Sangeeta's replacement. I was moved from the position of Assistant Retirement Plan Manager over the Benefits Program to serve as the Interim Retirement Plan Manager while the selection process is conducted.

In addition to a change in leadership, we also anticipate completing two projects this year that have been long-term goals of the Retirement Board: implementation of the final components of the Integrated Pension System (IPS) and the rollout of a revised website late this year.

Prior to IPS, the Retirement Office maintained multiple computer systems; one for active employee service and contribution information, one for retired member payroll plus several side programs to calculate service purchase costs and benefits.

Now, all data are stored in the same system which also has the capability of doing almost all retirement benefit calculations. This integration reduces the risk of calculation and other errors. It also makes information more readily available to Retirement Office staff which gives us better ability to immediately respond to questions posed by members.

Major change, like our computer system, always presents challenges too. We continue to verify the data converted from the legacy systems to ensure accuracy. This is a very detailed time-consuming process which will take some time to complete. Furthermore, we verified the legal basis for all of our pay practices as part of the development process. As a result, we identified the need to modify a few practices to comply with Internal Revenue Code (IRC) requirements. These modifications had little to no impact on current retirees.

With the full implementation of IPS, the Retirement Office is now focused on developing a more dynamic website. Staff has been researching the best way to provide more information to our members while still safeguarding the integrity and security of the system's data. We will also be working with ITS Division on a website design to insure the final product is user friendly and pleasing to the eye. We look forward to presenting the updated website late this year and welcome your feedback.



## How To Reach Us

### TELEPHONE

DWP Retirement Toll Free:  
(800) 367-7164

DWP Retirement Office: (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).

## 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 June 2014 will be payable July 1, 2014. 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 2014.

Allowance	Payment Date	Allowance	Payment Date
May	May 30, 2014	September	October 1, 2014
June	July 1, 2014	October	October 31, 2014
July	August 1, 2014	November	December 1, 2014
August	August 29, 2014	December	January 2, 2015