

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES'  
RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2009 and 2008  
WATER AND POWER EMPLOYEES'  
RETIREE HEALTH BENEFITS FUND  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2009 and 2008**



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report.....             | 1           |
| Management's Discussion and Analysis.....     | 3           |
| Financial Statements:                         |             |
| Retirement Fund:                              |             |
| Statement of Plan Net Assets .....            | 18          |
| Statement of Changes in Plan Net Assets ..... | 19          |
| Disability Fund:                              |             |
| Statement of Plan Net Assets .....            | 20          |
| Statement of Changes in Plan Net Assets ..... | 21          |
| Death Benefit Fund:                           |             |
| Statement of Plan Net Assets .....            | 22          |
| Statement of Changes in Plan Net Assets ..... | 23          |
| Retiree Health Benefits Fund:                 |             |
| Statement of Plan Net Assets .....            | 24          |
| Statement of Changes in Plan Net Assets ..... | 25          |
| Notes to the Financial Statements.....        | 26          |
| Required Supplementary Information            |             |
| Exhibit I:                                    |             |
| Retirement Fund                               |             |
| Schedule of Funding Progress.....             | 49          |
| Exhibit II:                                   |             |
| Retirement Fund                               |             |
| Schedule of Employer Contributions.....       | 50          |
| Exhibit III:                                  |             |
| Death Benefit Fund (Insured Lives)            |             |
| Schedule of Funding Progress.....             | 51          |
| Exhibit IV:                                   |             |
| Retiree Health Benefits Fund                  |             |
| Schedule of Funding Progress.....             | 52          |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

TABLE OF CONTENTS (Continued)

Exhibit V:

Retiree Health Benefits Fund

Schedule of Employer Contributions..... 53

Supplementary Information

Exhibit VI:

Retirement Fund – Schedule of Contribution Accounts and Estimated Liability

for Retirement Allowances ..... 54

Exhibit VII:

Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability

for Family Allowances..... 55

Exhibit VIII:

Retirement Fund – Schedule of Revenues by Source and Expenses by Type..... 56



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Administration  
City of Los Angeles Water and Power  
Employees' Retirement, Disability and  
Death Benefit Insurance Plans

We have audited the accompanying statements of plan net assets of the City of Los Angeles Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (Retirement Plan) and the Retiree Health Benefits Fund (RHBF), collectively known as the Plan, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of June 30, 2009 and 2008, and the changes in net assets available for benefits of the Plan for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 17, the Schedules of Funding Progress on pages 49, 51, and 52, and the Schedules of Employer Contributions on pages 50 and 53, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Plan's financial statements taken as a whole. The Retirement Fund Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, the Death Benefit Fund Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and the Retirement Fund Schedule of Revenues by Source and Expenses by Type on pages 54 through 56 (Schedules), are presented for purposes of additional analysis and are not a required part of the Plan's basic financial statements. The Schedules have been subjected to the auditing



procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the Plan's basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
November 20, 2009

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Department of Water and Power (Department) Employees' Retirement, Disability, and Death Benefit Insurance Plan (Plan) and the Retiree Health Benefits Fund (RHBF) for the years ended June 30, 2009 and 2008. The Retirement Plan and the RHBF are collectively known as the Plan.

**FINANCIAL HIGHLIGHTS**

- The net assets at fiscal year ended June 30, 2009 were \$5,698,877,783, \$44,871,536, \$21,452,707, and \$740,564,405 for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the nets assets were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total net assets decreased by \$1,225,053,032 or 17.69% and \$642,651 or 2.91% for the Retirement Fund and Death Benefit Fund, respectively; increased by \$5,235,403 or 13.21% and \$20,927,663, or 2.91% for the Disability Fund and Retiree Health Benefits Fund, respectively.
- As of June 30, 2009, the date of the Retirement Fund's last actuarial valuation, the funding ratio was approximately 89.97%.
- As of June 30, 2009, the date of the Retiree Health Benefits Fund's latest actuarial valuation, the funding ratio was approximately 61.11%.
- Additions to the Retirement Fund's Plan Net Assets decreased from (\$131,088,329) to (\$854,085,047) over the prior year, or approximately 551.54% due mostly to the net depreciation in the fair value of investments in 2009.
- Deductions from Retirement Fund's Plan Net Assets increased from \$362,808,652 to \$370,967,985 over the prior year, or approximately 2.25%.
- The assets of the Retiree Health Benefits Fund were invested under the oversight of the Retirement Board. The RHBF assets were up 2.91% from \$719,636,742 to \$740,564,405.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the financial statements of the Plan, which are:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

*The Statement of Plan Net Assets* is a snapshot of account balances at year end. It indicates the amount of assets available for payment to retirees, beneficiaries, and any current liabilities owed at this time.

*The Statement of Changes in Plan Net Assets* reports additions to and deductions from the plan net assets during the year.

The above statements are on a full accrual basis of accounting. Investment gains and losses are shown at trade date, and account balances are based on market values recognizing both realized and unrealized gains and losses on investments.

*Notes to the Financial Statements* provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 26 to 48 of this report.

*Required Supplementary Information:* This report presents certain required supplementary information concerning the Retirement Fund, the Retiree Health Benefits Fund, and the Death Benefit Fund's progress in funding to provide pension, health benefits, and insured life benefits to members. The report also provides summary information on employer contributions. The required Supplementary Information is on pages 49 to 53 of this report.

*Supplementary Information:* The supplementary information is also available in this report for a better understanding of the Plan's financial activities. The supplementary information is on pages 54 to 56 of this report.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**FINANCIAL ANALYSIS**

***Retirement Fund***

**Plan Net Assets**

A summary of the Retirement Plan's net assets is presented below:

|                              | Condensed Statement of Plan Net Assets |                     |                     |                     |                     |
|------------------------------|--|---------------------|---------------------|---------------------|---------------------|
|                              | (In Thousands)                         |                     |                     |                     |                     |
|                              | 2009                                   | 2008                | 2007                | 2009/08<br>% Change | 2008/07<br>% Change |
| Cash                         | \$ 4,670                               | \$ 1,008            | \$ 586              | 363.29%             | 72.01%              |
| Receivables                  | 739,966                                | 713,152             | 268,181             | 3.76%               | 165.92%             |
| Investments                  | 6,719,374                              | 7,835,952           | 8,434,584           | -14.25%             | -7.10%              |
| <b>Total assets</b>          | <b>7,464,010</b>                       | <b>8,550,112</b>    | <b>8,703,351</b>    | <b>-12.70%</b>      | <b>-1.76%</b>       |
| Liabilities                  | 1,765,132                              | 1,626,181           | 1,285,523           | 8.54%               | 26.50%              |
| <b>Total plan net assets</b> | <b>\$ 5,698,878</b>                    | <b>\$ 6,923,931</b> | <b>\$ 7,417,828</b> | <b>-17.69%</b>      | <b>-6.66%</b>       |

**Fiscal year ended June 30, 2009**

Net assets decreased by \$1.225 billion (17.69%) to \$5.7 billion over the prior fiscal year. Investments decreased by \$1.117 billion (14.25%) due to realized losses from investing activities and depreciation in the fair value of investments through the fiscal year ended June 30, 2009. Liabilities increased by \$139 million from fiscal year 2008 due mostly to an increase in pending trades at year end.

**Fiscal year ended June 30, 2008**

Net assets decreased by \$494 million (6.66%) to \$6.9 billion from the prior fiscal year. Investments were down by \$599 million when compared with the prior fiscal year mainly due to the decline in the fair value of investments. This fiscal year, the fair value of investments was \$517 million over cost, while it was \$1.3 billion over cost at fiscal year 2007. Receivables and liabilities increased from fiscal year 2007 as a result of pending trades and settlements at year end.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retirement Fund (Continued)***

**Changes in Plan Net Assets**

|   | Condensed Statement of Changes in Plan Net Assets |                     |                     |                     |                     |
|---|---|---------------------|---------------------|---------------------|---------------------|
|   | (In Thousands)                                    |                     |                     |                     |                     |
|   | 2009  | 2008                | 2007                | 2009/08<br>% Change | 2008/07<br>% Change |
| <b>Additions</b>                              |   |                     |                     |                     |                     |
| Members' contributions                        | \$ 59,405   | \$ 48,694           | \$ 47,060           | 22.00%              | 3.47%               |
| Employer contributions                        | 150,030   | 146,057             | 132,704             | 2.72%               | 10.06%              |
| Net investment income (loss)                  | <u>(1,063,520)</u>                                | <u>(325,839)</u>    | <u>1,069,520</u>    | -226.39%            | -130.47%            |
| Total additions (deductions)                  | <u>(854,085)</u>                                  | <u>(131,088)</u>    | <u>1,249,284</u>    | -551.54%            | -110.49%            |
| <b>Deductions</b>                             |   |                     |                     |                     |                     |
| Benefit payment                               | 363,692   | 353,179             | 338,341             | 2.98%               | 4.39%               |
| Refund  | 3,952   | 6,233               | 3,546               | -36.60%             | 75.78%              |
| Administrative expenses                       | <u>3,324</u>                                      | <u>3,397</u>        | <u>2,809</u>        | -2.15%              | 20.93%              |
| Total deductions                              | <u>370,968</u>                                    | <u>362,809</u>      | <u>344,696</u>      | 2.25%               | 5.25%               |
| Net increase (decrease)<br>in plan net assets | (1,225,053)                                       | (493,897)           | 904,588             | -148.04%            | -154.60%            |
| Net assets beginning                          | <u>6,923,931</u>                                  | <u>7,417,828</u>    | <u>6,513,240</u>    | -6.66%              | 13.89%              |
| Net assets ending                             | <u>\$ 5,698,878</u>                               | <u>\$ 6,923,931</u> | <u>\$ 7,417,828</u> | -17.69%             | -6.66%              |

**Additions to Plan Net Assets**

Additions needed to fund benefit payments are accumulated through contributions from the employees and the employer, and from income generated from the Plan's investing activities.

**Fiscal year ended June 30, 2009**

Contributions for fiscal year 2009 totaled \$209.4 million, up \$14.7 million or 7.5% over the prior fiscal year. The increase in the contributions was due to: a) increase in the Department's number of employees that is attributable to personnel transfers from the other city departments to the DWP, and b) a 5.90% cost-of-living adjustment added to the base salary of most Department employees.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retirement Fund (Continued)***

Net investment loss amounted to \$1,063.5 million, up by \$737.7 million or 226.4% when compared with a loss of \$326.0 million from the prior fiscal year. The decline in net investment income is mostly attributed to the realized loss from investing activities and net depreciation in the fair value of investments.

**Fiscal year ended June 30, 2008**

Contributions for fiscal year 2008 totaled \$194.8 million, up \$15.0 million or 8.34% over the fiscal year 2007. The increase in the contributions was due to: a) increase in the Department's personnel, and b) a 3.25% cost-of-living adjustment added to the base salary of most Department employees. The Department's actuarial required contribution rate for fiscal year 2008 was down 21.59% from 22.25% of covered compensation for fiscal year 2007.

Net investment income amounted to a negative \$326 million, down by \$1.4 billion or 130.47% when compared with \$1.1 billion from the prior fiscal year. This decline in net investment income is mostly attributed to the net depreciation in the fair value of investments.

**Deductions from Plan Net Assets**

Costs associated with this Plan include benefit payments as designated by the Retirement Plan, refund of contributions due to terminations and member deaths, and administrative costs of operating the Plan.

**Fiscal year ended June 30, 2009**

Deductions for the fiscal year ended June 30, 2009 totaled \$371.0 million, up approximately \$8.2 million or 2.25% over 2008. The increase was due mainly to the increase in retiree benefit payments as a result of the 3% cost-of-living adjustment granted starting July 2008.

**Fiscal year ended June 30, 2008**

Deductions for the fiscal year ended June 30, 2008 totaled \$362.8 million, an increase of \$18.1 million over 2007. The increase was due mainly to the increase in retiree benefit payments as a result of the 3% cost-of-living adjustment granted starting July 2007. Other contributing factors to this increase were withdrawal of contributions due to terminations and/or member transfers to other City Departments, increase in administrative expenses, and hiring of additional investment advisors.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Disability Fund***

**Plan Net Assets**

The Disability Insurance Plan's net assets are summarized below:

| Condensed Statement of Plan Net Assets<br>(In Thousands) |                  |                  |                  |                     |                     |
|--|------------------|------------------|------------------|---------------------|---------------------|
|  | 2009             | 2008             | 2007             | 2009/08<br>% Change | 2008/07<br>% Change |
| Cash   | \$ 325           | \$ 163           | \$ 249           | 99.39%              | -34.54%             |
| Receivables  | 6,540            | 6,530            | 5,057            | 0.15%               | 29.13%              |
| Investments  | 38,207           | 33,099           | 30,383           | 15.43%              | 8.94%               |
| <br>   |                  |                  |                  |                     |                     |
| Total assets   | 45,072           | 39,792           | 35,689           | 13.27%              | 11.50%              |
| Liabilities  | 200              | 156              | 163              | 28.21%              | -4.29%              |
| <br>   |                  |                  |                  |                     |                     |
| Total plan net assets                                    | <u>\$ 44,872</u> | <u>\$ 39,636</u> | <u>\$ 35,526</u> | 13.21%              | 11.57%              |

**Fiscal year ended June 30, 2009**

The Disability Insurance Plan's net assets increased by \$5.2 million or 13.21% in fiscal year 2009. Investments increased by \$5.1 million or 15.43% from the prior fiscal year. This increase was brought about by several factors: a) slight increase in Department Contributions for temporary and supplemental disability benefits because of increased Department personnel, b) decrease in disability benefits paid, and c) increase in the market value of investments compared to the prior year.

**Fiscal year ended June 30, 2008**

The Disability Insurance Plan's net assets increased by \$4.1 million or 11.57% in fiscal year 2008. Investments increased by \$2.7 million or 8.94% from the prior fiscal year.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

*Disability Fund (continued)*

**Changes in Plan Net Assets**

| Condensed Statement of Changes in Plan Net Assets |                  |                  |                  |                     |                     |
|---|------------------|------------------|------------------|---------------------|---------------------|
| (In Thousands)                                    |                  |                  |                  |                     |                     |
|   | 2009             | 2008             | 2007             | 2009/08<br>% Change | 2008/07<br>% Change |
| <b>Additions</b>                                  |                  |                  |                  |                     |                     |
| Members' contributions                            | \$ 435           | \$ 425           | \$ 400           | 2.35%               | 6.25%               |
| Employer contributions                            | 14,826           | 14,224           | 8,395            | 4.23%               | 69.43%              |
| Net investment income                             | 2,430            | 2,169            | 1,970            | 12.03%              | 10.10%              |
| <b>Total additions</b>                            | <b>17,691</b>    | <b>16,818</b>    | <b>10,765</b>    | <b>5.19%</b>        | <b>56.23%</b>       |
| <b>Deductions</b>                                 |                  |                  |                  |                     |                     |
| Benefit payment                                   | 11,801           | 12,226           | 11,826           | -3.48%              | 3.38%               |
| Administrative expenses                           | 655              | 482              | 431              | 35.89%              | 11.83%              |
| <b>Total deductions</b>                           | <b>12,456</b>    | <b>12,708</b>    | <b>12,257</b>    | <b>-1.98%</b>       | <b>3.68%</b>        |
| Net increase (decrease)                           |                  |                  |                  |                     |                     |
| in plan net assets                                | 5,235            | 4,110            | (1,492)          | 27.37%              | 375.47%             |
| Net assets beginning                              | 39,636           | 35,526           | 37,018           | 11.57%              | -4.03%              |
| Net assets ending                                 | <u>\$ 44,871</u> | <u>\$ 39,636</u> | <u>\$ 35,526</u> | 13.21%              | 11.57%              |

**Additions to Plan Net Assets**

Additions needed to fund benefits are accumulated through employer and employee contributions and investment income generated from the fund's investing activities.

**Fiscal year ended June 30, 2009**

Contributions for fiscal year 2009 totaled \$15.3 million, up approximately 4.18% or \$0.6 million from a year ago. The increase was due to an increase in the number of employees and an increase in the basic compensation of active employees due to cost of living adjustments. Net investment income was slightly higher in 2009 than in fiscal year 2008 by approximately \$0.3 million.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

*Disability Fund (continued)*

**Fiscal year ended June 30, 2008**

Contributions for fiscal year 2008 totaled \$14.6 million, an increase of approximately 66.5% or \$5.8 million from a year ago. The increase was due to an increase in the number of employees over the prior year, and an increase in the Department's contributions to the Disability Fund. In 2008, the employer contribution rate rose to \$2.18 compared with \$1.55 per \$100 of employees' base compensation in 2007. For fiscal year 2008, net investment income was slightly higher than fiscal year 2007 by approximately \$0.2 million.

**Deductions from Plan Net Assets**

The costs associated with this Plan include disability benefit payments and administrative expenses incurred to operate the Plan.

**Fiscal year ended June 30, 2009**

Fiscal year 2009 deductions decreased slightly to \$12.5 million, a reduction of approximately 1.98% when compared with fiscal year 2008. Basically, this was caused by lower amounts of disability benefits claimed by covered employees this year.

**Fiscal year ended June 30, 2008**

Fiscal year 2008 deductions slightly increased to \$12.7 million, an increase of approximately 3.7%. This was caused by the increase in the employee base compensation due to cost-of-living allowance of 3.25% granted during this fiscal year. This translated to the almost identical rate of increase in the disability benefits paid since these benefits were paid on the basis of employee compensation.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Death Benefit Insurance Fund***

The Death Benefit Plan's net assets are summarized below:

|                              | Condensed Statement of Plan Net Assets<br>(In Thousands) |                  |                  | 2009/08       | 2008/07        |
|------------------------------|--|------------------|------------------|---------------|----------------|
|                              | 2009   | 2008             | 2007             | % Change      | % Change       |
| Cash                         | \$ 255   | \$ 211           | \$ 153           | 20.85%        | 37.91%         |
| Receivables                  | 242  | 101              | 128              | 139.60%       | -21.09%        |
| Investments                  | 23,028   | 24,028           | 26,554           | -4.16%        | -9.51%         |
| <b>Total assets</b>          | <b>23,525</b>  | <b>24,340</b>    | <b>26,835</b>    | <b>-3.35%</b> | <b>-9.30%</b>  |
| Liabilities                  | 2,072  | 2,245            | 2,170            | -7.71%        | 3.46%          |
| <b>Total plan net assets</b> | <b>\$ 21,453</b>   | <b>\$ 22,095</b> | <b>\$ 24,665</b> | <b>-2.91%</b> | <b>-10.42%</b> |

**Fiscal year ended June 30, 2009**

The Fund's net assets were down by \$0.6 million or 2.91% when compared with prior year's net assets of \$22.1 million. Investments at June 30, 2009 were \$23.03 million, down \$1.0 million or 4.16% from a year ago.

**Fiscal year ended June 30, 2008**

The Fund's net assets were down by \$2.6 million or 10.42% when compared with prior year's net assets of \$24.7 million. Investments at June 30, 2008 were \$24.03 million, down \$2.5 million or 9.5% when compared with the fiscal year ended June 30, 2007.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

*Death Benefit Insurance Fund (continued)*

**Changes in Plan Net Assets**

| Condensed Statement of Changes in Plan Net Assets<br>(In Thousands) |                  |                  |                  |                     |                     |
|---|------------------|------------------|------------------|---------------------|---------------------|
|   | 2009             | 2008             | 2007             | 2009/08<br>% Change | 2008/07<br>% Change |
| <b>Additions</b>  |                  |                  |                  |                     |                     |
| Members' contributions  | \$ 306           | \$ 304           | \$ 289           | 0.66%               | 5.19%               |
| Employer contributions  | 5,326            | 4,605            | 4,337            | 15.66%              | 6.18%               |
| Net investment income   | 1,462            | 1,833            | 1,701            | -20.24%             | 7.76%               |
| <b>Total additions</b>  | <b>7,094</b>     | <b>6,742</b>     | <b>6,327</b>     | <b>5.22%</b>        | <b>6.56%</b>        |
| <b>Deductions</b>   |                  |                  |                  |                     |                     |
| Benefit payment   | 6,875            | 8,538            | 7,260            | -19.48%             | 17.60%              |
| Administrative expenses   | 861              | 774              | 661              | 11.24%              | 17.10%              |
| <b>Total deductions</b>   | <b>7,736</b>     | <b>9,312</b>     | <b>7,921</b>     | <b>-16.92%</b>      | <b>17.56%</b>       |
| Net increase (decrease)<br>in plan net assets                       | (642)            | (2,570)          | (1,594)          | 75.02%              | -61.23%             |
| Net assets beginning  | 22,095           | 24,665           | 26,259           | -10.42%             | -6.07%              |
| <b>Net assets ending</b>  | <b>\$ 21,453</b> | <b>\$ 22,095</b> | <b>\$ 24,665</b> | <b>-2.91%</b>       | <b>-10.42%</b>      |

**Additions to Plan Net Assets**

Additions to fund the benefits are accumulated through contributions and investment income from invested funds.

**Fiscal year ended June 30, 2009**

Additions this fiscal year were slightly higher than the year 2008. The increase in employer contributions of \$0.7 million was attributable to the 3% cost-of-living allowance increase added to the retired employees benefits effective in July 2008 and increase in the Department's contribution rate effective in December 2008.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

*Death Benefit Insurance Fund (continued)*

**Fiscal year ended June 30, 2008**

Additions this year were slightly higher than the prior fiscal year. The increase in employer contributions of \$0.3 million was attributable to the 3% cost-of-living allowance increase in benefits paid to retirees effective from July 2007.

**Deductions from Plan Net Assets**

The costs associated with this Plan include the benefits payments and administrative costs to operate the Plan.

**Fiscal year ended June 30, 2009**

Deductions were down \$1.6 million, or 16.92% to \$7.7 million. The number of death benefit cases occurring, processed and paid during the fiscal year 2009 were lower than that of the prior year.

**Fiscal year ended June 30, 2008**

Deductions were up \$1.4 million, or 17.56% to \$9.3 million. This increase was attributable to the increase in the amounts and number of death benefits paid this year compared with 2007.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retiree Health Benefits Fund***

The DWP Board of Water and Power commissioners approved the creation of the Retiree Health Benefits Fund in September 2006 to defray current and future retiree health benefit liabilities and related costs incurred by the fund. The Retirement Board has the fiduciary responsibility for investing the assets of the Health Fund and administering payments from it, while the DWP Board of Water and Power Commissioners continues to have the responsibility to set the funding policy and the funding levels of the RHBF.

Health Fund assets amounting to \$642.0 million were transferred to the Retirement Plan to establish the fund during fiscal year 2007. As of June 30, 2009, the net assets of the fund totaled \$741 million, and these assets included \$100 million in Department contributions received in June 2009. A condensed statement of the fund's plan net assets and condensed statement of changes in plan net assets follow:

**Plan Net Assets**

|                              | Condensed Statement of Plan Net Assets |                   |                   |                     |                     |
|------------------------------|--|-------------------|-------------------|---------------------|---------------------|
|                              | (In Thousands)                         |                   |                   |                     |                     |
|                              | 2009                                   | 2008              | 2007              | 2009/08<br>% Change | 2008/07<br>% Change |
| Cash                         | \$ 26                                  | \$ 134            | \$ 1              | -80.60%             | 13300.00%           |
| Receivables                  | 129,043                                | 118,851           | 42,273            | 8.58%               | 181.15%             |
| Investments                  | 820,113                                | 792,876           | 719,917           | 3.44%               | 10.13%              |
| <b>Total assets</b>          | <b>949,182</b>                         | <b>911,861</b>    | <b>762,191</b>    | <b>4.09%</b>        | <b>19.64%</b>       |
| Liabilities                  | 208,618                                | 192,224           | 113,075           | 8.53%               | 70.00%              |
| <b>Total plan net assets</b> | <b>\$ 740,564</b>                      | <b>\$ 719,637</b> | <b>\$ 649,116</b> | <b>2.91%</b>        | <b>10.86%</b>       |

**Fiscal year ended June 30, 2009**

Total assets increased by \$37.3 million, or 4.09% due to the increase in investments and trade receivables, which in turn were brought about by an increase in the fund's actual realized income and additional contributions of \$100 million made by the Department towards the year end of 2009.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retiree Health Benefits Fund (continued)***

**Fiscal year ended June 30, 2008**

Total assets increased by \$150 million, or 19.64% due to the increase in investments and receivables. The item shown as "Receivables," above included pending trades and settlements at year end.

**Changes in Plan Net Assets**

| Condensed Statement of Changes in Plan Net Assets |                   |                   |                   |                     |                     |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|
| (In Thousands)                                    |                   |                   |                   |                     |                     |
|   | 2009              | 2008              | 2007              | 2009/08<br>% Change | 2008/07<br>% Change |
| <b>Additions</b>                                  |                   |                   |                   |                     |                     |
| Employer contributions                            | \$ 159,819        | \$ 157,611        | \$ 642,129        | 1.40%               | -75.45%             |
| Net investment income                             | (79,180)          | (29,730)          | 23,871            | -166.33%            | -224.54%            |
| <b>Total additions</b>                            | <b>80,639</b>     | <b>127,881</b>    | <b>666,000</b>    | <b>-36.94%</b>      | <b>-80.80%</b>      |
| <b>Deductions</b>                                 |                   |                   |                   |                     |                     |
| Benefit payment                                   | 59,413            | 57,360            | 16,884            | 3.58%               | 239.73%             |
| Administrative expenses                           | 299               | -                 | -                 | N/A                 | N/A                 |
| <b>Total deductions</b>                           | <b>59,712</b>     | <b>57,360</b>     | <b>16,884</b>     | <b>4.10%</b>        | <b>239.73%</b>      |
| Net increase (decrease)                           |                   |                   |                   |                     |                     |
| in plan net assets                                | 20,927            | 70,521            | 649,116           | -70.33%             | -89.14%             |
| Net assets beginning                              | 719,637           | 649,116           | -                 | 10.86%              | N/A                 |
| <b>Net assets ending</b>                          | <b>\$ 740,564</b> | <b>\$ 719,637</b> | <b>\$ 649,116</b> | <b>2.91%</b>        | <b>10.86%</b>       |

**Additions to Plan Net Assets**

Additions to fund the benefits are accumulated through contributions from the Department and investment income derived from invested funds.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

*Retiree Health Benefits Fund (continued)*

**Fiscal year ended June 30, 2009**

Total additions were down by \$47.2 million or 36.94% when compared with the additions of fiscal year 2008. The Department contributions for 2009 increased by \$2.2 million or 1.4% when compared with fiscal year 2008. Net investment income for 2009 was a negative \$79.2 million or 166.33% less than fiscal year 2008. The Department made a total contribution of approximately \$160 million this fiscal year.

**Fiscal year ended June 30, 2008**

Contributions for fiscal year 2008 were down by \$484.5 million, or 75.5% when compared with fiscal year 2007, the year the Retiree Health Benefits Fund was established and transferred to the Retirement Plan for investment oversight by the Retirement Board. The Department made a total contribution of approximately \$158 million this fiscal year. Additions to net assets also decreased because net investment income decreased by \$53.6 million. The decline in the fair value of investments this fiscal year was a factor to this decrease.

**Deductions from Plan Net Assets**

Deductions represent medical and dental insurance premiums paid for the benefit of retirees and the cost associated with the operation of the fund.

**Fiscal year ended June 30, 2009**

Payments for insurance premiums for retirees were slightly higher by \$2.1 million or 3.58% when compared with the prior fiscal year. The year 2009 was the first year the fund began charging for administrative expenses, which contributed to the increase in deductions.

**Fiscal year ended June 30, 2008**

This year's deductions were \$40.5 million or 239.7% more than the total deductions of the prior fiscal year. The fiscal year 2008 marked the first full year the investments of the RHBF were under the Retirement Board's oversight.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Request for Information**

This financial report is designed to provide the Retirement Board, members, investment managers and creditors with a general overview of the Plan's finances. Questions concerning any of the information provided in this report or requests or requests for additional information should be addressed to:

Sangeeta Bhatia, Retirement Plan Manager  
Water and Power Employees' Retirement Plan  
111 N. Hope Street, Room 357  
Los Angeles, CA 90012

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND**  
STATEMENT OF PLAN NET ASSETS  
As of June 30

| <b>ASSETS</b>  | 2009             | 2008             |
|--|------------------|------------------|
| Cash (Notes 2 and 3)   | \$ 4,669,737     | \$ 1,008,365     |
| Receivables  |                  |                  |
| Accrued investment income  | 26,091,859       | 24,186,580       |
| Department of Water and Power  | 23,385,426       | 21,103,724       |
| Pending investment sales   | 688,878,962      | 665,205,499      |
| Other  | 1,609,687        | 2,656,296        |
| Total receivables  | 739,965,934      | 713,152,099      |
| Investments, at fair value (Notes 2, 3, and 4)                                       |                  |                  |
| Fixed income (amortized cost \$2,716,462,861 in 2009<br>and \$2,589,361,766 in 2008) | 2,689,997,609    | 2,510,478,526    |
| Common stock (cost of \$2,799,714,869 in 2009<br>and \$3,445,673,695 in 2008)        | 2,683,145,102    | 4,025,380,109    |
| Short-term investments (cost approximates fair value)                                | 413,066,042      | 312,911,293      |
| Alternative investments  | 116,843,383      | 117,780,030      |
| Real estate  | 95,703,599       | 123,299,474      |
| Securities lending - short-term collateral investment pool                           | 720,618,144      | 746,102,425      |
| Total investments  | 6,719,373,879    | 7,835,951,857    |
| Total assets   | 7,464,009,550    | 8,550,112,321    |
| <b>LIABILITIES</b>   |                  |                  |
| Payables   |                  |                  |
| Pending investment purchases   | 1,033,804,705    | 874,135,922      |
| Other  | 10,708,918       | 5,943,159        |
| Securities lending - collateral payable (Note 4)                                     | 720,618,144      | 746,102,425      |
| Total liabilities  | 1,765,131,767    | 1,626,181,506    |
| Net Assets held in trust for pension benefits  | \$ 5,698,877,783 | \$ 6,923,930,815 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND**  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Years Ended June 30

|  | 2009             | 2008             |
|--|------------------|------------------|
| <b>ADDITIONS</b>   |                  |                  |
| Members' contributions                                       | \$ 59,394,076    | \$ 48,683,048    |
| Installment payment from early retired employees             | 10,936           | 10,999           |
| Department of Water and Power contributions towards:         |                  |                  |
| Benefit (net of reversions)                                  | 145,941,275      | 141,862,126      |
| Administrative expenses                                      | 4,088,598        | 4,195,096        |
| Total contributions  | 209,434,885      | 194,751,269      |
| Investment income (loss)                                     |                  |                  |
| Net appreciation (depreciation) in fair value of investments | (1,241,330,342)  | (512,998,714)    |
| Interest   | 128,804,687      | 139,271,129      |
| Dividends  | 51,070,342       | 52,037,926       |
| Income from real estate investments                          | 6,250,783        | 5,898,282        |
| Income (Loss) from alternative investments                   | (864,925)        | 2,356,058        |
| Securities lending (Note 4)                                  | 11,287,941       | 31,903,753       |
| Total investment income (loss)                               | (1,044,781,514)  | (281,531,566)    |
| Less: securities lending expenses (Note 4)                   | (4,273,125)      | (24,900,168)     |
| Less: investment expenses                                    | (14,517,838)     | (19,563,128)     |
| Net investment income (loss)                                 | (1,063,572,477)  | (325,994,862)    |
| Other income   | 52,545           | 155,264          |
| Total additions (deductions)                                 | (854,085,047)    | (131,088,329)    |
| <b>DEDUCTIONS</b>  |                  |                  |
| Retirement benefits paid                                     | 363,691,635      | 353,178,785      |
| Refund of members' contributions                             | 3,951,906        | 6,232,954        |
| Administrative expenses                                      | 3,324,444        | 3,396,913        |
| Total deductions   | 370,967,985      | 362,808,652      |
| Net decrease in plan net assets                              | (1,225,053,032)  | (493,896,981)    |
| Net assets held in trust for pension benefits                |                  |                  |
| Beginning of year  | 6,923,930,815    | 7,417,827,796    |
| End of year  | \$ 5,698,877,783 | \$ 6,923,930,815 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND  
STATEMENT OF PLAN NET ASSETS  
As of June 30**

| ASSETS  | 2009          | 2008          |
|---|---------------|---------------|
| Cash (Notes 2 and 3)  | \$ 324,552    | \$ 163,305    |
| Receivables   |               |               |
| Accrued investment income   | 161,029       | 138,066       |
| Department of Water and Power   | 2,586,407     | 2,684,652     |
| Other   | 482,531       | 397,321       |
| Contingent disability benefit advance                                       | 3,310,339     | 3,310,339     |
| Total receivables   | 6,540,306     | 6,530,378     |
| Investments, at fair value (Notes 2 and 3)                                  |               |               |
| Fixed income (amortized cost \$33,388,770 in 2009 and \$30,533,091 in 2008) | 33,748,542    | 30,324,247    |
| Short-term investments (cost approximates fair value)                       | 4,458,187     | 2,774,162     |
| Total investments   | 38,206,729    | 33,098,409    |
| Total assets  | 45,071,587    | 39,792,092    |
| <b>LIABILITIES</b>  |               |               |
| Payables  |               |               |
| Pending investment purchases  | 153,269       | 132,642       |
| Other   | 46,782        | 23,317        |
| Total Liabilities   | 200,051       | 155,959       |
| Net assets held in trust for disability benefits                            | \$ 44,871,536 | \$ 39,636,133 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND**  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Years Ended June 30

|  | 2009          | 2008          |
|--|---------------|---------------|
| <b>ADDITIONS</b>                                     |               |               |
| Department of Water and Power contributions towards: |               |               |
| Temporary disability benefits                        | \$ 12,838,282 | \$ 12,618,600 |
| Supplemental disability benefits                     | 1,328,063     | 1,109,605     |
| Administrative expenses                              | 659,547       | 496,208       |
| Total department contributions                       | 14,825,892    | 14,224,413    |
| Contributions from members for:                      |               |               |
| Temporary disability benefits                        | 218,252       | 213,483       |
| Permanent total disability benefits                  | 216,681       | 211,810       |
| Total members' contributions                         | 434,933       | 425,293       |
| Net appreciation in fair value of investments        | 568,618       | 551,605       |
| Investment income                                    | 1,892,040     | 1,655,676     |
| Less: investment expenses                            | (30,123)      | (38,460)      |
| Net investment income                                | 2,430,535     | 2,168,821     |
| Total additions                                      | 17,691,360    | 16,818,527    |
| <b>DEDUCTIONS</b>                                    |               |               |
| Benefits provided:                                   |               |               |
| Temporary disability                                 | 8,297,701     | 8,854,767     |
| Extended temporary disability                        | 592,237       | 723,525       |
| Permanent total disability                           | 1,577,666     | 1,542,574     |
| Supplemental disability                              | 1,332,925     | 1,105,279     |
| Total benefits provided                              | 11,800,529    | 12,226,145    |
| Administrative expenses                              | 655,428       | 481,650       |
| Total deductions                                     | 12,455,957    | 12,707,795    |
| Net increase in plan net assets                      | 5,235,403     | 4,110,732     |
| Net assets held in trust for disability benefits     |               |               |
| Beginning of year                                    | 39,636,133    | 35,525,401    |
| End of year  | \$ 44,871,536 | \$ 39,636,133 |

The accompanying notes are an integral part of these financial statements.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND**  
STATEMENT OF PLAN NET ASSETS  
As of June 30

| <b>ASSETS</b>  | 2009          | 2008          |
|--|---------------|---------------|
| Cash (Notes 2 and 3)   | \$ 254,766    | \$ 210,771    |
| Receivables  |               |               |
| Department of Water and Power  | 129,154       | -             |
| Accrued investment income  | 92,490        | 101,067       |
| Other  | 20,045        | 44            |
| Total receivables  | 241,689       | 101,111       |
| Investments, at fair value (Notes 2 and 3)                                     |               |               |
| Fixed income (amortized cost \$19,799,166 in 2009 and<br>\$22,406,953 in 2008) | 20,031,038    | 22,256,185    |
| Short-term investments (cost approximates fair value)                          | 2,997,509     | 1,771,694     |
| Total investments  | 23,028,547    | 24,027,879    |
| Total assets   | 23,525,002    | 24,339,761    |
| <b>LIABILITIES</b>   |               |               |
| Payables   |               |               |
| Department of Water and Power  | -             | 48,591        |
| Pending investment purchases   | 94,684        | 97,352        |
| Other  | 242,024       | 343,306       |
| Death claims in process - insured lives  | 1,735,587     | 1,755,154     |
| Total liabilities  | 2,072,295     | 2,244,403     |
| Net assets held in trust for death benefits                                    | \$ 21,452,707 | \$ 22,095,358 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND**  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the years ended June 30

|  | 2009          | 2008          |
|--|---------------|---------------|
| <b>ADDITIONS</b>   |               |               |
| Department of Water and Power contributions towards:         |               |               |
| Retired members (non-contributing)                           | \$ 4,445,208  | \$ 3,825,394  |
| Administrative expenses                                      | 880,454       | 779,813       |
| Total department contributions                               | 5,325,662     | 4,605,207     |
| Contributions from members for:                              |               |               |
| Insured lives death benefit                                  | 216,987       | 211,826       |
| Supplemental family death benefit                            | 89,307        | 91,815        |
| Total members' contributions                                 | 306,294       | 303,641       |
| Net appreciation (depreciation) in fair value of investments | 279,246       | 511,819       |
| Investment income  | 1,219,226     | 1,345,401     |
| Less: investment expenses                                    | (36,333)      | (24,375)      |
| Net investment income  | 1,462,139     | 1,832,845     |
| Total additions  | 7,094,095     | 6,741,693     |
| <b>DEDUCTIONS</b>  |               |               |
| Benefits provided for:                                       |               |               |
| Death benefits (active/retired members)                      | 6,162,351     | 7,743,729     |
| Family allowances  | 713,086       | 793,878       |
| Total benefits provided                                      | 6,875,437     | 8,537,607     |
| Administrative expenses                                      | 861,309       | 774,096       |
| Total deductions   | 7,736,746     | 9,311,703     |
| Net decrease in plan net assets                              | (642,651)     | (2,570,010)   |
| Net assets held in trust for death benefits                  |               |               |
| Beginning of year  | 22,095,358    | 24,665,368    |
| End of year  | \$ 21,452,707 | \$ 22,095,358 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND**

**STATEMENT OF PLAN NET ASSETS**

As of June 30

| ASSETS   | 2009           | 2008           |
|--|----------------|----------------|
| Cash (Notes 2 and 3)   | \$ 25,712      | \$ 134,251     |
| Receivables  |                |                |
| Accrued investment income  | 2,629,935      | 2,208,486      |
| Department of Water and Power  | 93,015         | -              |
| Pending investment sales   | 126,320,504    | 116,642,033    |
| Total receivables  | 129,043,454    | 118,850,519    |
| Investments, at fair value (Notes 2, 3 and 4)                                    |                |                |
| Fixed income (amortized cost \$384,018,169 in 2009<br>and \$328,878,034 in 2008) | 392,453,479    | 327,958,741    |
| Common stock (cost of \$493,302,790 in 2009<br>and \$434,450,920 in 2008)        | 359,444,585    | 408,417,170    |
| Short-term investments (cost approximates fair value)                            | 18,086,090     | 16,481,181     |
| Alternative Investments  | 881,374        | -              |
| Securities lending - short-term collateral<br>investment pool                    | 49,247,688     | 40,019,280     |
| Total investments  | 820,113,216    | 792,876,372    |
| Total assets   | 949,182,382    | 911,861,142    |
| <b>LIABILITIES</b>   |                |                |
| Payables   |                |                |
| Accounts payable   | 715,456        | 121,223        |
| Pending investment purchases   | 158,654,833    | 152,083,897    |
| Security lending - collateral payable (Note 4)                                   | 49,247,688     | 40,019,280     |
| Total liabilities  | 208,617,977    | 192,224,400    |
| Net assets held in trust for retiree health benefits                             | \$ 740,564,405 | \$ 719,636,742 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND**  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the Year Ended June 30

|  | 2009           | 2008           |
|--|----------------|----------------|
| <b>ADDITIONS</b>   |                |                |
| Department of Water and Power contributions towards:         |                |                |
| Retiree health benefits                                      | \$ 100,000,000 | \$ 100,000,000 |
| Insurance premiums   | 59,412,621     | 57,359,628     |
| Administrative expenses                                      | 406,515        | 251,497        |
|  | 159,819,136    | 157,611,125    |
| Investment income (loss)                                     |                |                |
| Net appreciation (depreciation) in fair value of investments | (95,502,822)   | (43,393,018)   |
| Interest and dividends                                       | 16,649,018     | 13,871,377     |
| Loss from alternative investments                            | (11,599)       | -              |
| Securities lending (Note 4)                                  | 520,392        | 1,093,045      |
|  | (78,345,011)   | (28,428,596)   |
| Less: securities lending expenses (Note 4)                   | (244,967)      | (853,894)      |
| Less: investment expenses                                    | (589,822)      | (448,020)      |
|  | (79,179,800)   | (29,730,510)   |
| Total additions  | 80,639,336     | 127,880,615    |
| <b>DEDUCTIONS</b>  |                |                |
| Retiree health benefits paid (insurance premiums)            | 59,412,621     | 57,359,628     |
| Administrative expenses                                      | 299,052        | -              |
|  | 59,711,673     | 57,359,628     |
| Total deductions   | 59,711,673     | 57,359,628     |
| Net increase in plan net assets                              | 20,927,663     | 70,520,987     |
| Net assets held in trust for retiree health benefits         |                |                |
| Beginning of year  | 719,636,742    | 649,115,755    |
|  | 719,636,742    | 649,115,755    |
| End of year  | \$ 740,564,405 | \$ 719,636,742 |

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

The Retirement Board of Administration (Retirement Board) is the administrator of the City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan). The Retirement Plan is comprised of three separate funds – retirement fund, disability fund, and death benefit fund. Also, the Retirement Board has investment oversight of the Retiree Health Benefits Fund (RHBF), and together with the Retirement Plan are collectively known as the Plan. Each fund under the Retirement Plan and the RHBF is considered an independent trust fund of the Department of Water and Power (Department), which is a proprietary department of the City of Los Angeles (City).

The Retirement Plan was established in 1938 and is subject to the provisions of the City Charter and the plan document. The Retirement Plan operates as a single-employer defined benefit plan to provide pension benefits, including death and disability benefits, to eligible Department employees.

In 1986, the Board of Water and Power Commissioners (DWP Board) adopted the Department Health Plans Board Resolution. This resolution established provisions for the health, dental and other medical plans of the Department and its subsidiaries. This resolution is updated annually to approve changes in health plan carriers and subsidy amounts. This resolution and subsequent amendments have created the Department's Postretirement Health Care Benefit Plan (Retiree Health Benefits Plan), a single-employer postemployment healthcare benefit plan. On September 6, 2006, the Retirement Board approved the creation and establishment of the RHBF for the purpose of funding the benefits provided under the Retiree Health Benefits Plan.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan)**

Membership

The Retirement Plan's membership consisted of the following at June 30, 2009 and 2008:

|                                     | 2009   | 2008   |
|-------------------------------------|--------|--------|
| Retirees, beneficiaries*            | 8,584  | 8,718  |
| Terminated vested                   | 681    | 686    |
| Terminated non-vested               | 731    | 702    |
| Inactive-non-contributing employees | 143    | 157    |
| Active-contributing employees:      |        |        |
| Vested                              | 8,168  | 8,096  |
| Non-vested                          | 879    | 396    |
| Total                               | 19,186 | 18,755 |

\*Includes beneficiaries of the Survivorship account.

Benefit Provisions

*Retirement/Disability Fund*

The retirement fund consists of both defined contribution and defined benefit elements. The members vest in the defined contribution element (annuity) after one year of service. Members vest in the defined benefit element (pension) only after qualifying for retirement and meeting the criteria for the formula pension. Generally, new and returning employees of the Department become eligible for Plan membership on the first day of the payroll period following entry into Department service. New eligible employees must complete 26 weeks of continuous service before becoming entitled to disability and/or death benefits. The right to death benefits is effective upon an employees' date for membership. Qualification for disability benefits occurs one day after an employee's effective membership date and payment of premium.

Members are eligible for normal retirement at age 60 with at least five years of service. Early retirement at age 55 is generally available if the member has been with the Department for 10 of the last 12 years before retirement. Members with 30 or more years may retire at age 50 and receive unreduced benefits within a certain limited period (this option expired on October 31, 2005). Upon qualifying for retirement, members will also qualify for a formula pension if they

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

have been employed by the Department for at least five years before retirement and have been a contributing member of the Plan for at least four of five years immediately preceding retirement or while eligible to retire (or during any of those four years if they were receiving either disability benefits under the Plan or payments under any Workers' Compensation Law). Eligible members are entitled to an annual retirement benefit, payable monthly for life currently in an amount equal to a retirement factor of 2.1% of their highest average salary, for each year of credited service. Members who have at least 30 years of service credit and are at least 55 years of age (and represented by a bargaining unit that has negotiated this benefit) are entitled to a retirement factor of 2.3% in the calculation of their retirement allowance. "Highest average salary" is defined as the employee's average salary, excluding overtime, over the highest 26 consecutive payroll periods.

Effective October 1, 2008, eligibility for the Optional Survivor Death Benefit for survivors of members who died while performing work within the scope of their duties was expanded. See Note 8.

*Death Benefit Fund*

The Death Benefit Fund consists of the Insured Lives Death Benefit (IDB), Family Death Benefit (FDB), and Supplemental Family Death Benefit (SFDB).

- Insured Lives Death Benefit

For contributing active members, death benefit coverage begins after completion of 26 weeks of continuous Department service. If the death occurs while an active member of the Plan, the benefit includes a single lump sum distribution equal to fourteen times the member's monthly salary, and the retirement fund contributions plus accrued interest, payable to the beneficiary.

For retired members, the benefits include a single lump sum distribution equal to fourteen times the member's full retirement allowance not to exceed \$20,000, plus any unpaid retirement allowances due, and the balance of the retirement fund contributions (if Option A was elected at retirement) payable to the beneficiary.

- Family Death Benefit

Coverage begins after completion of 26 weeks of continuous Department service. The Plan provides a monthly FDB allowance of \$416 to each qualified surviving child plus \$416 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum monthly FDB allowance cannot exceed \$1,170.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

- Supplemental Family Death Benefit

The SFDB program supplements the FDB. Coverage begins after enrollment and payment of premiums for 39 consecutive biweekly payroll deductions. The Plan provides for an additional monthly SFDB allowance of \$520 to each qualified surviving child plus \$520 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum SFDB allowance cannot exceed \$1,066.

Contributions

*Retirement/Disability Fund*

Covered employees are required to contribute 6% of their annual covered payroll upon becoming a Plan member on or after June 1, 1984. Employees entering the Plan before June 1, 1984 contribute an amount based upon an entry-age percentage rate. If an employee leaves or dies while employed, employee contribution plus credited interest is refundable. After one year of membership, the employee may leave his or her contribution on account with the Plan along with the Department's matching contributions and receive a money purchase allowance at retirement age. A surviving spouse of an employee who dies while eligible to retire or with at least 25 years of service may elect to receive a monthly allowance from the Retirement Fund for life rather than a refund of the employee's contributions and interest.

The Department contributes \$1.10 for each \$1.00 contributed by members, plus an actuarially determined percentage of covered payroll. Contribution provisions are established and amended by the Retirement Board upon the advice of the Plan actuary. Plan benefits are funded by earnings from investments and by contributions from the Department and members.

Each bi-weekly payroll period, eligible members contribute \$1.00 each for Temporary Disability and Permanent Total Disability.

*Death Benefit Fund*

- Insured Lives Death Benefit

Contributing active members contribute \$1.00 per bi-weekly payroll period. The Department contribution for the IDB for contributing active members has been suspended since August 1, 1999 as recommended by the Plan actuary.

The Department currently contributes to the IDB for non-contributing members at \$1.64 per \$100 of retirement benefits paid.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

- Family Death Benefit

The Department contributions have been suspended since July 1, 1993. The Department contributions will continue to be suspended as recommended by the Plan's actuary.

- Supplemental Family Death Benefit

Active members contribute \$2.25 per bi-weekly payroll period, and retired members contribute \$4.90 per month. Member contributions plus earnings from investments are intended to cover the cost of the benefits.

**Retiree Health Benefits Plan**

Membership

The Retiree Health Benefits Plan's membership consisted of the following at June 30, 2009 and 2008:

|                                    | 2009   | 2008   |
|------------------------------------|--------|--------|
| Current retirees and beneficiaries | 7,703  | 7,845  |
| Current active members             | 8,998  | 8,325  |
|                                    | 16,701 | 16,170 |

Benefit Provisions

Retired members of the Plan are eligible to receive a medical and dental subsidy based on their age and years of service at retirement. The retirees pay any health and dental plan premiums in excess of Department subsidy limits that they are eligible for.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

Contributions

The DWP Board establishes the funding policy and funding levels of the RHBF. The Department retains the responsibility and obligation to fund the RHBF to the extent necessary and appropriate as recommended by the Department's actuary, based on funding parameters set by the Department on advice of the actuary. During fiscal year 2009, the Department contributed \$159.4 million to fund current and future retiree health benefits liabilities and related costs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Reporting

The Plan follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 50 for Retirement Fund and the Insured Lives portion of the Death Benefit Fund, and GASB Statement No. 43 for the RHBF. The financial statements are prepared using the accrual basis of accounting and reflect the overall financial operations of the Plan. Members' and Department's contributions are recognized as revenues in the period in which the employee services are performed and when due, and benefits and refunds are recognized when due and payable in accordance with the terms of each benefit fund.

Other expenses are recognized when incurred. The net appreciation (depreciation) in fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Method Used to Value Investments

The Plan's investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of securities is determined by the published market prices and quotations from major investment dealers. Securities traded on a national or international exchange are valued at the last reported sales price at current currency exchange rates in effect. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. Hedge funds are initially recorded at cost and subsequently valued at fair value, and these are reported as "Alternative Investments" on the statement of plan net assets. The Plan has investments in commingled real estate funds in which real property is its primary underlying investment. These are reported as "Real Estate" at fair value on the statement of plan net assets. Fair values of real estate investments are estimated by fund managers based upon property appraisal reports both internally and externally. Unsettled investment trades as of year end are reported in the financial statements as receivable for pending sales or payable for pending purchases.

Cash

Cash consists primarily of cash on deposit with the Treasurer of the City of Los Angeles.

Use of Estimates

The preparation financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

Derivatives

To the extent permitted by policy and individual agreements, investment managers are authorized to use derivatives for risk management purposes. Accordingly, derivatives held are not held for trading purposes. Derivative securities are instruments whose value is derived from an underlying security or index. They include options, futures, swaps, forwards, structured notes, and stripped securities. These instruments offer unique characteristics and risks that assist the investment managers with meeting their investment strategies.

Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 financial statements presentation.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING**

Investment authority is granted to the Plan by the Charter of the City of Los Angeles and is exercised in accordance with the Retirement Board's investment policy. The Charter authorizes the form and type of investment vehicles that may be purchased. The Retirement Board may invest in common and preferred stocks (including both domestic and international equities), convertible debt, fixed income, alternative investments, and real estate; and it may utilize stock covered call options and securities lending.

Cash

As of June 30, 2009, the Plan's cash balances consist primarily of cash deposit with the Treasurer of the City of Los Angeles.

Investments

As of June 30, 2009, the Plan had the following investments:

| <u>Investment Type</u>                                   | <u>Fair Value</u>       |
|--|-------------------------|
| Domestic equities  | \$ 2,068,749,647        |
| International equities                                   | 973,840,040             |
| U.S. Treasuries  | 451,255,801             |
| U.S. Agency notes  | 161,639,520             |
| Medium term notes  | 26,871,628              |
| Preferred securities/convertible bonds/other             | 8,051,205               |
| Mortgage and asset backed securities                     | 1,599,275,837           |
| Corporate debt - domestic                                | 826,568,698             |
| Corporate debt - international                           | 8,788,399               |
| Mutual funds   | 492,387,408             |
| Hedge funds  | 117,724,757             |
| Real estate  | 95,703,599              |
| Securities lending short-term collateral investment pool | 769,865,832             |
| Total investments  | <u>\$ 7,600,722,371</u> |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

As of June 30, 2008, the Plan had the following investments:

| <u>Investment Type</u>                                   | <u>Fair Value</u>                  |
|--|------------------------------------|
| Domestic equities  | \$ 3,104,452,430                   |
| International equities                                   | 1,329,344,849                      |
| U.S. Treasuries  | 511,288,605                        |
| U.S. Treasury TIPS                                       | 38,472,822                         |
| U.S. Agency notes  | 17,168,217                         |
| Municipal bonds  | 4,340,518                          |
| Medium term notes  | 39,413,271                         |
| Preferred securities/convertible bonds/other             | 11,762,879                         |
| Mortgage and asset backed securities                     | 1,544,230,487                      |
| Corporate debt - domestic                                | 665,030,644                        |
| Corporate debt - international                           | 6,729,824                          |
| Mutual funds   | 386,518,762                        |
| Hedge funds  | 117,780,030                        |
| Real estate  | 123,299,474                        |
| Securities lending short-term collateral investment pool | <u>786,121,705</u>                 |
| <br>Total investments                                    | <br><u><u>\$ 8,685,954,517</u></u> |

Credit Risk

The Plan's investment policy is to apply the "prudent person" standards. Investments are made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Plan's investment policy has been designed to produce the most favorable long-term total portfolio return consistent with reasonable levels of risks. Prudent risk-taking is warranted within the context of overall portfolio diversification.

According to the Plan's investment policy for fixed income, the Plan can invest in both investment grade and high yield fixed income securities. Investment grade fixed income securities that are rated by Moody's, S&P, and Fitch, should have a minimum rating of BBB- or Baa3. Investment managers will notify Plan management of subsequent declines in ratings and will develop an investment strategy for investments rated below Baa3 or BBB-.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Active high yield fixed income investment is composed primarily of non-investment grade securities. If a bond is rated by all three rating agencies (Moody's, S&P and Fitch) then it must be graded BB or Ba1 by two or more rating agencies. If a bond is rated by two rating agencies, it must be rated below investment-grade by at least one rating agency.

The credit ratings of the Plan's investments at June 30, 2009 are as follows:

| <u>Investment Type</u>                 | <u>Credit Rating</u> | <u>Fair Value</u>       | <u>% of Portfolio</u> |
|--|----------------------|-------------------------|-----------------------|
| U.S. Treasuries                        | AAA                  | \$ 451,255,801          | 12.62%                |
| U.S. Agency notes                      | AAA                  | 159,538,212             | 4.46%                 |
|  | Not rated            | 2,101,308               | 0.06%                 |
| Medium term notes                      | AAA                  | 6,526,244               | 0.18%                 |
|  | A or better          | 9,933,033               | 0.28%                 |
|  | B or better          | 10,412,351              | 0.29%                 |
| Preferred securities/convertible bonds | B or better          | 1,130,810               | 0.03%                 |
|  | Not rated            | 6,920,395               | 0.19%                 |
| Mortgage and asset backed securities   | AAA                  | 409,148,582             | 11.45%                |
|  | A or better          | 17,894,360              | 0.50%                 |
|  | BB or better         | 31,811,118              | 0.89%                 |
|  | C or better          | 7,669,408               | 0.21%                 |
|  | Not rated            | 1,132,752,369 *         | 31.69%                |
| Corporate debt - domestic              | AAA                  | 9,582,471               | 0.27%                 |
|  | A or better          | 273,338,820             | 7.65%                 |
|  | B or better          | 475,026,783             | 13.29%                |
|  | C or better          | 38,917,333              | 1.09%                 |
|  | Not rated            | 29,703,291              | 0.83%                 |
| Corporate debt - international         | AAA                  | 2,272,104               | 0.06%                 |
|  | A or better          | 2,962,760               | 0.08%                 |
|  | B or better          | 2,958,215               | 0.08%                 |
|  | Not rated            | 595,320                 | 0.02%                 |
| Mutual funds                           | AAA                  | 846,380                 | 0.02%                 |
|  | Not rated            | 491,541,028             | 13.75%                |
| Total                                  |                      | <u>\$ 3,574,838,496</u> | <u>100.00%</u>        |

\* Consist of U.S. Government Agency securities.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2008 are as follows:

| <u>Investment Type</u>                 | <u>Credit Rating</u> | <u>Fair Value</u>       | <u>% of Portfolio</u> |
|--|----------------------|-------------------------|-----------------------|
| U.S. Treasuries                        | AAA                  | \$ 511,288,605          | 15.85%                |
| U.S. Treasury TIPS                     | AAA                  | 38,472,822              | 1.19%                 |
| U.S. Agency notes                      | AAA                  | 5,988,542               | 0.19%                 |
|  | A or better          | 4,189,635               | 0.13%                 |
|  | Not rated            | 6,990,040               | 0.22%                 |
| Municipal bonds                        | A or better          | 2,678,949               | 0.08%                 |
|  | BBB                  | 1,661,569               | 0.05%                 |
| Medium term notes                      | AAA                  | 9,605,910               | 0.30%                 |
|  | A or better          | 15,807,528              | 0.49%                 |
|  | B or better          | 13,999,833              | 0.43%                 |
| Preferred securities/convertible bonds | B or better          | 1,081,220               | 0.03%                 |
|  | Not rated            | 10,681,659              | 0.33%                 |
| Mortgage and asset backed securities   | AAA                  | 615,905,035             | 19.10%                |
|  | A or better          | 11,959,426              | 0.37%                 |
|  | BB or better         | 11,455,163              | 0.36%                 |
|  | Not rated            | 904,910,863 *           | 28.06%                |
| Corporate debt - domestic              | AAA                  | 29,723,916              | 0.92%                 |
|  | A or better          | 208,920,674             | 6.48%                 |
|  | B or better          | 354,964,051             | 11.01%                |
|  | C or better          | 39,425,725              | 1.22%                 |
|  | Not rated            | 31,996,278              | 0.99%                 |
| Corporate debt - international         | AAA                  | 264,434                 | 0.01%                 |
|  | A or better          | 3,001,123               | 0.09%                 |
|  | B or better          | 1,272,831               | 0.04%                 |
|  | Not rated            | 2,191,436               | 0.07%                 |
| Mutual funds                           | Not rated            | 386,518,762             | 11.99%                |
| Total                                  |                      | <u>\$ 3,224,956,029</u> | <u>100.00%</u>        |

\* Consist of U.S. Government Agency securities.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Custodial Credit Risks

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. As of June 30, 2009, the Plan's cash balances consist primarily of cash deposits with the Treasurer of the City of Los Angeles.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. All investments are held by the Plan's custodian in the Plan's name.

Collateral received in securities lending transactions are cash collateral and marketable securities. See Note 4 for further disclosure on securities lending transactions.

Concentration of Credit Risk

According to the Plan's investment policy, except for investment in the fixed income asset class where no more than 10% of investment shall be invested in any one issue, no more than 5% of investments shall be invested in any one issue. United States Treasury or United States Agency issues are exempted from this limitation. As of June 30, 2009, there were no investments holdings of more than five (5) percent in any one issue of each fund's net assets or in the Plan aggregate, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.



**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Interest Rate Risk

As of June 30, 2009, the Plan's exposure to interest rate risk is as follows:

| <u>Investment Type</u>                 | <u>Fair Value</u>       | <u>Weighted<br/>Average Maturity<br/>(Years)</u> |
|--|-------------------------|--|
| U.S. Treasuries                        | \$ 451,255,801          | 10.49  |
| U.S. Agency notes                      | 161,639,520             | 4.99   |
| Medium term notes                      | 26,871,628              | 11.72  |
| Preferred securities/convertible bonds | 8,051,205               | 7.32   |
| Mortgage and asset backed securities   | 1,599,275,837           | 23.46  |
| Corporate debt - domestic              | 826,568,698             | 9.74   |
| Corporate debt - international         | 8,788,399               | 23.51  |
| Mutual funds                           | 492,387,408             | 0.07   |
| Total                                  | <u>\$ 3,574,838,496</u> | 14.47  |

As of June 30, 2008 the Plan's exposure to interest rate risk is as follows:

| <u>Investment Type</u>                 | <u>Fair Value</u>       | <u>Weighted<br/>Average Maturity<br/>(Years)</u> |
|--|-------------------------|--|
| U.S. Treasuries                        | \$ 511,288,605          | 9.07   |
| U.S. Treasury TIPS                     | 38,472,822              | 5.40   |
| U.S. Agency notes                      | 17,168,217              | 11.49  |
| Municipal bonds                        | 4,340,518               | 24.30  |
| Medium term notes                      | 39,413,271              | 8.54   |
| Preferred securities/convertible bonds | 11,762,879              | 12.55  |
| Mortgage and asset backed securities   | 1,544,230,487           | 34.63  |
| Corporate debt - domestic              | 665,030,644             | 15.30  |
| Corporate debt - international         | 6,729,824               | 9.44   |
| Mutual funds                           | 386,518,762             | 0.08   |
| Total                                  | <u>\$ 3,224,956,029</u> | 21.51  |

The Plan has a long-term investment horizon and it utilizes an asset allocation that encompasses a long-run perspective of capital markets. The Plan maintains an interest rate risk consistent with its long-term investment horizon.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Foreign Currency Risk

As of June 30, 2009 and 2008 the Plan's exposure to foreign currency risk is as follows:

| <u>Currency</u>        | <u>Investment Type</u>  | <u>6/30/2009</u><br><u>Fair Value</u> | <u>6/30/2008</u><br><u>Fair Value</u> |
|------------------------|-------------------------|---------------------------------------|---------------------------------------|
| Australian Dollar      | Cash & cash equivalents | \$ 1,317,157                          | \$ 397,248                            |
|                        | Equities                | 34,596,101                            | 12,226,750                            |
| Brazil Real            | Corporate debt          | 714,448                               | 1,762,345                             |
| British Pound Sterling | Cash & cash equivalents | 1,118,784                             | 3,055,036                             |
|                        | Equities                | 163,059,877                           | 130,263,781                           |
| Canadian Dollar        | Cash & cash equivalents | 567,001                               | 189,707                               |
|                        | Corporate debt          | 2,876,854                             | 1,076,947                             |
|                        | Equities                | 45,350,668                            | 18,926,157                            |
| Colombia Peso          | Corporate debt          | 194,757                               | 183,653                               |
| Danish Krone           | Cash & cash equivalents | 104,032                               | 106,491                               |
|                        | Equities                | 1,497,382                             | 5,528,103                             |
| Euro Currency Unit     | Cash & cash equivalents | 3,727,555                             | 1,394,707                             |
|                        | Equities                | 243,851,495                           | 216,277,204                           |
| Hong Kong Dollar       | Cash & cash equivalents | 102,800                               | 33,863                                |
|                        | Equities                | 28,955,937                            | 21,900,015                            |
| Indonesian Rupiah      | Corporate debt          | -                                     | 2,055,589                             |
| Japanese Yen           | Cash & cash equivalents | 2,741,055                             | 3,072,770                             |
|                        | Equities                | 196,340,222                           | 181,059,835                           |
| Mexican New Peso       | Corporate debt          | 277,730                               | 3,412,292                             |
| New Zealand Dollar     | Corporate debt          | 302,178                               | 325,251                               |
| Norwegian Krone        | Equities                | 6,489,693                             | 5,667,043                             |
| South African Rand     | Corporate debt          | -                                     | 571,599                               |
| Singapore Dollar       | Cash & cash equivalents | 131,730                               | 182,437                               |
|                        | Equities                | 10,665,302                            | 5,115,583                             |
| Swedish Krona          | Cash & cash equivalents | 169,126                               | 202,319                               |
|                        | Equities                | 10,747,077                            | 22,756,832                            |
| Swiss Franc            | Cash & cash equivalents | 804,707                               | 1,649,420                             |
|                        | Equities                | 65,075,917                            | 67,229,613                            |
| Uruguayan Peso         | Corporate debt          | 289,829                               | 421,125                               |
| Total                  |                         | <u>\$ 822,069,414</u>                 | <u>\$ 707,043,715</u>                 |

The Plan's investment policy permits it to invest up to 15 percent of total investments of the Plan in non-U.S. investments. The Plan's position is 10.82 percent and 8.14 percent as of June 30, 2009 and 2008, respectively.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 4 – SECURITIES LENDING PROGRAM**

The Plan is authorized by the Charter of the City of Los Angeles and the Retirement Board's investment policy to lend its investment securities to various brokers, without limit. The lending is managed by the Plan's custodial bank. The Plan or the borrowers can terminate the contract with advance notice. The lending arrangements are collateralized by cash and marketable securities (guaranteed by the full faith and credit of the U.S. Government) at (i) 102% with respect to U.S. Securities; (ii) 105% with respect to foreign securities; or (iii) a percentage mutually agreed of the underlying securities' market value. These arrangements provide for the return of the investments and a share of the interest earned on the collateral. The securities on loan to brokers remain the property of the Plan and continue to be included in their respective accounts on the Statement of Plan Net Assets. As of June 30, 2009, the Plan has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan. Related borrower or lending agent default losses were recognized in the financial statements.

The Plan's custodian is the authorized agent to handle the Plan's securities lending activity. The Plan's custodian may invest the cash collateral received in connection with securities on loan in investments permitted by the Plan. The Plan bears sole risk of all losses of the invested collateral, including losses incurred in the event of liquidation of the permitted investments. The custodian bank is responsible for the return of loaned securities from borrowers. The Plan does not have the ability to pledge or sell collateral assets unless the borrower is in default of its obligation. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2009 has an average maturity of 33 days.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2009 and 2008 are:

| Securities on loan  | 2009           | 2008           |
|---------------------|----------------|----------------|
| Common stock        | \$ 195,320,238 | \$ 251,565,126 |
| Corporate debt      | 73,010,753     | 24,341,285     |
| U.S. Agency notes   | -              | 7,094,765      |
| U.S. Treasuries     | 482,554,293    | 465,603,502    |
| U.S. Treasury STIPS | -              | 2,536,496      |
| U.S. Treasury TIPS  | -              | 15,494,140     |
|                     | \$ 750,885,284 | \$ 766,635,314 |
| Total               |                |                |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Retirement Fund**

The Plan engages an independent actuarial firm to conduct annual actuarial valuations to monitor the Plan's funding status for the retirement fund.

The annual valuation performed as of June 30, 2009 and 2008 determined the funding status to be 89.97% and 95.13%, respectively.

The funded status of the retirement fund as of June 30, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>- Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a)/(b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b)-(a)]/(c) |
|-------------------------------------|---|--|----------------------------|---------------------------|---|
| \$ 7,248,721,252                    | \$ 8,057,060,950  | \$ 808,339,698                         | 89.97%                     | \$ 805,137,795            | 100.40%   |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Additional information as of the latest actuarial valuation follows:

|                                   |  |
|-----------------------------------|--|
| Valuation date                    | July 1, 2009   |
| Actuarial cost method             | Entry age normal cost method   |
| Amortization method               | Level dollar amortization  |
| Remaining amortization period     | The July 1, 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.                                    |
| Asset valuation method            | 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. |
| Actuarial assumptions:            |  |
| Investment rate of return         | 8.00%  |
| Inflation rate                    | 3.75%  |
| Projected salary increases        | 5.29% to 9.46%, including inflation at 3.75%, “across the board” increases of 0.50% plus merit and promotional increases.  |
| Cost-of-living adjustments (COLA) | Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum  |

**Death Benefit Fund – Insured Lives**

The funded status of the death benefit fund – insured lives as of July 1, 2008, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>- Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a)/(b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b)-(a)]/(c) |
|-------------------------------------|---|--|----------------------------|---------------------------|---|
| \$ 4,732,078                        | \$ 94,445,113   | \$ 89,713,035                          | 5.01%                      | \$ 708,731,840            | 12.66%  |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Additional information as of the latest actuarial valuation follows:

|                               |   |
|-------------------------------|---|
| Valuation date                | July 1, 2008  |
| Actuarial cost method         | Entry age normal cost method  |
| Amortization method           | Level dollar amortization   |
| Remaining amortization period | The July 1, 2007 Unfunded Actuarial Accrued Liability is amortized over the 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods.                         |
| Asset valuation method        | Total market value of the Death Benefit Fund at valuation date, less the General Reserves and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members. |
| Actuarial assumptions:        |   |
| Investment rate of return     | 5%  |
| Inflation rate                | 3.75%   |
| Projected salary increases    | 5.29% to 9.46%, including inflation at 3.75%, “across the board” increases of 0.50% plus merit and promotional increases.   |
| Cost of living adjustments    | 3.00%   |

**Retiree Health Benefits Fund (RHBF)**

The DWP Board of Water and Power Commissioners approved the creation of the RHBF to account for assets placed in an irrevocable trust for the provision of other post employment benefits (OPEB), in September 2006. The actuarial valuation of the RHBF for fiscal year 2008 dated November 11, 2008 indicated a total annual required contribution (ARC) for the fiscal year 2009 in the amount of \$61 million which included an interest adjustment to the end of year. The Department contributed a total of \$159.4 million during fiscal year ended June 30, 2009. The latest actuarial valuation of the RHBF for fiscal year 2009 was dated October 29, 2009.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

The funded status of the RHBF as of June 30, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial<br>Value of Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>- Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a)/(b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b)-(a)]/(c) |
|-------------------------------------|---|--|----------------------------|---------------------------|---|
| \$ 849,955,427                      | \$ 1,390,810,591  | \$ 540,855,164                         | 61.11%                     | \$ 805,137,795            | 67.18%  |

Additional information as of the latest actuarial valuation follows:

|                               |   |
|-------------------------------|---|
| Valuation date                | June 30, 2009   |
| Actuarial cost method         | Entry age normal, level percent of pay  |
| Amortization method           | 30-year amortization closed, level percent of pay   |
| Remaining amortization period | 26 years remaining as of June 30, 2009  |
| Asset valuation method        | Before June 30, 2008, the actuarial value of assets was defined as the market value of assets. After June 30, 2008 valuation, any actual investment gains and losses that are above or below 8% annual return assumed in the valuation are recognized over 5- year periods. |
| Actuarial assumptions:        |   |
| Discount rate                 | 8.00%   |
| Projected salary increases    | 4.25%   |
| Inflation rate                | 3.75%   |
| Healthcare cost trend rates:  |   |
| Medical                       | 9.00%, graded down to an ultimate rate of 5.00% over 8 years  |
| Dental and Medicare part B    | 5%  |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 6 – ACTUARIAL VALUATION – DISABILITY AND DEATH BENEFIT FUNDS**

Actuarial studies are performed annually on the disability and death benefit funds to determine and recommend the appropriate contribution rates and the benefit reserves levels needed to fund the current and future benefit liabilities. The results of the most recent annual actuarial reviews (fiscal years ended June 30, 2008 and June 30, 2007) for the Death and Disability Funds found that both Funds' accumulated reserves had met the recommended reserve levels. The actuarial recommendations for the contribution rates, reserve levels, and general reserve transfers were approved by the Retirement Board.

**Disability fund**

For the Permanent Total Disability Fund, the Department's contribution rate remains at \$0 per \$100 of covered payroll. As for the Temporary Disability Fund, the Department's contribution rate was decreased from \$2.18 per \$100 of covered payroll as of June 30, 2007 to \$1.70 per \$100 of covered payroll as of June 30, 2008. The rate change was approved by the Retirement Board on December 10, 2008 and it was implemented the same month.

**Death benefit fund**

For the Death Benefit Fund, Department contributions for contributing members' death benefits remain suspended, while the Department's contribution rate for non-contributing members' death benefits was increased from \$1.30 per \$100 of monthly retired payroll as of June 30, 2007 to \$1.64 per \$100 of monthly retired payroll as of June 30, 2008. The rate change was approved by the Retirement Board on December 10, 2008 and it was implemented the same month.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 7 – RESERVES AND DESIGNATED BALANCES**

Reserve accounts are established to cover all deferred liabilities as they accrue. Reserves are established from members' and Department contributions and the accumulation of investment income after satisfying investment and administrative expenses. The Plan has four major classes of reserves and designated accounts.

Member contribution accounts represent the balance of member contributions. Additions include member contributions and interest. Deductions include refunds of member contributions and transfers to the reserve for retirement allowances, the reserve for death benefit and the members' account at the City Employees' Retirement System under the Plan's reciprocity provision.

Department contribution accounts represent the balance of department contributions for future retirement payments to current active members. Additions include contributions from the Department and related earnings. Deductions include transfers to the reserve for retirement allowances and reserve for death benefit.

Estimated benefit liabilities reserves represent the balance of transfers from member contribution and/or Department contribution accounts and related earnings less payments to retired members, members on disability and beneficiaries.

General reserves represent reserves accumulated for future earnings deficiencies, investment losses and other contingencies. Additions include investment income and other revenue. Deductions include investment expense, interest allocated to member and department contribution accounts, and interest allocated to the estimated benefits liabilities reserves accounts.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 7 – RESERVES AND DESIGNATED BALANCES (Continued)**

The Retirement Plan reserves and designated balances at June 30, 2009 and 2008 are as follows:

|   | <u>2009</u>             | <u>2008</u>             |
|---|-------------------------|-------------------------|
| <u>Retirement Fund - Reserves and Designated Balances</u>               |                         |                         |
| Reserve for retirement allowances                                       | \$ 4,349,943,956        | \$ 4,240,797,538        |
| Contributions:  |                         |                         |
| Members' contributions  | 981,972,301             | 880,343,492             |
| Department contributions  | (1,081,913,153)         | (1,038,834,320)         |
| Total contributions   | <u>(99,940,852)</u>     | <u>(158,490,828)</u>    |
| Reserve for investments gains/(losses)                                  | <u>5,764,454</u>        | <u>11,461,740</u>       |
| General reserve   | <u>1,632,273,501</u>    | <u>2,313,207,740</u>    |
| Total reserves and designated balances                                  | 5,888,041,059           | 6,406,976,190           |
| Unrealized appreciation/(depreciation) in the fair value of investments | <u>(189,163,276)</u>    | <u>516,954,625</u>      |
| Total reserves and designated balances at fair value                    | <u>\$ 5,698,877,783</u> | <u>\$ 6,923,930,815</u> |
| <u>Disability Fund - Reserves and Designated Balances</u>               |                         |                         |
| Estimated liability for temporary & permanent disability cases          | \$ 15,796,436           | \$ 14,312,829           |
| General reserve   | <u>28,715,328</u>       | <u>25,532,148</u>       |
| Total reserves and designated balances                                  | 44,511,764              | 39,844,977              |
| Unrealized appreciation/(depreciation) in the fair value of investments | <u>359,772</u>          | <u>(208,844)</u>        |
| Total reserves and designated balances at fair value                    | <u>\$ 44,871,536</u>    | <u>\$ 39,636,133</u>    |
| <u>Death Benefit Fund - Reserves and Designated Balances</u>            |                         |                         |
| Estimated liability for family allowances                               | \$ 825,220              | \$ 1,398,011            |
| Contribution account - family allowances                                | 11,362,176              | 10,816,688              |
| General reserve   | <u>9,033,438</u>        | <u>10,031,427</u>       |
| Total reserves and designated balances                                  | 21,220,834              | 22,246,126              |
| Unrealized appreciation/(depreciation) in the fair value of investments | <u>231,873</u>          | <u>(150,768)</u>        |
| Total reserves and designated balances at fair value                    | <u>\$ 21,452,707</u>    | <u>\$ 22,095,358</u>    |
| <u>Retiree Health Benefits Fund - Reserves and Designated Balances</u>  |                         |                         |
| Department contributions (net of insurance premiums payment)            | \$ 825,104,927          | \$ 725,104,927          |
| General reserve   | <u>40,861,338</u>       | <u>21,484,858</u>       |
| Total reserves and designated balances                                  | 865,966,265             | 746,589,785             |
| Unrealized appreciation/(depreciation) in the fair value of investments | <u>(125,401,860)</u>    | <u>(26,953,043)</u>     |
| Total reserves and designated balances at fair value                    | <u>\$ 740,564,405</u>   | <u>\$ 719,636,742</u>   |

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2009**

**NOTE 8 – PLAN AMENDMENTS**

The Plan is periodically amended to meet changes in economic conditions and sound business practices. The following is a summary of the more significant Plan amendments approved during the fiscal years ended June 30, 2009 and 2008:

Fiscal year ended June 30, 2009

The Retirement Board approved a plan amendment on October 1, 2008 to expand eligibility for the Optional Survivor Death Benefit for survivors of members who died while performing work within the scope of their duties. The amendment establishes two additional survivorship options under the Plan to survivors: (1) the eligible survivor may elect to receive the minimum additional years, not to exceed a total of five years, added to the member's age or years of services that would qualify him or her to receive monthly survivor benefits for life, provided all other eligibility requirements for an Optional Survivor Death Benefit Allowance are met; or (2) the eligible survivor may elect to receive survivor benefits, commencing on or after the date that the member would have become eligible to retire had he or she not died, provided all other eligibility requirements are met.

Fiscal year ended June 30, 2008

There were no significant Plan amendments for the fiscal year ended June 30, 2008.

**NOTE 9 – CONTINGENT LIABILITIES**

At June 30, 2009, several legal actions/divorces were pending against the Plan as codefendant. Legal counsel for the Department and the Plan has indicated adverse decisions in these cases would not materially affect the financial statements. In the event of legal settlement, the settlement and legal costs would be charged to the Department.

**NOTE 10 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets. Department's contributions and actuarial valuations are reported based on certain assumptions pertaining to interest rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND – SCHEDULE OF FUNDING PROGRESS  
(Unaudited)**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued Liability<br>(AAL)<br>(b) | Unfunded/<br>(Overfunded)<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a) / (b) | Projected<br>Covered<br>Payroll<br>(c) | UAAL as a   |
|--------------------------------|--|--|---|------------------------------|--|---|
|                                |  |  |   |                              |  | Percentage of<br>Covered<br>Payroll*<br>[(b) - (a)] / (c) |
| July 1, 2009                   | \$ 7,248,721,252                       | \$ 8,057,060,950                               | \$ 808,339,698  | 89.97%                       | \$ 805,137,795                         | 100.40%   |
| July 1, 2008                   | 7,247,853,233                          | 7,619,102,935                                  | 371,249,702   | 95.13%                       | 708,731,840                            | 52.38%  |
| July 1, 2007                   | 6,864,084,006                          | 7,467,285,349                                  | 603,201,343   | 91.92%                       | 670,372,663                            | 89.98%  |
| July 1, 2006                   | 6,447,763,436                          | 7,046,571,241                                  | 598,807,805   | 91.50%                       | 635,728,131                            | 94.19%  |
| July 1, 2005                   | 6,331,047,528                          | 6,763,079,839                                  | 432,032,311   | 93.61%                       | 616,270,095                            | 70.10%  |
| July 1, 2004                   | 6,251,421,125                          | 6,421,813,922                                  | 170,392,797   | 97.35%                       | 581,038,783                            | 29.33%  |
| July 1, 2003                   | 6,128,375,723                          | 6,042,086,785                                  | (86,288,938)  | 101.43%                      | 527,787,469                            | 0.00%   |
| July 1, 2002                   | 5,790,262,948                          | 5,714,524,649                                  | (75,738,299)  | 101.33%                      | 430,397,884                            | 0.00%   |
| July 1, 2001                   | 5,833,274,582                          | 5,306,262,736                                  | (527,011,846)   | 109.93%                      | 403,265,472                            | 0.00%   |
| July 1, 2000                   | 5,605,856,078                          | 5,082,960,078                                  | (522,896,000)   | 110.29%                      | 368,000,000                            | 0.00%   |

\*Not less than zero

EXHIBIT II

CITY OF LOS ANGELES  
 WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
 DEATH BENEFIT INSURANCE PLAN  
 INCLUDING RETIREE HEALTH BENEFITS FUND

RETIREMENT FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 (Unaudited)

| Plan Year<br>Ended June 30 | Annual Required<br>Contributions (ARC) | Annual<br>Pension Cost (APC) | Actual<br>Contributions | Percentage<br>Contributed | Percentage<br>of APC<br>Contributed |
|----------------------------|--|------------------------------|-------------------------|---------------------------|-------------------------------------|
| 2009                       | \$ 141,291,588                         | \$ 146,768,605               | \$ 145,941,275          | 103.3%                    | 99.4%                               |
| 2008                       | 134,651,427                            | 140,061,851                  | 141,862,126             | 105.4%                    | 101.3%                              |
| 2007                       | 134,504,482                            | 140,328,366                  | 129,154,539             | 96.0%                     | 92.0%                               |
| 2006                       | 110,268,590                            | 116,651,020                  | 101,556,257             | 92.1%                     | 87.1%                               |
| 2005                       | 80,784,677                             | 87,615,788                   | 75,490,143              | 93.4%                     | 86.2%                               |
| 2004                       | 44,128,205                             | 50,773,126                   | 55,804,924              | 126.5%                    | 109.9%                              |
| 2003                       | 40,910,999                             | 47,823,973                   | 40,560,882              | 99.1%                     | 84.8%                               |
| 2002                       | -                                      | 6,132,578                    | 27,241,801              | 0.0%                      | 444.2%                              |
| 2001                       | -                                      | 5,378,281                    | 25,763,218              | 0.0%                      | 479.0%                              |

See accompanying independent auditor's report.

EXHIBIT III

CITY OF LOS ANGELES  
 WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
 DEATH BENEFIT INSURANCE PLAN  
 INCLUDING RETIREE HEALTH BENEFITS FUND

DEATH BENEFIT FUND (INSURED LIVES) – SCHEDULE OF FUNDING PROGRESS  
 (Unaudited)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued Liability<br>(AAL)<br>(b) | Unfunded/<br>(Overfunded)<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a) / (b) | Annual<br>Covered<br>Payroll<br>(c) | UAAL as a  |
|--------------------------------|--|--|---|------------------------------|-------------------------------------|--|
|                                |  |  |   |                              |                                     | Percentage of<br>Covered<br>Payroll<br>[(b) - (a)] / (c) |
| July 1, 2008                   | \$ 4,732,078                           | \$ 94,445,113                                  | \$ 89,713,035   | 5.01%                        | \$ 708,731,840                      | 12.66%   |
| July 1, 2007                   | 6,528,962                              | 79,024,241                                     | 72,495,279  | 8.26%                        | 670,372,663                         | 10.81%   |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(Unaudited)**

| Year<br>Ended<br>June 30 | Annual Required<br>Contributions<br>(ARC) | Actual<br>Contributions | Percentage<br>Contributed |
|--------------------------|---|-------------------------|---------------------------|
| 2009                     | \$ 60,976,358                             | \$ 159,412,621 (1)(2)   | 261.43%                   |
| 2008                     | \$ 40,144,629                             | \$ 157,359,628          | 391.98%                   |
| 2007                     | \$ 78,040,857                             | \$ 641,989,342          | 822.63%                   |

(1) The Actual Contributions do not include interest adjustment to the end of the Plan year.

(2) The Actual Contributions do not include administrative expense reimbursement in the amount of \$406,515 and \$251,497 for fiscal years ended June 30, 2009 and 2008, respectively.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND  
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES  
For the Years Ended June 30, 2009 and 2008**

|   | Current Service | Minimum Pension    | Cost of Living Adjustments | Continuance to Eligible Spouse | Department of Water and Power Total | Members' Total | Combined Total   | Estimated Liabilities for Retirement Allowances |
|---|-----------------|--------------------|----------------------------|--------------------------------|-------------------------------------|----------------|------------------|---|
| Balance at June 30, 2007  | \$ 813,475,392  | \$ (1,190,690,201) | \$ (575,111,759)           | \$ 8,552,809                   | \$ (943,773,759)                    | \$ 811,705,433 | \$ (132,068,326) | \$ 4,085,445,244                                |
| Contributions received  | 48,294,058      | 100,001,669        | -                          | -                              | 148,295,727                         | 48,683,048     | 196,978,775      | -   |
| Contributions refunded  | (6,433,601)     | -                  | -                          | -                              | (6,433,601)                         | (6,232,954)    | (12,666,555)     | -   |
| Net Contributions   | 41,860,457      | 100,001,669        | -                          | -                              | 141,862,126                         | 42,450,094     | 184,312,220      | -   |
| Transfers from contribution accounts for retiring members   | (31,409,568)    | (70,079,962)       | (46,472,148)               | (6,263,892)                    | (154,225,570)                       | (33,531,390)   | (187,756,960)    | 187,756,960                                     |
| Installment payment from early retired employees  |                 |                    |                            |                                |                                     |                |                  | 10,999  |
| Transfers to/(from) reserve for retirement allowances (from)/to contribution accounts for actuarial adjustments |                 |                    |                            |                                |                                     |                |                  |   |
| Retirement allowances paid  |                 |                    |                            |                                |                                     |                |                  | (353,178,785)                                   |
| Transfers (to)/from general reserve   |                 |                    |                            |                                |                                     |                |                  |   |
| Interest at 8% per annum  | 59,729,237      | (94,757,522)       | (48,066,197)               | 397,365                        | (82,697,117)                        | 59,719,355     | (22,977,762)     | 320,763,120                                     |
| Balance at June 30, 2008  | 883,655,518     | (1,255,526,016)    | (669,650,104)              | 2,686,282                      | (1,038,834,320)                     | 880,343,492    | (158,490,828)    | 4,240,797,538                                   |
| Contributions received  | 58,169,871      | 91,881,733         | -                          | -                              | 150,051,604                         | 59,394,076     | 209,445,680      | -   |
| Contributions refunded  | (4,110,329)     | -                  | -                          | -                              | (4,110,329)                         | (3,951,906)    | (8,062,235)      | -   |
| Net Contributions   | 54,059,542      | 91,881,733         | -                          | -                              | 145,941,275                         | 55,442,170     | 201,383,445      | -   |
| Transfers from contribution accounts for retiring members   | (23,523,130)    | (45,683,638)       | (32,640,847)               | (4,174,581)                    | (106,022,196)                       | (24,633,076)   | (130,655,272)    | 130,655,272                                     |
| Installment payment from early retired employees  |                 |                    |                            |                                |                                     |                |                  | 10,936  |
| Transfers to/(from) reserve for retirement allowances (from)/to contribution accounts for actuarial adjustments |                 |                    |                            |                                |                                     |                |                  |   |
| Retirement allowances paid  |                 |                    |                            |                                |                                     |                |                  | (363,691,635)                                   |
| Transfers (to)/from general reserve   |                 |                    |                            |                                |                                     |                |                  |   |
| Interest at 8% per annum  | 70,975,527      | (99,110,917)       | (54,903,470)               | 40,949                         | (82,997,912)                        | 70,819,715     | (12,178,196)     | 342,171,845                                     |
| Balance at June 30, 2009  | \$ 985,167,457  | \$ (1,308,438,838) | \$ (757,194,421)           | \$ (1,447,350)                 | \$ (1,081,913,153)                  | \$ 981,972,301 | \$ (99,940,851)  | \$ 4,349,943,956                                |

See accompanying independent auditor's report.



**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**SUPPLEMENTARY INFORMATION**

**DEATH BENEFIT FUND**  
**SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR**  
**FAMILY ALLOWANCES**  
For the Years Ended June 30, 2009 and 2008

|   | Members'     | Department of<br>Water<br>and Power | Combined<br>Total | Estimated<br>Liability for<br>Family<br>Allowances |
|---|--------------|-------------------------------------|-------------------|--|
| Balances at June 30, 2007   | \$ 4,693,605 | \$ 5,932,714                        | \$ 10,626,319     | \$ 1,679,146                                       |
| Contributions received  | 91,815       | -                                   | 91,815            | -  |
| Transfers to estimated liability<br>for family allowances from<br>contribution accounts for<br>members deceased during the year | -            | (437,690)                           | (437,690)         | 437,690  |
| Family allowances paid  | -            | -                                   | -                 | (793,878)  |
| Interest transferred from general<br>reserve at 5% per annum  | 253,083      | 283,161                             | 536,244           | 75,053   |
| Balances at June 30, 2008   | 5,038,503    | 5,778,185                           | 10,816,688        | 1,398,011  |
| Contributions received  | 89,307       | -                                   | 89,307            | -  |
| Transfers to estimated liability<br>for family allowances from<br>contribution accounts for<br>members deceased during the year | -            | (86,070)                            | (86,070)          | 86,070   |
| Family allowances paid  | -            | -                                   | -                 | (713,086)  |
| Interest transferred from general<br>reserve at 5% per annum  | 254,257      | 287,994                             | 542,251           | 54,225   |
| Balances at June 30, 2009   | \$ 5,382,067 | \$ 5,980,109                        | \$ 11,362,176     | \$ 825,220   |

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**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND  
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE  
June 30, 2009**

## Revenues by Source

| Fiscal<br>Year | Members'<br>Contributions | Department<br>Contributions* | Investment<br>Income** | Total          |
|----------------|---------------------------|------------------------------|------------------------|----------------|
| 2009           | \$ 59,394,076             | \$ 154,140,202               | \$ 192,121,861         | \$ 405,656,139 |
| 2008           | \$ 48,683,048             | \$ 148,295,728               | \$ 206,722,244         | \$ 403,701,020 |
| 2007           | \$ 47,049,554             | \$ 136,398,522               | \$ 196,008,022         | \$ 379,456,098 |
| 2006           | \$ 41,324,895             | \$ 108,020,866               | \$ 159,450,534         | \$ 308,796,295 |
| 2005           | \$ 38,855,089             | \$ 82,287,706                | \$ 126,531,298         | \$ 247,674,093 |
| 2004           | \$ 38,045,999             | \$ 61,926,829                | \$ 130,311,380         | \$ 230,284,208 |
| 2003           | \$ 36,490,767             | \$ 47,277,187                | \$ 184,616,510         | \$ 268,384,464 |
| 2002           | \$ 30,002,271             | \$ 33,837,427                | \$ 208,529,336         | \$ 272,369,034 |
| 2001           | \$ 27,688,883             | \$ 30,813,290                | \$ 235,096,893         | \$ 293,599,066 |
| 2000           | \$ 26,128,536             | \$ 31,042,231                | \$ 224,680,749         | \$ 281,851,516 |

## Expenses by Type

| Fiscal<br>Year | Benefits       | Administrative<br>Expenses*** | Refunds****   | Total          |
|----------------|----------------|-------------------------------|---------------|----------------|
| 2009           | \$ 363,691,635 | \$ 17,842,282                 | \$ 8,062,235  | \$ 389,596,152 |
| 2008           | \$ 353,178,785 | \$ 22,960,041                 | \$ 12,666,556 | \$ 388,805,382 |
| 2007           | \$ 338,340,501 | \$ 20,136,513                 | \$ 7,202,784  | \$ 365,679,798 |
| 2006           | \$ 325,873,101 | \$ 16,612,880                 | \$ 6,979,706  | \$ 349,465,688 |
| 2005           | \$ 311,551,053 | \$ 12,268,060                 | \$ 8,241,859  | \$ 332,060,972 |
| 2004           | \$ 302,063,849 | \$ 3,842,561                  | \$ 7,258,857  | \$ 313,165,267 |
| 2003           | \$ 295,587,105 | \$ 2,612,142                  | \$ 8,072,065  | \$ 306,271,312 |
| 2002           | \$ 290,243,650 | \$ 2,202,790                  | \$ 8,618,684  | \$ 301,065,124 |
| 2001           | \$ 275,870,558 | \$ 2,282,401                  | \$ 5,641,742  | \$ 283,794,701 |
| 2000           | \$ 271,559,094 | \$ 2,374,325                  | \$ 8,085,954  | \$ 282,019,373 |

\* Represents Department contributions before reversions and includes contributions towards administrative expenses.

\*\* Represents "booked" investment income and excludes "net appreciation (depreciation) in fair value of investment."

\*\*\* Represents investment and administrative expenses.

\*\*\*\* Represents both refunds on members' contributions and reversions on Department contributions.

See accompanying independent auditor's report.