

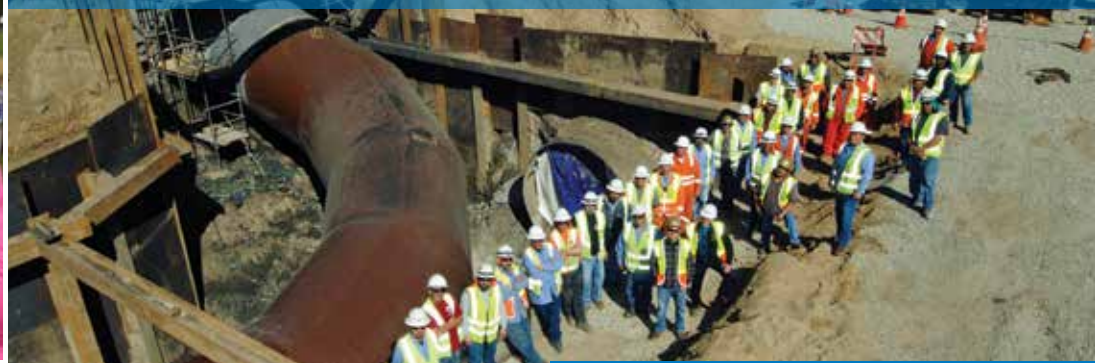



FOR RETIRED MEMBERS



THE PLAN

Water and Power Employees' Retirement Plan Winter 2014



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

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A Message from Robert Rozanski



Another year is coming to a close and, I am happy to report, the Retirement Plan remains on a good financial footing. Our portfolio returned 16.9% over the last fiscal year and the Plan is 88.5% funded based on the market value of our assets. Looking to maintain proper funding of the Plan, the Retirement Board has adopted more conservative investment return and

mortality assumptions and recommended their inclusion in the Plan. These changes have no effect on us, retirees, but are necessary to maintain the sustainability of the Plan for current and future employees.

The Retirement Board was also actively involved in completing the full implementation of the asset allocation

Plan that was initially adopted in 2011. Most notably, we reviewed and revised the fixed income (e.g. bond) portfolio to incorporate more global investments and introduce new types of investments such as U.S. bank loans. This work will continue next year with either a full asset allocation study or a comprehensive review of the equity portfolios.

The only area of some concern has to do with the City of Stockton's bankruptcy case. While the court's ruling confirmed the city's proposed Plan of Adjustment and left all pensions intact, the judge who wrote the opinion gave some indication that pensions might not necessarily be untouchable in all municipal bankruptcies. The judge's language about pensions does not set a precedent, but it caught everybody's attention. In any event, our pension system is very different from Stockton's. It is much better funded and has been able to weather the financial crisis and other challenges.

Best wishes to you and your family for a happy and healthy New Year!

Robert Rozanski

Valuation Results

At the September 24, 2014 Retirement Board Meeting, Segal Consulting presented the Actuarial Valuation and Review of the Retirement Fund as of July 1, 2014. The valuation was based on assumptions recommended by Segal; detailed in the Actuarial Experience Study for the period July 1, 2009 through June 30, 2012; and adopted by the Retirement Board at its April 9, 2014 Board meeting.

The valuation indicates the Plan's funded ratio on an actuarial basis increased from 78.8% in FY 2012/13 to 80.9%; the funded ratio on a market basis increased significantly from 82.3% to 88.5%. The funded ratios compare the system's total assets to its liabilities. This information is very positive for the Water and Power Employees' Retirement Plan.

The valuation also recommended an increase in employer contribution rate from 47.3% in FY 2013/14 to 50.6% in FY 2014/15 for Tier 1 and Tier 2 combined. The breakdown of

the contribution rates are 50.72% for Tier 1 and 39.27% for Tier 2. The most significant of the assumption changes was the mortality assumption, which increased the required contribution rate by 5.63% of compensation. The Retirement Board elected to phase-in the impact of new actuarial assumptions on the required contribution rate over a two-year period, beginning with the 2014-2015 fiscal year. The phase-in rate is 46.17% for Tier 1 and Tier 2 combined, with a rate of 46.25% for Tier 1 and 35.70% for Tier 2.

In addition, the valuation included the changes required to comply with Statement 67 of the Governmental Accounting Standards Board (GASB 67).

For any questions in regards to the Retirement Fund Valuation, please contact the Retirement Plan Office at (213) 367-1712.

Interest in the Associates for Retirees

The Los Angeles Water and Power Associates Inc. (the Associates) is a nonprofit public interest corporation established in 1951 to inform and educate the public and public officials on, among other things, matters of significant importance regarding water and electricity in Los Angeles and Southern California. The Associates website is waterandpower.org. It has a virtual museum section dealing with the history of Los Angeles.

The Associates recently offered their assistance to the DWP in connection with the Department's establishment of a database of information and pictures of DWP historical artifacts to be available to the public. However, occasionally there are difficulties in determining what a particular artifact is, what it was used for, the source of its acquisition and other relevant information.

The Associates are looking for retired employees with a passion for DWP

history who would be interested in assisting them in identifying relevant information about these DWP historical artifacts.

If you are interested in what promises to be an engaging activity, i.e., identifying and researching the background of DWP historical artifacts, please send your name, telephone number and e-mail address to jgewe@hotmail.com.

Information submitted by the Los Angeles Water and Power Associates Inc.

Investments

The Retirement Board and Investment Staff continuously strive to stay well-informed and educated of economic and investment trends in order to achieve optimal results for the Plan's portfolio. As part of this effort, the Investment staff will occasionally meet with notable members of the investment community, such as Nobel Laureate Dr. Robert Merton. In July 2014, Dr. Merton visited the Retirement Office to discuss his ideas on the economy and portfolio management with the Interim Retirement Plan Manager and the Investment Staff. The discussion provided valuable information and insight into the management of the asset classes within the Plan's portfolio.

Dr. Merton currently teaches at the Massachusetts Institute of Technology and serves as an advisor to Dimensional Fund Advisors, one of the Plan's Real Estate Investment Trust managers. In 1997, Dr. Merton was awarded the Alfred Nobel Memorial Prize in Economic Sciences for his work on a new method to determine the value of derivatives. A derivative is a special type of contract that derives its value from the performance of an underlying asset, such as an equity index or interest rates. Common forms of derivatives are options and futures.

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

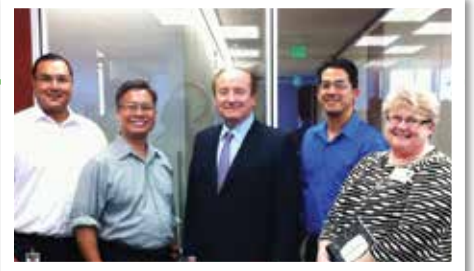
of adding new fixed income strategies to the portfolio such as the global credit and bank loans to further protect the portfolio. Adding new strategies and rebalancing the portfolio to match the target percentages takes time. Therefore, there are often differences between the actual and target allocation,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

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

ASSET CLASS	Target Percent	As of 9/30/14
Domestic Equity	33.0%	38.5%
International Equity	21.0%	21.9%
Fixed Income	24.0%	20.5%
Covered Calls	5.0%	7.2%
Real Estate	5.0%	3.6%
Private Equity	5.0%	2.0%
Real Return	6.0%	5.6%
Cash	1.0%	0.7%

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 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 September 30, 2014, the Retirement Plan had an aggregate



market value of assets of \$11.2 billion. The Plan's portfolio has outperformed the median (more than half the) public sector plans of similar size and assets by 0.55% as of September 30, 2014.

The Retirement Board's general investment consultant, Pension Consulting Alliance, Inc. (PCA) remains cautiously optimistic about the portfolio returns in fiscal year 2015. Fiscal year 2014 results were very strong, so expectations for the future should be more muted. PCA also notes that they are expecting higher future interest rates, which will likely have a dampening impact on bond markets. However, the Plan's portfolio is well diversified to help minimize interest rate risk, having restructured the fixed income portfolio in 2014. In addition, the market continues to take the winding down of the Federal Reserve's economic stimulus program in stride. This "quantitative easing" program was used to provide support for continued economic growth. While the economy continues to produce mixed growth results, enough improvement has occurred over the last year to allow the Federal Reserve to conclude that further stimulus support is no longer required.

The next important review of the portfolio will be done this winter using returns from December 31, 2014.

Deferred Compensation Plan – Retiree Loans

The Deferred Compensation Plan offers a loan program which allows participants to borrow money from their accounts and then repay their accounts, with interest. A participant can borrow up to 50% of their account or \$50,000, whichever is less, and may have up to two loans outstanding at any time.

In 2011 the Plan extended its loan program to include retired participants. Retirees are now able to borrow from their account and repay themselves, just as an active employee participant would.

Retiree loans may be attractive to individuals who have a need for funds but also want to return the money to maintain their long-term retirement security. There are two loan types: General Purpose, which has a term of 1-5 years, or Home Purchase, which has a term of 1-15 years. The retiree repays

the loan by sending monthly check payments or by automatic deduction from a checking or savings account.

The loan rate is 2% above the prime lending rate in effect at the time the loan is taken. The interest rate is fixed for the life of the loan. All of the interest you pay is deposited into your account, which is an advantage over taking a conventional loan in which interest payments go to a third party. Loan recipients pay a one-time \$50 loan origination fee and annual \$25 loan maintenance fee for the life of each loan.

To learn more, feel free to contact a local Plan representative at (213) 978-1601. You can also visit the City Hall Service Center located at City Hall, 200 N. Spring Street, Room 867, between the hours of 8:00 am and 4:00 pm Pacific Time, Monday to Friday.

Mary's Winter 2014 message



The Retirement Office continuously strives to improve the services we deliver to our members. In the Spring 2014 issue of the Newsletter, I mentioned we plan to roll out a new functionality on our website. The next focus of our service improvement efforts will benefit the general active membership of the Retirement Plan. In January 2015, the Retirement Office will launch a self-service component on the website. This new application will provide active members tools to calculate their retirement estimate and also to extract their most current data such as service credit, regular contribution totals and additional contribution balances, if applicable.

Please note that enhancements for you, our retired members are also underway. The Retirement Office will be developing a self-service component on the website that will allow you to access some relevant documents such as your prior year 1099Rs and your most current Beneficiary form on file. These enhancements are aimed to help us deliver services in a more timely manner and also allow you to obtain retirement related documents at your convenience.

The Retirement Office's Systems Section is working with the Department's ITS Division to develop log-in capabilities for retirees and at the same time, implement the critical security measures in the internet environment. Once these concerns are resolved, you will have the opportunity to create your individual login ID and password for access to the Retirement Office website.

Once this self-service component of the website is accessible, the Retirement Office will publicize log-in information. We encourage you to email us your feedback and overall experience on this new enhancement. Our email is retire@ladwp.com. We value your input and we use it to help us improve our service to you in the future.

Monthly Allowance Schedule for 2015

Retirement allowances are typically payable on the 1st of each month, however that date may change if the 1st of the month is a weekend or holiday. If the 1st falls on a Saturday, Sunday or holiday, the retirement checks are payable on the last business day of the month. The one exception that does not apply would be for the month of January. December allowances are always payable the first business day in January to insure retirees do not receive 13 checks in a calendar year.

Following is the payment schedule for calendar year 2015:

<u>ALLOWANCE</u>	<u>PAYMENT DATE</u>
January	January 30, 2015
February	February 27, 2015
March	April 1, 2015
April	May 1, 2015
May	June 1, 2015
June	July 1, 2015
July	July 31, 2015
August	September 1, 2015
September	October 1, 2015
October	October 30, 2015
November	December 1, 2015
December	January 4, 2016



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>

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MAIL

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Los Angeles, CA 90012

We welcome your suggestions and comments regarding this newsletter. Please email us at retire@ladwp.com.