

**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, 2014 and 2013**

**WATER AND POWER EMPLOYEES'
RETIREE HEALTH BENEFITS FUND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2014 and 2013**



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

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WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position 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, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position available for benefits of the Retirement Plan and RHBF as of June 30, 2014 and 2013, and the changes in fiduciary net position available for benefits of the Retirement Plan and RHBF for the years then ended in accordance with accounting principles generally accepted in the United States of America.





Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2013, the Retirement Plan adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios on pages 54 and 58; the Schedule of Employer Contributions and related notes on pages 55, 56, 59, 60, and 63; the Schedules of Investment Returns on pages 57 and 61; and the Schedules of Funding Progress on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Plan's financial statements. The supplementary information as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Retirement Fund – Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund – Schedule of Revenues by Source and Expenses by Type are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Retirement Fund – Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund – Schedule of Revenues by Source and Expenses by Type are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read 'Stimpson & Stimpson'.

Los Angeles, California
December 5, 2014

**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 (WPERP) and the Retiree Health Benefits Fund (RHBF) for the years ended June 30, 2014 and 2013. The WPERP and the RHBF are collectively known as the Plan.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, the fiduciary net position were \$9.7 billion, \$45 million, \$26 million, and \$1.6 billion for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the fiduciary net positions were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total fiduciary net position increased by \$1.4 billion or 16.85%, \$1.1 million or 4.20% and \$234.3 million or 17.01% for the Retirement Fund, Death Benefit Fund, and Retiree Health Benefits Fund, respectively. Total fiduciary net position decreased by \$1.4 million or 2.97% for the Disability Fund.
- Additions to the Retirement Fund's fiduciary net position increased from \$1.4 billion to \$1.9 billion over the prior year or approximately 37.07% due mostly to the increase in the fair value of investments in 2014 over 2013.
- Deductions from Retirement Fund's fiduciary net position increased from \$442.3 million to \$467.8 million over the prior year or approximately 5.78% due mostly to the increase in pension benefits paid.
- At June 30, 2014, the fiduciary net position as a percentage of total pension liability of the Retirement Fund and Insured Life Death Benefit Fund was 88.41% and 11.33%, respectively.
- At June 30, 2014, the funding ratio of the Retiree Health Benefits Fund was 76.24%.
- At June 30, 2014, the Department's net pension liability under the Retirement Fund and Insured Life Death Benefit Fund was \$1.3 billion and \$95.5 million, respectively.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**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 Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The Statement of Fiduciary Net Position 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 Fiduciary Net Position reports additions to and deductions from the fiduciary net position 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 27 to 53 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning investment returns, changes in employer's net pension liability and related ratios of the Retirement Fund and the Insured Life Death Benefit Fund; and the funding progress of the Retiree Health Benefits Fund. In addition, the report provides summary information on employer contributions. The Required Supplementary Information is on pages 54 to 63 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 64 to 66 of this report.

WPERP adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 67, *Financial Reporting for Pension Plans* effective July 1, 2013. GASBS No. 67 establishes standards of financial reporting for defined benefit pension plans and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. See Note 5 to the financial statements and Exhibit I through Exhibit VI in the required supplementary information for further information.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS

Retirement Fund

Fiduciary Net Position

A summary of the Retirement Fund's fiduciary net position is presented below:

	Condensed Statement of Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Cash	\$ 13,264	\$ 9,497	\$ 12,175	39.67%	-22.00%
Prepaid expense	3	3	3	0.00%	0.00%
Receivables	234,128	360,275	211,953	-35.01%	69.98%
Investments	10,726,380	8,637,738	7,875,126	24.18%	9.68%
Total assets	10,973,775	9,007,513	8,099,257	21.83%	11.21%
Liabilities	1,270,458	703,501	715,113	80.59%	-1.62%
Total fiduciary net position	\$ 9,703,317	\$ 8,304,012	\$ 7,384,144	16.85%	12.46%

Fiscal year ended June 30, 2014

Fiduciary net position increased by \$1.4 billion, or 16.85% to \$9.7 billion over the prior fiscal year. Investments were up \$2.1 billion or 24.18% due to appreciation in the fair value of investments resulting from better market performance and increase in the security lending short-term collateral investment pool as a result of the acceptance of equities as non-cash collateral. As of result of the security lending program expansion, the security lending collateral payable was up \$686.8 million as compared to fiscal year 2013. Receivables were down \$126.1 million or 35.01% from fiscal year 2013 mainly because of a decrease in pending trades at year-end.

Fiscal year ended June 30, 2013

Fiduciary net position increased by \$919.9 million, or 12.46% to \$8.3 billion over the prior fiscal year. Investments were up \$762.6 million or 9.68% due mostly to the appreciation in the fair value of investments. Receivables were up \$148.3 million or 69.98% from fiscal year 2012 mainly because of an increase in pending trades at year-end.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fudiciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Additions					
Members' contributions	\$ 72,300	\$ 69,634	\$ 60,089	3.83%	15.88%
Employer contributions	389,138	372,819	325,997	4.38%	14.36%
Net investment income	1,405,685	919,679	7,720	52.85%	11812.94%
Total additions	<u>1,867,123</u>	<u>1,362,132</u>	<u>393,806</u>	37.07%	245.89%
Deductions					
Benefit payments	457,558	432,708	410,814	5.74%	5.33%
Refund	6,039	5,819	5,527	3.78%	5.28%
Administrative expenses	4,221	3,737	3,658	12.95%	2.16%
Total deductions	<u>467,818</u>	<u>442,264</u>	<u>419,999</u>	5.78%	5.30%
Net increase (decrease)					
in fiduciary net position	1,399,305	919,868	(26,193)	52.12%	3611.88%
Fiduciary net position beginning	<u>8,304,012</u>	<u>7,384,144</u>	<u>7,410,337</u>	12.46%	-0.35%
Fiduciary net position ending	<u>\$ 9,703,317</u>	<u>\$ 8,304,012</u>	<u>\$ 7,384,144</u>	16.85%	12.46%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Additions to Fiduciary Net Position

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, 2014

The majority of the increase in additions to fiduciary net position was from investment income. Net investment income increased from \$919.7 million in fiscal year 2013 to \$1.4 billion in fiscal year 2014. The increase in net investment income was attributable to the net appreciation in the fair value of investments.

Fiscal year ended June 30, 2013

Member contributions for fiscal year 2013 were \$69.6 million, up \$9.5 million or 15.88% over the prior fiscal year. The increase in contributions was due primarily to the increase in number of employees transferred from the other City departments to DWP. Department contributions for fiscal year 2013 were \$372.8 million, up \$46.8 million or 14.36% over the prior fiscal year. The main cause of this increase was the 4.26% increase in the actuarial contribution rate of the Department from 41.82% of covered compensation a year ago to 46.08% of covered compensation in fiscal year 2013.

Net investment income increased from \$7.7 million to \$919.7 million in fiscal year 2013. The increase in net investment income was attributable to the net appreciation in the fair value of investments.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Deductions from Fiduciary Net Position

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

Fiscal year ended June 30, 2014

Deductions for the fiscal year ended June 30, 2014 totaled \$467.8 million, up \$25.6 million or 5.78% over 2013. Benefit payments increased by \$24.9 million or 5.74% over the prior fiscal year. The increase was due to rise in pension allowance paid.

Fiscal year ended June 30, 2013

Deductions for the fiscal year ended June 30, 2013 totaled \$442.3 million, up \$22.3 million or 5.30% over 2012. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 2012.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund

Fiduciary Net Position

The Disability Insurance Plan's fiduciary net position is summarized below:

Condensed Statement of Fiduciary Net Position					
(In Thousands)					
	2014	2013	2012	2013-14 % Change	2012-13 % Change
Cash	\$ 1,675	\$ 2,558	\$ 1,750	-34.52%	46.17%
Receivables	6,938	6,457	7,337	7.45%	-11.99%
Investments	36,782	37,711	38,681	-2.46%	-2.51%
 Total assets	 45,395	 46,726	 47,768	 -2.85%	 -2.18%
Liabilities	318	271	134	17.34%	102.24%
 Total fiduciary net position	 <u>\$ 45,077</u>	 <u>\$ 46,455</u>	 <u>\$ 47,634</u>	 -2.97%	 -2.48%

Fiscal year ended June 30, 2014

The Disability Insurance Plan's fiduciary net position decreased by approximately \$1.4 million, or 2.97%, in fiscal year 2014. Cash decreased by \$0.9 million or 34.52% from prior fiscal year based on projected liquidity needs.

Fiscal year ended June 30, 2013

The Disability Insurance Plan's fiduciary net position decreased by approximately \$1.2 million, or 2.48%, in fiscal year 2013. Cash increased by \$0.8 million or 46.17% from the prior fiscal year, to provide plan benefit payments.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (continued)

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Additions					
Members' contributions	\$ 442	\$ 447	\$ 453	-1.12%	-1.32%
Employer contributions	14,693	14,524	13,584	1.16%	6.92%
Net investment income	1,823	182	3,375	901.65%	-94.61%
Total additions	<u>16,958</u>	<u>15,153</u>	<u>17,412</u>	11.91%	-12.97%
Deductions					
Benefit payment	17,546	15,577	16,005	12.64%	-2.67%
Administrative expenses	790	755	832	4.64%	-9.25%
Total deductions	<u>18,336</u>	<u>16,332</u>	<u>16,837</u>	12.27%	-3.00%
Net increase (decrease) in fiduciary net position	(1,378)	(1,179)	575	-16.88%	-305.04%
Fiduciary net position beginning	<u>46,455</u>	<u>47,634</u>	<u>47,059</u>	-2.48%	1.22%
Fiduciary net position ending	<u>\$ 45,077</u>	<u>\$ 46,455</u>	<u>\$ 47,634</u>	-2.97%	-2.48%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (continued)

Additions to Fiduciary Net Position

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, 2014

Net investment income increased by \$1.6 million, or 901.65%, from fiscal year 2013. The difference is mainly attributed to the net appreciation in the fair value of investments.

Fiscal year ended June 30, 2013

Employer contributions for fiscal year 2013 totaled \$14.5 million, up approximately \$0.9 million or 6.92% from a year ago. The increase was due to the increase in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2013 was \$1.52 per \$100.00 of covered compensation, while the rate was \$1.43 per \$100.00 of covered compensation in fiscal year 2012.

Net investment income declined by \$3.2 million, or 94.61%, from fiscal year 2012. The difference is mainly attributed to the decline in the fair value of investments during fiscal year 2013.

Deductions from Fiduciary Net Position

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

Fiscal year ended June 30, 2014

Fiscal year 2014 benefit payments increased by \$2.0 million, up 12.64% from a year ago. The increase was primarily due to an increase in the temporary disability benefits paid.

Fiscal year ended June 30, 2013

Fiscal year 2013 benefit payments decreased by \$0.4 million, down 2.67% from a year ago. The decrease was primarily due to a decrease in the temporary disability benefits paid.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Insurance Fund

The Death Benefit Plan's fiduciary net position is summarized below:

	Condensed Statement of Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Cash	\$ 502	\$ 920	\$ 1,032	-45.43%	-10.85%
Receivables	1,038	880	985	17.95%	-10.66%
Investments	27,792	26,927	25,736	3.21%	4.63%
Total assets	29,332	28,727	27,753	2.11%	3.51%
Liabilities	3,262	3,707	2,996	-12.00%	23.73%
Total fiduciary net position	\$ 26,070	\$ 25,020	\$ 24,757	4.20%	1.06%

Fiscal year ended June 30, 2014

The Fund's fiduciary net position increased by \$1.1 million or 4.20% when compared to prior year's fiduciary net position of \$25.0 million. Investment increased \$0.9 million due to the increase in net investment income. Cash decreased by \$0.4 million or 45.43% from prior fiscal year based on projected liquidity needs. Liabilities at June 30, 2014 were down \$0.4 million, or 12% against last year. This is mostly attributable to the lower inter-fund liabilities outstanding at fiscal year end.

Fiscal year ended June 30, 2013

The Fund's fiduciary net position increased slightly by \$0.3 million or 1.06% when compared to prior year's fiduciary net position of \$24.8 million. Liabilities at June 30, 2013 were up \$0.7 million, or 23.73% against last year. This is mostly attributable to the higher death benefit claims outstanding at fiscal year end.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Insurance Fund (continued)

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Additions					
Members' contributions	\$ 318	\$ 318	\$ 322	0.00%	-1.24%
Employer contributions	7,929	7,972	8,045	-0.54%	-0.91%
Net investment income	1,332	57	2,075	2236.84%	-97.25%
Total additions	<u>9,579</u>	<u>8,347</u>	<u>10,442</u>	14.76%	-20.06%
Deductions					
Benefit payment	7,644	7,179	7,235	6.48%	-0.77%
Administrative expenses	885	905	892	-2.21%	1.46%
Total deductions	<u>8,529</u>	<u>8,084</u>	<u>8,127</u>	5.50%	-0.53%
Net increase					
in fiduciary net position	1,050	263	2,315	299.24%	-88.64%
Fiduciary net position beginning	<u>25,020</u>	<u>24,757</u>	<u>22,442</u>	1.06%	10.32%
Fiduciary net position ending	<u>\$ 26,070</u>	<u>\$ 25,020</u>	<u>\$ 24,757</u>	4.20%	1.06%

**CITY OF LOS ANGELES
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Insurance Fund (continued)

Additions to Fiduciary Net Position

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

Fiscal year ended June 30, 2014

Net investment income increased by \$1.3 million, or 2236.84%, from fiscal year 2013. The increase is attributed to the net appreciation in the fair value of investments during fiscal year 2014.

Fiscal year ended June 30, 2013

Net investment income decreased by \$2.0 million, or 97.25%, from fiscal year 2012. The decrease is attributed to the decline in the fair value of investments during fiscal year 2013.

Deductions from Fiduciary Net Position

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

Fiscal year ended June 30, 2014

Deductions were up \$0.4 million or 5.50%. The increase was due to the rise in the amount of insured life death benefits incurred during this fiscal year.

Fiscal year ended June 30, 2013

Total deductions were consistent against prior fiscal year; it was only down 0.53% versus fiscal year 2012.

**CITY OF LOS ANGELES
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund

The DWP Board of Water and Power commissioners (DWP Board) 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 RHBF and administering payments from it, while the DWP Board continues to have the responsibility to set the funding policy and the funding levels of the RHBF. The RHBF assets amounting to \$642.0 million were transferred to the Retirement Plan to establish the fund during fiscal year 2007.

As of June 30, 2014 the fiduciary net position of the fund totaled approximately \$1.6 billion. A condensed statement of the fund's fiduciary net position and a condensed statement of changes in fiduciary net position are as follow:

Fiduciary Net Position

	Condensed Statement of Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Cash	\$ 1,059	\$ 798	\$ 918	32.71%	-13.07%
Receivables	30,660	57,071	33,893	-46.28%	68.39%
Investments	1,801,197	1,451,419	1,317,756	24.10%	10.14%
Total assets	1,832,916	1,509,288	1,352,567	21.44%	11.59%
Liabilities	220,768	131,468	126,787	67.93%	3.69%
Total fiduciary net position	\$ 1,612,148	\$ 1,377,820	\$ 1,225,780	17.01%	12.40%

Fiscal year ended June 30, 2014

Fiduciary net position increased by \$234.3 million, or 17.01% to \$1.6 billion over the prior fiscal year. Investment were up \$349.8 million or 24.10% due primarily to the appreciation in the fair value of investments resulting from better market performance and increase in the security lending short-term collateral investment pool as a result of the acceptance of equities as non-cash collateral. As of result of the security lending program expansion, the security lending collateral payable was up \$121.2 million as compared to fiscal year 2013. Receivables were down \$26.4 million or 46.28% from fiscal year 2013 mainly because of decrease in pending trades 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)**

Retiree Health Benefits Fund (continued)

Fiscal year ended June 30, 2013

Fiduciary net position increased by \$152.0 million or 12.40% to \$1.4 billion over the prior fiscal year. Investments were up \$133.7 million or 10.14% due mostly to the appreciation in the fair value of investments. Receivables were up \$23.2 million or 68.39% from fiscal year 2012 mainly because of an increase in pending trades at year-end.

Changes in Fiduciary Net Position

	Condensed Statement of Changes in Fiduciary Net Position (In Thousands)			2013-14	2012-13
	2014	2013	2012	% Change	% Change
Additions					
Employer contributions	\$ 74,715	\$ 68,180	\$ 102,326	9.58%	-33.37%
Net investment income	234,219	151,941	13,341	54.15%	1038.90%
Total additions	<u>308,934</u>	<u>220,121</u>	<u>115,667</u>	40.35%	90.31%
Deductions					
Benefit payment	74,106	67,563	64,221	9.68%	5.20%
Administrative expenses	500	517	412	-3.29%	25.49%
Total deductions	<u>74,606</u>	<u>68,080</u>	<u>64,633</u>	9.59%	5.33%
Net increase					
in fiduciary net position	234,328	152,041	51,034	54.12%	197.92%
Fiduciary net position beginning	<u>1,377,820</u>	<u>1,225,779</u>	<u>1,174,745</u>	12.40%	4.34%
Fiduciary net position ending	<u>\$ 1,612,148</u>	<u>\$ 1,377,820</u>	<u>\$ 1,225,779</u>	17.01%	12.40%

**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)

Additions to Fiduciary Net Position

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

Fiscal year ended June 30, 2014

Total additions were up \$88.8 million or 40.35% to \$308.9 million. The increase in 2014 total additions was mainly due to the net appreciation in the fair value of investments.

Fiscal year ended June 30, 2013

Employer contributions were down \$34.1 million or 33.37% due to a reduction in funding above the Annual Required Contribution in fiscal year 2013. Net investment income increased \$138.6 million to \$151.9 million. This is attributed to the net appreciation in fair value of investments.

Deductions from Fiduciary Net Position

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, 2014

Total deductions were up \$6.5 million or 9.59% compared to fiscal year 2013. Insurance premiums paid from the fund for the benefit of retirees increased \$6.5 million or 9.68% in fiscal year 2014 when compared to fiscal year 2013.

Fiscal year ended June 30, 2013

Insurance premiums paid from the fund for the benefit of retirees increased \$3.3 million or 5.20% in fiscal 2013 when compared to fiscal year 2012.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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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:

Mary C. Higgins, Interim 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 FIDUCIARY NET POSITION
As of June 30

	2014	2013
ASSETS		
Cash (Notes 2 and 3)	\$ 13,263,953	\$ 9,496,666
Prepaid Expense	3,500	3,310
Receivables		
Accrued investment income	18,388,786	19,076,213
Department of Water and Power	53,102,730	51,374,267
Pending investment sales	159,788,053	285,172,317
Other	2,848,676	4,652,052
Total receivables	234,128,245	360,274,849
Investments, at fair value (Notes 2, 3, and 4)		
Fixed income (amortized cost \$1,977,872,926 in 2014 and \$2,021,799,390 in 2013)	2,010,736,243	2,015,837,548
Common stock (cost of \$4,692,112,325 in 2014 and \$4,229,927,905 in 2013)	6,448,966,735	5,189,194,044
Short-term investments (cost approximates fair value)	230,244,751	297,515,895
Alternative investments	710,532,517	580,295,599
Real estate	326,016,817	241,802,050
Securities lending - short-term collateral investment pool	999,882,392	313,092,487
Total investments	10,726,379,455	8,637,737,623
Total assets	10,973,775,153	9,007,512,448
LIABILITIES		
Payables		
Pending investment purchases	256,872,241	377,554,033
Other	13,703,217	12,854,499
Securities lending - collateral payable (Note 4)	999,882,392	313,092,487
Total liabilities	1,270,457,850	703,501,019
Net position held in trust for pension benefits	\$ 9,703,317,303	\$ 8,304,011,429

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 FIDUCIARY NET POSITION

For the Years Ended June 30

	2014	2013
ADDITIONS		
Members' contributions	\$ 72,299,526	\$ 69,633,449
Department of Water and Power contributions towards:		
Benefit (net of reversions)	384,265,892	368,426,348
Administrative expenses	4,872,432	4,392,846
Total contributions	461,437,850	442,452,643
Investment income		
Net appreciation in fair value of investments	1,240,972,860	748,924,297
Interest	74,307,486	88,458,815
Dividends	96,747,720	86,760,743
Income from real estate investments	18,493,818	14,190,284
Income from alternative investments	206,985	836,711
Securities lending (Note 4)	2,541,704	1,597,698
Total investment income	1,433,270,573	940,768,548
Less: securities lending expenses (Note 4)	(560,646)	(282,446)
Less: investment expenses	(28,006,541)	(23,496,492)
Net investment income	1,404,703,386	916,989,610
Other income	982,812	2,689,537
Total additions	1,867,124,048	1,362,131,790
DEDUCTIONS		
Retirement benefits paid	457,558,214	432,708,113
Refund of members' contributions	6,038,726	5,819,253
Administrative expenses	4,221,234	3,736,871
Total deductions	467,818,174	442,264,237
Net increase in plan net position	1,399,305,874	919,867,553
Net position held in trust for pension benefits		
Beginning of year	8,304,011,429	7,384,143,876
End of year	\$ 9,703,317,303	\$ 8,304,011,429

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 FIDUCIARY NET POSITION
As of June 30

ASSETS	2014	2013
Cash (Notes 2 and 3)	\$ 1,674,914	\$ 2,557,613
Receivables		
Accrued investment income	109,786	72,851
Department of Water and Power	2,470,971	2,412,467
Other	1,046,811	660,949
Contingent disability benefit advance	3,310,339	3,310,339
Total receivables	6,937,907	6,456,606
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$31,872,167 in 2014 and \$32,576,401 in 2013)	36,563,077	36,692,449
Short-term investments (cost approximates fair value)	219,290	1,018,733
Total investments	36,782,367	37,711,182
Total assets	45,395,188	46,725,401
LIABILITIES		
Payables		
Pending investment purchases	109,764	72,739
Other	208,126	197,816
Total Liabilities	317,890	270,555
Net position held in trust for disability benefits	\$ 45,077,298	\$ 46,454,846

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 FIDUCIARY NET POSITION

For the Years Ended June 30

	2014	2013
ADDITIONS		
Department of Water and Power contributions towards:		
Temporary disability benefits	\$ 12,409,023	\$ 12,173,356
Supplemental disability benefits	1,491,158	1,593,124
Administrative expenses	792,780	757,910
Total contributions	14,692,961	14,524,390
Contributions from members for:		
Temporary disability benefits	222,479	224,649
Permanent total disability benefits	219,191	222,040
Total members' contributions	441,670	446,689
Net appreciation (decline) in fair value of investments	909,206	(733,753)
Investment income	961,890	963,654
Less: Investment expenses	(47,408)	(48,319)
Net investment income	1,823,688	181,582
Total additions	16,958,319	15,152,661
DEDUCTIONS		
Benefit provided:		
Temporary disability	13,707,175	11,735,737
Extended temporary disability	463,946	394,778
Permanent total disability	1,883,397	1,853,493
Supplemental	1,491,158	1,593,124
Total benefits provided	17,545,676	15,577,132
Administrative expenses	790,191	754,935
Total deduction	18,335,867	16,332,067
Net decrease in plan net position	(1,377,548)	(1,179,406)
Net position held in trust for disability benefits		
Beginning of year	46,454,846	47,634,252
End of year	\$ 45,077,298	\$ 46,454,846

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 FIDUCIARY NET POSITION
As of June 30

	2014	2013
ASSETS		
Cash (Notes 2 and 3)	\$ 501,792	\$ 919,762
Receivables		
Department of Water and Power	937,866	807,853
Accrued investment income	79,814	52,035
Other	20,362	20,587
Total receivables	1,038,042	880,475
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$23,861,615 in 2014 and \$23,988,712 in 2013)	26,574,545	26,208,830
Short-term investments (cost approximates fair value)	1,218,119	717,742
Total investments	27,792,664	26,926,572
Total assets	29,332,498	28,726,809
LIABILITIES		
Payables		
Pending investment purchases	79,778	51,956
Other	336,815	745,578
Death claims in process - insured lives	2,845,447	2,909,143
Total liabilities	3,262,040	3,706,677
Net position held in trust for death benefits	\$ 26,070,458	\$ 25,020,132

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 FIDUCIARY NET POSITION

For the years ended June 30

	2014	2013
ADDITIONS		
Department of Water and Power contributions towards:		
Active members	\$ 2,049,810	\$ 2,043,553
Retired members (non-contributing)	4,993,033	5,021,181
Administrative expenses	886,356	907,307
Total department contributions	7,929,199	7,972,041
Contributions from members for:		
Insured lives death benefit	219,200	222,040
Supplemental family death benefit	98,487	96,809
Total members' contributions	317,687	318,849
Net appreciation (decline) in fair value of investments	667,658	(569,713)
Investment income	698,391	660,008
Less: investment expenses	(34,463)	(33,232)
Net investment income	1,331,586	57,063
Total additions	9,578,472	8,347,953
DEDUCTIONS		
Benefits provided for:		
Death benefits (active/retired members)	7,141,427	6,643,747
Family allowances	502,216	535,444
Total benefits provided	7,643,643	7,179,191
Administrative expenses	884,503	905,183
Total deductions	8,528,146	8,084,374
Net increase in plan net position	1,050,326	263,579
Net position held in trust for death benefits		
Beginning of year	25,020,132	24,756,553
End of year	\$ 26,070,458	\$ 25,020,132

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 FIDUCIARY NET POSITION
As of June 30

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2 and 3)	\$ 1,059,009	\$ 797,696
Receivables		
Accrued investment income	3,182,540	3,278,342
Department of Water and Power	-	1,318
Pending investment sales	27,477,591	53,791,251
Total receivables	30,660,131	57,070,911
Investments, at fair value (Notes 2, 3 and 4)		
Fixed income (amortized cost \$339,148,034 in 2014 and \$376,026,674 in 2013)	344,005,011	374,845,086
Common stock (cost of \$795,479,622 in 2014 and \$675,387,702 in 2013)	1,097,742,165	882,859,586
Short-term investments (cost approximates fair value)	36,213,349	40,996,180
Alternative investments	111,586,634	79,875,069
Real estate	36,780,086	19,158,536
Securities lending - short-term collateral investment pool	174,870,176	53,684,636
Total investments	1,801,197,421	1,451,419,093
Total assets	1,832,916,561	1,509,287,700
LIABILITIES		
Payables		
Accounts payable	2,900,300	4,396,442
Department of Water and Power	29,938	-
Pending investment purchases	42,967,869	73,387,034
Security lending - collateral payable (Note 4)	174,870,176	53,684,636
Total liabilities	220,768,283	131,468,112
Net position held in trust for retiree health benefits	\$ 1,612,148,278	\$ 1,377,819,588

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 FIDUCIARY NET POSITION
For the Year Ended June 30

	2014	2013
ADDITIONS		
Department of Water and Power contributions towards:		
Insurance premiums	\$ 74,105,548	\$ 67,562,881
Administrative expenses	609,234	616,670
Total department contributions	74,714,782	68,179,551
Investment income		
Net appreciation in fair value of investments	208,396,566	123,583,536
Interest and dividends	28,254,907	30,516,202
Gain from alternative investments	124,371	161,955
Real estate income	1,630,376	1,026,738
Securities lending (Note 4)	381,834	216,757
Total investment income	238,788,054	155,505,188
Less: securities lending expenses (Note 4)	(84,068)	(38,758)
Less: investment expenses	(4,484,405)	(3,525,813)
Net investment income	234,219,581	151,940,617
Total additions	308,934,363	220,120,168
DEDUCTIONS		
Retiree health benefits paid (insurance premiums)	74,105,548	67,562,881
Administrative expenses	500,125	517,568
Total deductions	74,605,673	68,080,449
Net increase in plan net position	234,328,690	152,039,719
Net position held in trust for retiree health benefits		
Beginning of year	1,377,819,588	1,225,779,869
End of year	\$ 1,612,148,278	\$ 1,377,819,588

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, 2014 and 2013**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The Water and Power Employees' Retirement Plan of the City of Los Angeles (WPERP) was established by the Los Angeles Department of Water and Power (Department), a proprietary department of the City of Los Angeles (City), in 1938. WPERP is a single employer public employee retirement system whose main function is to provide pension benefits, including death and disability benefits, to eligible employees of the Department.

Under the provisions of the City Charter, the Retirement Board of Administration (Retirement Board) has the responsibility and authority to administer the WPERP and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the WPERP's members and beneficiaries. The Retirement Board has seven members: a member of the Board of Water and Power Commissioners (DWP Board), the Department's General Manager, the Department's Chief Accounting Employee, three employee members who are elected for a three-year term by active members of the WPERP, and a retiree who is appointed by the DWP Board for a three-year term.

The WPERP 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 WPERP are collectively known as the Plan. Each fund under the WPERP and the RHBF is considered an independent trust fund of the Department.

In 1986, the 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 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, 2014 and 2013**

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, 2014 and 2013:

	2014	2013
Retirees and beneficiaries	8,739	8,642
Terminated vested	1,484	1,555
Active	8,960	8,913
Total	19,183	19,110

Benefit Provisions

Retirement/Disability Funds

The retirement fund consists of both defined contribution and defined benefit elements. 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.

During the fiscal year 2014, the City and the Department agreed to a new tier of retirement benefits for new hires to the Department. On December 11, 2013, The Retirement Board adopted a Plan amendment to create a new tier for the Department's new-hires on or after January 1, 2014. Major benefit provisions for each tier are described below.

Tier 1 members are eligible for normal retirement at age 60. Early retirement at age 55 is generally available if the member has been with the Department for 10 or more years of the last 12 years before retirement. Members with 30 or more years may retire at any age and receive unreduced benefits within a certain limited period (this option expired on October 31, 2005).

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Upon qualifying for retirement, Tier 1 members will also qualify for a formula pension if they 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 Tier 1 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 successive contributing payroll periods. Retirees who are receiving a formula pension are entitled to annual cost of living adjustment (COLA). Adjustments are applied each July 1 based on the Consumer Price Index (Los Angeles-Riverside-Orange County, CA – All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor for each of the two immediately preceding calendar years. The maximum adjustment, positive or negative, is 3% in any one year.

Tier 2 members are eligible for normal retirement at age 60 with at least ten years of service (5 year must be as a contributing member and/or receiving either disability benefits under the Plan or payments under any Workers' Compensation Law). A reduced benefit for early retirement at any age is generally available if the member has at least thirty years of service. Members with 30 or more years of credited service may retire at age 55 and receive unreduced benefits.

Eligible Tier 2 members are entitled to an annual retirement benefit, payable monthly for life currently in an amount equal to a retirement factor multiplying each year of credited service, and then multiplying their final average salary. The specific retirement factor is based on the combination of member's age and credited service as follows:

- 1.5% at age 60 with 10 years
- 2.0% at age 55 with 30 years
- 2.0% at age 63 with 10 years
- 2.1% at age 63 with 30 years

**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, 2014 and 2013**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

“Final average salary” is defined as the employee’s average salary, excluding overtime, over the highest 78 successive contributing payroll periods. A member’s monthly pension amount is capped at 80% of one’s final average salary. Retirees who are receiving a formula pension are entitled to annual COLA. Adjustments are applied each July 1 based on the Consumer Price Index (Los Angeles-Riverside-Orange County, CA – All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor for each of the two immediately preceding calendar years. The maximum adjustment, positive or negative, is 2% in any one year. Members may purchase additional post-retirement COLA coverage, not to exceed an additional 1% per year, at full actuarial cost to the Plan.

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 unused portion of the retirement fund contributions upon death (if 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.

- **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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Contributions

Retirement/Disability Funds

Retirement contributions are determined by a member's tier designation. Covered Tier 1 employees continue 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.

Covered Tier 2 employees are required to contribute 10% of their annual covered payroll upon becoming a Plan member. A Tier 2 member has the same benefits as a Tier 1 member upon termination or death while employed with a single exception. A Tier 2 member will not receive a money purchase allowance with vesting after one year. Instead a Tier 2 member will only receive a formula pension if one is at age 60 and has at least 15 years of credited service.

The Department contributes \$1.10 for each \$1.00 contributed by Tier 1 members, plus an actuarially determined percentage of covered payroll. The Department solely contributes an actuarially determined percentage of covered payroll for Tier 2 members. Contribution provisions are established and amended by the Retirement Board upon the advice of the Plan actuary. The average employer contribution rates for fiscal years 2014 and 2013 (based on the July 1, 2013 and 2012 valuations) were 47.30% and 46.08% of compensation, respectively.

Each bi-weekly payroll period, both eligible Tiers 1 and 2 members contribute \$1.00 each for Temporary Disability and Permanent Total Disability. The Department contribution rate for fiscal years 2014 and 2013 for the Temporary Disability (based on the July 1, 2013 and 2012 valuations) were \$1.51 and \$1.52 per \$100 of covered payroll, respectively. Department contribution for Permanent Total Disability continues to be suspended, as current reserve significantly exceeds the target reserve amount.

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NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Death Benefit Fund

- Insured Lives Death Benefit

Contributing active Tiers 1 and 2 members contribute \$1.00 per bi-weekly payroll period. The Department's contribution for the IDB for contributing active members was maintained at \$0.25 per \$100 of payroll for fiscal years 2014 and 2013. In addition, the Department's contribution to the IDB for non-contributing members was at \$1.27 and \$1.35 per \$100 of retirement benefits paid for fiscal years 2014 and 2013, respectively.

- 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, 2014 and 2013:

	2014	2013
Current retirees and beneficiaries	7,644	7,554
Current active members	8,847	8,765
Total	16,491	16,319

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.

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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 years 2014 and 2013, the Department contributed \$74.7 million and \$68.2 million, respectively, 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 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 (decline) in fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments.

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 fiduciary net position. 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 fiduciary net position. Fair values of real estate investments are estimated by fund managers based upon property appraisal reports both internally and externally. Purchases and sales of securities are recorded on a trade-date basis. Unsettled investment trades as of year-end are reported in the financial statements as receivable for pending sales or payable for pending purchases.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists primarily of cash on deposits in the City Treasury under the City's general and special investment pool program.

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.

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.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 67, Financial Reporting for Pension Plans, which replaces the requirements of GASB Statement Nos. 25 and 50 for Retirement Fund and the Insured Lives portion of the Death Benefit Fund. Those elements of the financial statements for fiscal year ended June 30, 2014 have been prepared in accordance with GASB 67. The Plan continues to follow the accounting principles and reporting guidelines as set forth by GASB Statement No. 43 for the RHBF.

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING

Investment Policy

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. The following is the asset allocation policy as of June 2014 and 2013:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	33.00%
Developed international equity	21.00%
Fixed income	24.00%
Real estate	5.00%
Real return	6.00%
Private equity	5.00%
Covered calls	5.00%
Cash and cash equivalents	1.00%
Total	<u>100.00%</u>

Cash

As of June 30, 2014 and 2013, the Plan's cash balances consist primarily of cash deposits in the City Treasury. The Plan's participation in the program is less than 1% at June 30, 2014 and 2013. The cash balance in the Retiree Health Benefit Fund is in the City's general investment pool program for the purpose of maximizing interest earnings through pooled investment activities. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period.

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

Investments

As of June 30, 2014 and 2013, the Plan had the following investments:

<u>Investment Type</u>	<u>June 30, 2014 Fair Value</u>	<u>June 30, 2013 Fair Value</u>
Domestic equities	\$ 5,013,867,904	\$ 4,012,632,462
International equities	2,504,911,438	2,040,420,231
U.S. Treasuries	628,239,926	493,009,348
U.S. Agency notes	743,690,505	780,819,458
Preferred securities/convertible bonds/other	43,715,370	47,810,849
Mortgage and asset backed securities	302,923,948	394,012,708
Corporate debt - domestic	658,281,504	681,756,147
Corporate debt - international	5,819,559	12,275,059
Mutual funds	331,033,131	403,149,831
Hedge funds	822,119,151	660,170,668
Real estate	362,796,903	260,960,586
Securities lending short-term collateral investment pool	1,174,752,568	366,777,123
Total investments	<u>\$ 12,592,151,907</u>	<u>\$ 10,153,794,470</u>

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on Retirement Fund investments, net of investment expense, was 17.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

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, Standard & Poor's, and Fitch, should have a minimum

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

rating of BBB- or Baa3 by two or more rating agencies. Investment managers for investment grade fixed income securities will notify Plan management of subsequent declines in ratings and will develop an investment strategy for investments rated below Baa3 or BBB-. Active high yield fixed income investment is composed primarily of non-investment grade securities as rated by Moody's, Standard & Poor's or Fitch.

The credit ratings of the Plan's investments at June 30, 2014 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AA+	\$ 628,239,926	23.15%
U.S. Agency notes	AA+ or better	642,760,270	23.69%
	A or better	14,821,266	0.55%
	B or better	71,127	0.00%
	Not rated	86,037,842 *	3.17%
Preferred securities/convertible bonds/other	A or better	1,131,620	0.04%
	B or better	14,938,625	0.55%
	C or better	1,169,748	0.04%
	Not rated	26,475,377	0.98%
Mortgage and asset backed securities	AAA	199,250,361	7.34%
	AA+	24,134,589	0.89%
	A or better	24,837,346	0.92%
	B or better	49,433,505	1.82%
	C or better	2,091,399	0.08%
	D or better	96,638	0.00%
Corporate debt - domestic	Not rated	3,080,110	0.11%
	AAA	1,891,826	0.07%
	A or better	198,101,912	7.30%
	B or better	405,795,843	14.96%
	C or better	30,952,217	1.14%
Corporate debt - international	Not rated	21,539,706	0.79%
	AAA	1,426,426	0.05%
	A or better	3,927,273	0.14%
Mutual funds	B or better	465,860	0.02%
	Not rated	331,033,131 **	12.20%
Total		<u>\$ 2,713,703,943</u>	<u>100.00%</u>

* Consist of U.S. government agency securities.

** Consist of money market fund or short-term investment fund investing in the fixed income securities.

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

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2013 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 493,009,348	17.53%
U.S. Agency notes	AAA	714,630,335	25.41%
	A or better	13,790,654	0.49%
	Not rated	52,398,469 *	1.86%
Preferred securities/convertible bonds/other	A or better	2,089,376	0.07%
	B or better	20,284,936	0.72%
	C or better	4,567,803	0.16%
	Not rated	20,868,734	0.74%
Mortgage and asset backed securities	AAA	318,333,669	11.32%
	A or better	16,593,219	0.59%
	B or better	51,377,702	1.83%
	C or better	2,146,669	0.08%
	D or better	364,396	0.01%
	Not rated	5,197,053	0.18%
Corporate debt - domestic	AAA	2,648,311	0.09%
	A or better	187,632,281	6.67%
	B or better	437,608,306	15.55%
	C or better	43,747,320	1.56%
	Not rated	10,119,929	0.36%
Corporate debt - international	AAA	705,945	0.03%
	A or better	1,860,825	0.07%
	B or better	9,708,289	0.35%
Mutual funds	Not rated	403,149,831 **	14.33%
Total		<u>\$ 2,812,833,400</u>	<u>100.00%</u>

* Consist of U.S. government agency securities.

** Consist of money market fund or short-term investment fund investing in the fixed income securities.

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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, 2014 and 2013, the Plan's cash balances consist primarily of cash deposits in the City Treasury.

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, no more than 5% of investments shall be invested in any one issue, except for investment in the fixed income asset class where no more than 10% of investment shall be invested in any one issue. United States Treasury or United States Agency issues are exempted from this limitation. As of June 30, 2014 and 2013, there were no investments holdings of more than 5% in any one issue of each fund's net position or in the Plan's aggregate net position, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

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

Interest Rate Risk

As of June 30, 2014, the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 628,239,926	6.23
U.S. Agency Notes	743,690,505	19.23
Preferred securities/convertible bonds/other	43,715,370	3.53
Mortgage and asset backed securities	302,923,948	11.64
Corporate debt - domestic	658,281,504	10.06
Corporate debt - international	5,819,559	11.45
Mutual funds	331,033,131	0.06
Total	<u><u>\$ 2,713,703,943</u></u>	10.54

As of June 30, 2013 the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 493,009,348	5.72
U.S. Agency Notes	780,819,459	22.18
Preferred securities/convertible bonds/other	47,810,850	5.41
Mortgage and asset backed securities	394,012,707	12.69
Corporate debt - domestic	681,756,146	9.45
Corporate debt - international	12,275,060	11.97
Mutual funds	403,149,830	0.00
Total	<u><u>\$ 2,812,833,400</u></u>	11.37

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.

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

Foreign Currency Risk

As of June 30, 2014 and 2013, the Plan's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Investment Type</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Australian Dollar	Cash & cash equivalents	\$ 93,058	\$ 46,288
	Equities	65,102,511	45,103,378
	Corporate debt	2,477,094	3,862,187
Brazil Real	Cash & cash equivalents	57,824	3,560
	Equities	28,432,179	14,867,408
	Corporate debt	1,773,024	2,191,220
Canadian Dollar	Cash & cash equivalents	270,883	406,329
	Equities	69,139,366	49,215,797
	Corporate debt	4,984,566	11,645,711
Chilean Peso	Corporate debt	509,884	198,186
Danish Krone	Cash & cash equivalents	2,275	-
	Equities	22,480,080	15,865,001
Euro Currency Unit	Cash & cash equivalents	26,035,516	25,482,234
	Equities	357,979,662	269,953,541
	Corporate debt	68,053,678	93,705,341
Hong Kong Dollar	Cash & cash equivalents	96,914	71,013
	Equities	50,452,254	42,300,355
Indonesian Rupiah	Cash & cash equivalents	-	3,006
	Equities	10,062,982	6,870,603
Israeli Shekel	Equities	2	1
Japanese Yen	Cash & cash equivalents	845,093	2,413,706
	Equities	290,260,838	292,342,200
	Corporate debt	2,723,364	8,528,696
Malaysian Ringgit	Equities	12,454,141	14,508,287
Mexican New Peso	Cash & cash equivalents	203,487	115,766
	Equities	13,646,406	11,414,773
	Corporate debt	5,493,749	3,145,531
New Taiwan Dollar	Equities	3,903,541	-
New Turkish Lira	Equities	755,110	1,083,535
New Zealand Dollar	Cash & cash equivalents	10,956	3,092
	Equities	3,367,906	504,188
Norwegian Krone	Cash & cash equivalents	136	-
	Equities	8,266,958	9,466,920
Philippines Peso	Equities	-	2,257,898
	Corporate debt	-	1,372,025
Pound Sterling	Cash & cash equivalents	811,786	619,087
	Equities	284,891,113	252,262,474
	Corporate debt	64,798,775	100,056,211
S. African Comm Rand	Cash & cash equivalents	25,560	8,486
	Equities	41,909,513	29,704,719
Singapore Dollar	Cash & cash equivalents	25,559	59,804
	Equities	7,960,393	11,871,340
South Korean Won	Equities	5,264,724	7,281,187
Swedish Krona	Cash & cash equivalents	11,065	45,695
	Equities	29,117,121	22,881,088
	Corporate debt	3,851,383	17,591,960
Swiss Franc	Cash & cash equivalents	1,069,563	1,143,453
	Equities	156,667,014	115,337,495
Thailand Baht	Equities	11,279,188	9,247,683
Uruguayan Peso	Corporate debt	-	474,515
Total		<u>\$ 1,657,618,194</u>	<u>\$ 1,497,532,973</u>

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

The Plan's investment policy permits it to invest up to 21% of total investments of the Plan in non-U.S. investments. The Plan's position is 13.16% and 14.75% as of June 30, 2014 and 2013, respectively.

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2014 and 2013, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2014 and 2013 financial statements are as follows:

Type	2014		Classification	Amount	Notional Amount
	Changes in Fair Value	Fair Value			
Type	Classification	Amount	Classification	Amount	Notional Amount
Forward Contracts	Investment Income / (Loss)	\$ (5,164,184)	Investment	\$ 107,416	\$ 197,123,444
Call Options	Investment Income / (Loss)	\$ (1,876,937)	Investment	\$ 11,089,250	\$ 800,557,932

Type	2013		Classification	Amount	Notional Amount
	Changes in Fair Value	Fair Value			
Type	Classification	Amount	Classification	Amount	Notional Amount
Forward Contracts	Investment Income / (Loss)	\$ (1,253,278)	Investment	\$ 5,271,600	\$ 418,163,095
Call Options	Investment Income / (Loss)	\$ (661,055)	Investment	\$ 9,207,240	\$ 494,734,240

At June 30, 2014 and 2013, the Plan had direct commitments to purchase and/or sell foreign currency in the forms of forward contracts as part of the strategy of hedging its currency risk. The fair values of forward contracts were based on the market price. At June 30, 2014, the Plan also had written S&P 500 call options as part of its asset allocation strategy. The fair value of the call options is based on market prices.

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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. Prior to August 2013, 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. In August 2013, the Retirement Board adopted an amendment to the securities lending program to expand the acceptance of equities as non-cash collateral. Equities received are required to be collateralized at 110% with respect to loaned securities' value. The custodial bank will assume the equity risk and indemnify the Plan 100% for any shortfall if a loan position is not returned, and proceeds from the sale of equity collateral were insufficient to replace the loan position.

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 Fiduciary Net Position. As of June 30, 2014 and 2013, the Plan has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan.

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 has an average maturity of 24 days and 28 days as of June 30, 2014 and 2013, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2014 and 2013 are:

Securities on loan	2014	2013
Common stock	\$ 778,758,869	\$ 88,674,729
Corporate debt	112,553,442	17,026,385
U.S. Agency notes	1,023,780	-
U.S. Treasuries	285,770,467	251,257,332
U.S. Treasury STRIPs	43,005,908	-
U.S. TIPS	120,336,289	-
Total	\$ 1,341,448,755	\$ 356,958,446

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NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT

Retirement Fund

The components of the net pension liability (NPL) of the retirement fund as of June 30, 2014 are as follows:

<u>Total Pension Liability</u>	<u>Retirement Fund Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Fiduciary Net Position as % of Total Pension Liability</u>
\$10,975,550,617	\$9,703,317,303	\$1,272,233,314	88.41%

The Plan engages an independent actuarial firm to conduct an annual actuarial valuation to determine the total pension liability as of June 30, 2014. The NPL as of June 30, 2014 was determined by actuarial valuation as of July 1, 2014. The actuarial assumptions used in the June 30, 2014 measurement were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2012. In particular, the following assumptions were applied in the measurement.

Inflation rate	3.25%
Projected salary increases	4.75% to 10.00%, includes inflation at 3.25%, “across the board” increases of 0.75% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 members and 2.00% maximum for Tier 2 members.
Investment rate of return	7.50% net of investment expense, including inflation
Mortality	RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA.

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NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)

The long-term expected rate of return on Retirement Fund's investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Retirement Fund's target asset allocation as of June 30, 2014 and the projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.00%	6.13%
Developed international equity	21.00%	7.00%
Fixed income	24.00%	0.77%
Real estate	5.00%	4.90%
Real return	6.00%	2.85%
Private equity	5.00%	9.00%
Covered calls	5.00%	4.88%
Cash and cash equivalents	1.00%	0.00%
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Department contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only Department contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected Department contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Retirement Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Retirement Fund's investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Retirement Fund's NPL as of June 30, 2014, calculated using the discount rate of 7.50%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
NPL as of June 30, 2014	\$2,683,222,999	\$1,272,233,314	\$87,350,054

Death Benefit Fund – Insured Lives

The components of the net pension liability (NPL) of the death benefit fund – insured lives as of June 30, 2014 are as follows:

<u>Total Pension Liability</u>	<u>Insured Life Benefit Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Fiduciary Net Position as % of Total Pension Liability</u>
\$107,730,290	\$12,211,148	\$95,519,142	11.33%

The Insured Life Death Benefit Fund's NPL as of June 30, 2014 was determined by actuarial valuation as of July 1, 2014. The actuarial assumptions used in the June 30, 2014 measurement were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2012. In particular, the following assumptions were applied in the measurement.

Inflation rate	3.25%
Projected salary increases	4.75% to 10.00%, including inflation at 3.25%, "across the board" increases of 0.75% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 members and 2.00% maximum for Tier 2 members.
Investment rate of return	4.00% net of investment expense, including inflation
Mortality	RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA.

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NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)

The long-term expected rate of return on Insured Life Death Benefit Fund's investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Death Benefit Fund's target asset allocation as of June 30, 2014 and the projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	96.00%	0.85%
Cash and cash equivalents	4.00%	-0.13%
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 4.00% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed Department contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only Department contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected Department contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Insured Life Death Benefit Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Insured Life Death Benefit Fund's NPL as of June 30, 2014, calculated using the discount rate of 4.00%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate:

	<u>1% Decrease (3.00%)</u>	<u>Current Discount Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
NPL as of June 30, 2014	\$112,548,017	\$95,519,142	\$81,682,233

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NOTE 6 – ACTUARIAL VALUATION – RETIREE HEALTH BENEFITS FUND (RHBF)

The DWP Board 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 ARC of \$60.7 million and \$49.5 million for fiscal years 2013-14 and 2012-13 were determined by the actuarial valuation of OPEB as of June 30, 2013 and 2012, respectively. The Department contribution, excluding administrative expenses reimbursement, during the fiscal years 2013-14 and 2012-13, amounted to \$74.1 million and \$67.6 million, respectively. The June 30, 2014 actuarial valuation determines the annual required contribution (ARC) for the fiscal year 2014-15 to be \$73.4 million.

The funded status of the RHBF as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 1,485,139,934	\$ 1,947,912,233	\$ 462,772,299	76.24%	\$ 900,126,274	51.41%

The Patient Protection and Affordable Care Act (Act) was signed into law in March 2010. One key provision of the legislation is the assessment of a 40% excise tax on the cost of health plans for plans that exceed certain threshold. The impact of this potential excise tax imposed by the Act was reflected in the June 30, 2014 and 2013 actuarial valuations. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are \$11,850 for single coverage and \$30,950 for family coverage. For all other retirees the thresholds in 2018 are \$10,200 for single coverage and \$27,500 for family coverage. Thresholds in 2019 are indexed and for the purpose of this valuation, they are assumed to increase by 4.25% (i.e., 1% over the assumed 3.25% CPI assumption used in the retirement valuation) over those in 2018. After 2019, the thresholds are assumed to increase by 3.25% (assumed CPI inflation) per year. Also in this valuation, the allocation of excise tax to the RHBF and retirees was based on the proportion of the health care cost expected to be paid by each party. The allocation is subject to future change based on composition of participant data. The estimated impact of any potential excise tax imposed by the Act is continually reflected in the actuarial valuation.

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NOTE 6 – ACTUARIAL VALUATION – RETIREE HEALTH BENEFITS FUND (RHBF)
(Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30-year amortization closed, level percent of pay
Remaining amortization period	21 years remaining as of June 30, 2014
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:	
Discount rate	7.50%
Projected salary increases	4.00%
Inflation rate	3.25%
Healthcare cost trend rates:	
Medical	7.00%, graded down to an ultimate rate of 5.00% over 8 years
Dental and Medicare part B	5.00%
Mortality:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA.
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA.

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NOTE 7 – ACTUARIAL VALUATION – DISABILITY FUND

Actuarial studies are performed annually on the disability fund 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 (as of July 1, 2013 and July 1, 2012) for the disability fund found that the Fund's accumulated reserves had met the recommended reserve level. The actuarial recommendations for the contribution rates, reserve levels, and general reserve transfers were approved by the Retirement Board.

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 \$1.52 per \$100 of covered payroll to \$1.51 of covered payroll. The rate change was approved by the Retirement Board in December 2013 and it was implemented the same month.

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NOTE 8 – 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.

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NOTE 8 – RESERVES AND DESIGNATED BALANCES (Continued)

The Retirement Plan reserves and designated balances at June 30, 2014 and 2013 are as follows:

	2014	2013
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 5,707,710,238	\$ 5,374,580,442
Contributions:		
Members' contributions	1,424,395,594	1,344,895,376
Department contributions	(1,189,110,780)	(1,194,768,340)
Total contributions	235,284,814	150,127,036
Reserve for investments gains and losses	5,484,082	5,484,082
General reserve	1,928,372,515	1,830,298,150
Total reserves and designated balances	7,876,851,649	7,360,489,710
Unrealized appreciation in the fair value of investments	1,826,465,654	943,521,719
Total reserves and designated balances at fair value	\$ 9,703,317,303	\$ 8,304,011,429
<u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary and permanent disability cases	\$ 13,504,137	\$ 13,473,287
General reserve	26,882,251	28,865,511
Total reserves and designated balances	40,386,388	42,338,798
Unrealized appreciation in the fair value of investments	4,690,910	4,116,048
Total reserves and designated balances at fair value	\$ 45,077,298	\$ 46,454,846
<u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 4,398,429	\$ 4,303,031
Contribution account - family allowances	6,532,956	6,816,833
General reserve	12,426,186	11,680,192
Total reserves and designated balances	23,357,571	22,800,056
Unrealized appreciation in the fair value of investments	2,712,887	2,220,076
Total reserves and designated balances at fair value	\$ 26,070,458	\$ 25,020,132
<u>Retiree Health Benefits Fund - Reserves and Designated Balances</u>		
Department contributions (net of insurance premiums payment)	\$ 1,037,604,927	\$ 1,037,604,927
General reserve	260,472,084	169,707,743
Total reserves and designated balances	1,298,077,011	1,207,312,670
Unrealized appreciation in the fair value of investments	314,071,267	170,506,918
Total reserves and designated balances at fair value	\$ 1,612,148,278	\$ 1,377,819,588

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NOTE 9 – PLAN AMENDMENTS

The Plan is periodically amended to meet changes in economic conditions and sound business practices. An amendment, which creates Tier 1 benefits for all existing members and retirees and Tier 2 benefits for new employees hired on or after January 1, 2014, was adopted by the Retirement Board on December 11, 2013. Major benefit provisions for each tier are described in Note 1. In addition, the suspension of the reciprocity program between the Plan and the City Employees' Retirement System became effective on January 1, 2014.

There were no significant Plan amendments for the fiscal year ended June 30, 2013.

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 fiduciary net position. 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.

NOTE 11 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through December 5, 2014, the date the financial statements were available to be issued, and has determined that no other significant subsequent events have occurred through that date.

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

**RETIREMENT FUND
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED
RATIOS
(Unaudited)**

	2014	2013
Total pension liability		
Service cost	\$ 193,661,118	\$ 189,950,104
Interest	779,396,615	748,904,919
Change of benefit terms	--	--
Differences between expected and actual experience	(154,221,968)	(98,062,638)
Changes of assumptions	525,443,921	--
Benefit payments, including refund of member contributions	<u>(463,596,940)</u>	<u>(438,527,366)</u>
Net change in total pension liability	880,682,746	402,265,019
Total pension liability - beginning	<u>10,094,867,871</u>	<u>9,692,602,852</u>
Total pension liability - ending	<u>\$ 10,975,550,617</u>	<u>\$ 10,094,867,871</u>
 Plan fiduciary net position		
Contributions- employer, including those for administrative expenses	\$ 389,138,324	\$ 372,819,194
Contributions- employees	72,299,526	69,633,449
Net investment income	1,405,686,198	919,679,147
Benefit payments, including refund of member contributions	(463,596,940)	(438,527,366)
Administrative expense	<u>(4,221,234)</u>	<u>(3,736,871)</u>
Net change in fiduciary net position	1,399,305,874	919,867,553
Fiduciary net position - beginning	<u>8,304,011,429</u>	<u>7,384,143,876</u>
Fiduciary net position - ending	<u>\$ 9,703,317,303</u>	<u>\$ 8,304,011,429</u>
 Employer's Net pension liability	<u>\$ 1,272,233,314</u>	<u>\$ 1,790,856,442</u>
 Fiduciary net position as % of total pension liability	88.41%	82.26%
Covered employee payroll	\$ 819,923,866	\$ 817,421,028
Net pension liability as % of covered employee payroll	155.16%	219.09%

Note to Schedule:

This schedule is presented for those years for which information is available.

**CITY OF LOS ANGELES
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INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Plan Year Ended June 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2014	\$ 387,823,989	\$ 384,265,892	\$ 3,558,097	\$ 819,923,866	46.87%
2013	376,667,610	368,426,348	8,241,262	817,421,028	45.07%
2012	336,874,865	321,688,919	15,185,946	805,607,436	39.93%
2011	304,431,910	286,699,384	17,732,526	791,760,493	36.21%
2010	200,578,278	201,034,807	(456,529)	767,912,436	26.18%
2009	141,291,589	145,941,276	(4,649,687)	696,704,083	20.95%
2008	134,651,427	141,862,126	(7,210,699)	623,674,973	22.75%
2007	134,504,482	129,154,539	5,349,943	604,514,525	21.37%
2006	110,268,590	101,556,257	8,712,333	574,315,572	17.68%
2005	80,784,677	75,490,143	5,294,534	554,839,816	13.61%

See Notes to Schedule on page 56.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
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DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2004 Unfunded Actuarial Accrued Liability is amortized over a 15-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods effective with that valuation.
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. As directed by the Retirement Office, the actuarial valuation of assets may be reduced by an amount classified as a non-valuation reserve.
Other information	All members hired on or after January 1, 2014 enter Tier 2.
Actuarial assumptions:	
Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	4.75% to 10.00%
Projected salary increases	3.00% (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1, 2.00% maximum for Tier 2)
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table with ages set back one year projected to 2030 with Scale AA
Other assumptions	Same as those used in the July 1, 2014 funding actuarial valuation

See accompanying independent auditor's report.

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

**RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)**

2014

Annual money-weighted rate of return, net of investment expense	17.05%
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Note to schedule:

This schedule is presented for the year for which information is available.

**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 CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED
RATIOS
(Unaudited)**

	<u>2014</u>	<u>2013</u>
Total pension liability		
Service cost	\$ 1,584,909	\$ 1,551,788
Interest	4,812,858	4,756,292
Change of benefit terms	--	--
Differences between expected and actual experience	(879,072)	(740,142)
Changes of assumptions	9,676,044	--
Benefit payments, including refund of member contributions	(4,273,388)	(4,666,084)
Net change in total pension liability	<u>10,921,351</u>	<u>901,854</u>
Total pension liability - beginning	<u>96,808,939</u>	<u>95,907,085</u>
Total pension liability - ending	<u>\$ 107,730,290</u>	<u>\$ 96,808,939</u>
Plan fiduciary net position		
Contributions- employer, including those for administrative expenses	\$ 5,362,342	\$ 5,399,923
Contributions- employees	--	--
Net investment income	1,045,534	(265,969)
Benefit payments, including refund of member contributions	(4,273,388)	(4,666,084)
Administrative expense	(370,083)	(379,631)
Net change in fiduciary net position	<u>1,764,405</u>	<u>88,239</u>
Fiduciary net position - beginning	<u>10,446,743</u>	<u>10,358,504</u>
Fiduciary net position - ending	<u>\$ 12,211,148</u>	<u>\$ 10,446,743</u>
Employer's Net pension liability	<u>\$ 95,519,142</u>	<u>\$ 86,362,196</u>
Fiduciary net position as % of total pension liability	11.33%	10.79%
Covered employee payroll	\$ 819,923,866	\$ 817,421,028
Net pension liability as % of covered employee payroll	11.65%	10.57%

Notes to Schedule:

Administrative expenses –Employer contributions toward the administrative expense and the administrative expense itself have been allocated to the Insured Lives Death Benefit Fund for Noncontributing Members. This allocation is based on the proportion of the plan fiduciary net position shown above as compared to the total plan fiduciary net position of the death benefit fund, both as of the beginning of the plan year.

This schedule is presented for the year for which information is available.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
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INCLUDING RETIREE HEALTH BENEFITS FUND**

DEATH BENEFIT FUND (INSURED LIVES)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Plan Year Ended June 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2014	\$ 4,993,032	\$ 4,993,032	\$ -	\$ 819,923,866	0.61%
2013	5,021,181	5,021,181	-	817,421,028	0.61%
2012	5,001,416	5,001,416	-	805,607,436	0.62%
2011	5,552,771	5,552,771	-	791,760,493	0.70%
2010	5,133,632	5,133,632	-	767,912,436	0.67%
2009	4,445,208	4,445,208	-	696,704,083	0.64%
2008	3,825,394	3,825,394	-	623,674,973	0.61%
2007	3,671,046	3,671,046	-	604,514,525	0.61%
2006	3,537,698	3,537,698	-	574,315,572	0.62%
2005	3,384,830	3,384,830	-	554,839,816	0.61%

See Notes to Schedule on page 60.

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**

**DEATH BENEFIT FUND (INSURED LIVES)
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Pay as you go, subject to modification by the Retirement Board's funding policy
Funding policy	Recommend a contribution rate that maintains the general reserve at a target level of the average of the benefits paid for the last five years
Asset valuation method	The market value of the Death Benefit Fund at valuation date, less the following: <ul style="list-style-type: none"> • Reserves for benefits granted and contribution Accounts for the Family Death Benefit and Supplement Family Death Benefit; and • Insured Lives General Reserve for Contributing Members (Mean Funds)
Actuarial assumptions as of June 30, 2013:	
Investment rate of return	5.00%

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**

DEATH BENEFIT FUND (INSURED LIVES)
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

2014

Annual money-weighted rate of return, net of investment expense	4.00%
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Note to Schedule:

This schedule is presented for those years for which information is available.

**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 FUNDING PROGRESS
(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities UAAL/(Surplus) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL/(Surplus) As a Percentage of Covered Payroll [(b) - (a)] / (c)
June 30, 2014	\$ 1,485,139,934	\$ 1,947,912,233	\$ 462,772,299	76.24%	\$ 900,126,274	51.41%
June 30, 2013	1,332,135,662	1,743,726,715	411,591,053	76.40%	900,254,454	45.72%
June 30, 2012	1,244,039,107	1,566,059,276	322,020,169	79.44%	886,539,366	36.32%
June 30, 2011	1,132,928,966	1,550,895,584	417,966,618	73.05%	870,203,423	48.03%
June 30, 2010	987,475,976	1,631,916,204	644,440,228	60.51%	856,089,559	75.28%
June 30, 2009	849,955,427	1,390,810,591	540,855,164	61.11%	805,137,795	67.18%
June 30, 2008	719,636,742	1,358,103,498	638,466,756	52.99%	708,732,000	90.09%
June 30, 2007	649,115,755	1,041,721,989	392,606,234	62.31%	670,400,000	58.56%

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**

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

<u>Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2014	\$ 60,676,014	\$ 74,105,548 ⁽¹⁾⁽²⁾	122.13%
2013	49,496,185	67,562,881 ⁽¹⁾⁽²⁾	136.50%
2012	53,691,399	101,720,586 ⁽¹⁾⁽²⁾	189.45%
2011	68,705,252	140,132,520 ⁽¹⁾⁽²⁾	203.96%
2010	58,502,789	160,236,897 ⁽¹⁾⁽²⁾	273.90%
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.

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**

**RETIREMENT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES
For the Years Ended June 30, 2014 and 2013**

	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, 2012	\$ 1,266,573,192	\$ (1,249,159,898)	\$ (1,176,802,811)	\$ (33,915,795)	\$ (1,193,305,313)	\$ 1,258,944,366	\$ 65,639,053	\$ 5,064,085,844
Contributions received	61,764,192	311,958,537	-	-	373,722,729	69,633,449	443,356,178	-
Contributions refunded	(5,296,382)	-	-	-	(5,296,382)	(5,819,253)	(11,115,635)	-
Net Contributions	56,467,810	311,958,537	-	-	368,426,347	63,814,196	432,240,543	-
Transfers from contribution accounts for retiring members	(70,060,980)	(111,656,020)	(87,286,291)	(12,087,292)	(281,090,583)	(74,548,361)	(355,638,944)	355,638,944
Retirement allowances paid	-	-	-	-	-	-	-	(432,708,113)
Interest at 7.75% per annum	97,009,941	(89,079,570)	(93,739,980)	(2,989,182)	(88,798,791)	96,685,175	7,886,384	387,563,767
Balance at June 30, 2013	1,349,989,963	(1,137,936,951)	(1,357,829,082)	(48,992,269)	(1,194,768,340)	1,344,895,376	150,127,036	5,374,580,442
Contributions received	63,507,176	326,431,772	-	-	389,938,948	72,299,526	462,238,474	-
Contributions refunded	(5,673,056)	-	-	-	(5,673,056)	(6,038,727)	(11,711,783)	-
Net Contributions	57,834,120	326,431,772	-	-	384,265,892	66,260,799	450,526,691	-
Transfers from contribution accounts for retiring members	(84,798,225)	(98,588,009)	(92,818,027)	(13,326,384)	(289,530,645)	(89,366,684)	(378,897,329)	378,897,329
Retirement allowances paid	-	-	-	-	-	-	-	(457,558,215)
Interest at 7.75% per annum	102,735,232	(79,584,868)	(108,014,270)	(4,213,782)	(89,077,688)	102,606,102	13,528,414	411,790,682
Balance at June 30, 2014	\$ 1,425,761,090	\$ (989,678,056)	\$ (1,558,661,379)	\$ (66,532,435)	\$ (1,189,110,781)	\$ 1,424,395,593	\$ 235,284,812	\$ 5,707,710,238

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, 2014 and 2013**

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2012	\$ 5,417,602	\$ 1,678,116	\$ 7,095,718	\$ 4,244,926
Contributions received	96,809	-	96,809	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	(109,043)	(266,651)	(375,694)	375,694
Family allowances paid	-	-	-	(535,444)
Interest transferred from general reserve at 5% per annum	-	-	-	217,855
Balances at June 30, 2013	\$ 5,405,368	\$ 1,411,465	\$ 6,816,833	\$ 4,303,031
Contributions received	98,487	-	98,487	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	(108,897)	(273,466)	(382,364)	382,364
Family allowances paid	-	-	-	(502,216)
Interest transferred from general reserve at 5% per annum	-	-	-	215,250
Balances at June 30, 2014	\$ 5,394,958	\$ 1,137,999	\$ 6,532,956	\$ 4,398,429

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**

RETIREMENT FUND
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
June 30, 2014

Revenues by Source

Fiscal Year	Members' Contributions	Department Contributions*	Investment Income**	Total
2014	\$ 72,299,526	\$ 394,811,381	\$ 191,737,068	\$ 658,847,975
2013	\$ 69,633,449	\$ 378,115,576	\$ 191,561,805	\$ 639,310,830
2012	\$ 60,088,614	\$ 331,276,047	\$ 193,927,979	\$ 585,292,640
2011	\$ 65,954,329	\$ 293,311,870	\$ 201,657,143	\$ 560,923,342
2010	\$ 71,240,553	\$ 208,518,237	\$ 180,881,790	\$ 460,640,580
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

Expenses by Type

Fiscal Year	Benefits	Administrative Expenses***	Refunds****	Total
2014	\$ 457,558,214	\$ 32,227,775	\$ 11,711,783	\$ 501,497,772
2013	\$ 432,708,113	\$ 27,233,363	\$ 11,115,635	\$ 471,057,111
2012	\$ 410,814,067	\$ 24,147,076	\$ 10,805,587	\$ 445,766,730
2011	\$ 396,124,862	\$ 25,146,053	\$ 4,425,116	\$ 425,696,031
2010	\$ 377,051,650	\$ 20,790,611	\$ 6,028,583	\$ 403,870,844
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

* 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.