

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES'
RETIREMENT PLAN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2015 and 2014**



**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Administration
City of Los Angeles
Water and Power Employees' Retirement Plan
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund (individually referred to as the Funds), administered by the City of Los Angeles Water and Power Employees' Retirement Plan (WPERP), which comprise the statements of fiduciary net position as of June 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements for each fund.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the respective financial statements for each fund mentioned in the first paragraph, 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 of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund as of June 30, 2015 and 2014, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

June 30, 2014 Financial Statements

As described in Note 2, during fiscal year 2015 the WPERP determined that the death benefit provided separately from the pension plan as defined in the context of GASB statements, City Charter and Plan provisions should be accounted for and reported as other postemployment benefits. As a result, the 2014 disclosures related to actuarial calculation of total and net pension liability of the insured lives death benefit, the Schedule of Changes in Net Pension Liability and Related Ratios for Death Benefit Fund (Insured Lives) and the Schedule of Investment Returns for Death Benefit Fund (Insured Lives) in the required supplementary information are no longer presented. These previously presented schedules are replaced by the Schedule of Funding Progress as required by GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Also, the 2014 financial statements of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund have been reformatted and presented as a separate column on the statements of fiduciary net position and the statements of changes in fiduciary net position of the WPERP. Our opinions are 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 4 through 18; the Schedule of Changes in Net Pension Liability and Related Ratios on page 50; the Schedule of Employer Contributions and related notes on pages 51, 52, 55, and 57; the Schedule of Investment Returns on page 53; and the Schedule of Funding Progress on pages 54 and 56 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 statements 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 opinions on the financial statements of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund. 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 cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 14, 2015

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**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 Plan (WPERP) for the years ended June 30, 2015 and 2014.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, the fiduciary net position was \$10.1 billion, \$44.7 million, \$26.6 million, and \$1.7 billion for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the fiduciary net positions were available to meet the obligations to participants and their beneficiaries.
- Total fiduciary net position increased by \$371.0 million or 3.82%, \$0.5 million or 1.93% and \$66.2 million or 4.10% for the Retirement Fund, Death Benefit Fund, and Retiree Health Benefits Fund, respectively. Total fiduciary net position decreased by \$0.3 million or 0.73% for the Disability Fund.
- Additions to the Retirement Fund's fiduciary net position decreased from \$1.9 billion to \$0.9 billion in the current year or approximately 53.86% as capital markets' return leveled in 2015.
- Deductions from Retirement Fund's fiduciary net position increased from \$467.8 million to \$490.6 million over the prior year or approximately 4.87% due mostly to the increase in pension benefits paid.
- Additions to the Retiree Health Benefit Fund's fiduciary net position decreased from \$308.9 million to \$145.2 million in the current year or approximately 53.00% as capital markets' return leveled in 2015.
- Deductions from Retiree Health Benefit Fund's fiduciary net position increased from \$74.6 million to \$79.0 million over the prior year or approximately 5.94% due mostly to the increase in insurance premiums paid.
- At June 30, 2015, the fiduciary net position as a percentage of total pension liability of the Retirement Fund was 89.80%.
- At June 30, 2015, the Department's net pension liability under the Retirement Fund was \$1.1 billion.
- At June 30, 2015, the funded ratio of the Retiree Health Benefits Fund was 83.71%.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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 WPERP, which are:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The Statements 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 Statements 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 22 to 49 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the Retirement Fund, the Retiree Health Benefits Fund, and the Death Benefit Fund's progress in funding to provide pension, health benefits, and insured life benefits to members. The report also provides summary information on employer contributions. The required supplementary information is on pages 50 to 57 of this report.

Supplementary Information: The supplementary information is also available in this report for a better understanding of the WPERP's financial activities. The supplementary information is on pages 58 to 60 of this report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**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 Statements of Fiduciary Net Position				
	(In Thousands)				
	2015	2014	2013	2014-15 % Change	2013-14 % Change
Cash	\$ 9,685	\$ 13,264	\$ 9,497	-26.98%	39.67%
Prepaid expense	3	3	3	0.00%	0.00%
Receivables	264,632	234,128	360,275	13.03%	-35.01%
Investments	<u>10,674,486</u>	<u>10,726,380</u>	<u>8,637,738</u>	-0.48%	24.18%
 Total assets	 10,948,806	 10,973,775	 9,007,513	 -0.23%	 21.83%
 Liabilities	 <u>874,506</u>	 <u>1,270,458</u>	 <u>703,501</u>	 -31.17%	 80.59%
 Fiduciary net position	 <u><u>\$ 10,074,300</u></u>	 <u><u>\$ 9,703,317</u></u>	 <u><u>\$ 8,304,012</u></u>	 3.82%	 16.85%

Fiscal year ended June 30, 2015

Fiduciary net position increased by \$371.0 million or 3.82% to \$10.1 billion over the prior fiscal year. Cash decreased by \$3.6 million or 26.98% from prior fiscal year based on projected liquidity needs. Total liabilities decreased by \$396.0 million or 31.17% to \$874.5 million due to the reduction in security lending collateral held at fiscal year-end.

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 a 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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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

Retirement Fund (Continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)				
	2015	2014	2013	2014-15 % Change	2013-14 % Change
Additions					
Members' contributions	\$ 68,552	\$ 72,300	\$ 69,634	-5.18%	3.83%
Employer contributions	382,232	389,138	372,819	-1.77%	4.38%
Net investment income	410,778	1,405,685	919,679	-70.78%	52.85%
	<u>861,562</u>	<u>1,867,123</u>	<u>1,362,132</u>		
Deductions					
Benefit payment	480,465	457,558	432,708	5.01%	5.74%
Refund	5,502	6,039	5,819	-8.89%	3.78%
Administrative expenses	4,612	4,221	3,737	9.26%	12.95%
	<u>490,579</u>	<u>467,818</u>	<u>442,264</u>	4.87%	5.78%
Net increase					
in fiduciary net position	370,983	1,399,305	919,868	-73.49%	52.12%
Fiduciary net position beginning	9,703,317	8,304,012	7,384,144	16.85%	12.46%
Fiduciary net position ending	<u>\$ 10,074,300</u>	<u>\$ 9,703,317</u>	<u>\$ 8,304,012</u>	3.82%	16.85%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**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 Fund's investing activities.

Fiscal year ended June 30, 2015

Net investment income decreased from \$1.4 billion to \$410.8 million in fiscal year 2015 as capital markets' return leveled in 2015. Member contributions for fiscal year 2015 were \$68.6 million, down \$3.8 million or 5.18% over the prior fiscal year. The decrease in contributions was due primarily to the cessation of employees' contributions transfer with the suspension of the reciprocity program between the WPERP and the City Employees' Retirement System.

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.

Deductions from Fiduciary Net Position

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

Fiscal year ended June 30, 2015

Deductions for the fiscal year ended June 30, 2015 totaled \$490.6 million, up \$22.8 million or 4.87% over the prior fiscal year 2014. Benefit payments increased by \$22.9 million or 5.01% over the prior fiscal year. The increase was due to rise in pension allowance paid.

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 the prior fiscal year 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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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

Disability Fund

Fiduciary Net Position

The Disability Fund's fiduciary net position is summarized below:

	Condensed Statements of Fiduciary Net Position (In Thousands)			2014-15 % Change	2013-14 % Change
	2015	2014	2013		
Cash	\$ 2,514	\$ 1,675	\$ 2,558	50.09%	-34.52%
Receivables	6,997	6,938	6,457	0.85%	7.45%
Investments	35,607	36,782	37,711	-3.19%	-2.46%
Total assets	45,118	45,395	46,726	-0.61%	-2.85%
Liabilities	371	318	271	16.67%	17.34%
Fiduciary net position	\$ 44,747	\$ 45,077	\$ 46,455	-0.73%	-2.97%

Fiscal year ended June 30, 2015

The Disability Fund's fiduciary net position decreased by approximately \$0.3 million, or 0.73% in fiscal year 2015. Cash increased by \$0.8 million or 50.09% from the prior fiscal year based on projected liquidity needs.

Fiscal year ended June 30, 2014

The Disability Fund'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 the prior fiscal year, to provide plan benefit payments.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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

Disability Fund (continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2014-15	2013-14
	2015	2014	2013	% Change	% Change
Additions					
Members' contributions	\$ 442	\$ 442	\$ 447	0.00%	-1.12%
Employer contributions	15,945	14,693	14,524	8.52%	1.16%
Net investment income	779	1,823	182	-57.27%	901.65%
Total additions	<u>17,166</u>	<u>16,958</u>	<u>15,153</u>	1.23%	11.91%
Deductions					
Benefit payment	16,615	17,546	15,577	-5.31%	12.64%
Administrative expenses	881	790	755	11.52%	4.64%
Total deductions	<u>17,496</u>	<u>18,336</u>	<u>16,332</u>	-4.58%	12.27%
Net increase (decrease) in fiduciary net position	(330)	(1,378)	(1,179)	-76.05%	16.88%
Fiduciary net position beginning	<u>45,077</u>	<u>46,455</u>	<u>47,634</u>	-2.97%	-2.48%
Fiduciary net position ending	<u>\$ 44,747</u>	<u>\$ 45,077</u>	<u>\$ 46,455</u>	-0.73%	-2.97%

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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, 2015

Employer contributions for fiscal year 2015 totaled \$15.9 million, up approximately \$1.3 million or 8.52% 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 2015 was \$1.65 per \$100 of covered compensation, while the rate was \$1.51 per \$100 of covered compensation in fiscal year 2014.

Net investment income decreased by \$1.0 million, or 57.27%, from fiscal year 2014. The decrease is mainly attributed to the decline in the fair value of investments during fiscal year 2015.

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 during fiscal year 2014.

Deductions from Fiduciary Net Position

The costs associated with this Fund include disability benefit payments and administrative expenses.

Fiscal year ended June 30, 2015

Fiscal year 2015 benefit payments decreased by \$0.9 million, down 5.31% from a year ago. The decrease was primarily due to a decrease in the temporary disability benefits paid.

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.

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

Death Benefit Fund

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

	Condensed Statements of Fiduciary Net Position (In Thousands)			2014-15	2013-14
	2015	2014	2013	% Change	% Change
Cash	\$ 726	\$ 502	\$ 920	44.62%	-45.43%
Receivables	1,006	1,038	880	-3.08%	17.95%
Investments	27,926	27,792	26,927	0.48%	3.21%
 Total assets	 29,658	 29,332	 28,727	 1.11%	 2.11%
Liabilities	3,084	3,262	3,707	-5.46%	-12.00%
 Total fiduciary net position	 <u>\$ 26,574</u>	 <u>\$ 26,070</u>	 <u>\$ 25,020</u>	 1.93%	 4.20%

Fiscal year ended June 30, 2015

The Fund's fiduciary net position increased slightly by \$0.5 million or 1.93% when compared to prior year's fiduciary net position of \$26.1 million. Cash increased by \$0.2 million or 44.62% from prior fiscal year based on projected liquidity needs.

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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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

Death Benefit Fund (continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2014-15	2013-14
	2015	2014	2013	% Change	% Change
Additions					
Members' contributions	\$ 318	\$ 318	\$ 318	0.00%	0.00%
Employer contributions	7,970	7,929	7,972	0.52%	-0.54%
Net investment income	599	1,332	57	-55.03%	2236.84%
Total additions	<u>8,887</u>	<u>9,579</u>	<u>8,347</u>	-7.22%	14.76%
Deductions					
Benefit payment	7,448	7,644	7,179	-2.56%	6.48%
Administrative expenses	935	885	905	5.65%	-2.21%
Total deductions	<u>8,383</u>	<u>8,529</u>	<u>8,084</u>	-1.71%	5.50%
Net increase					
in fiduciary net position	504	1,050	263	-52.00%	299.24%
Fiduciary net position beginning	<u>26,070</u>	<u>25,020</u>	<u>24,757</u>	4.20%	1.06%
Fiduciary net position ending	<u>\$ 26,574</u>	<u>\$ 26,070</u>	<u>\$ 25,020</u>	1.93%	4.20%

Additions to Fiduciary Net Position

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

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

Death Benefit Fund (continued)

Fiscal year ended June 30, 2015

Net investment income decreased by \$0.7 million, or 55.03%, from fiscal year 2014. The decrease is attributed to the decline in the fair value of investments during fiscal year 2015.

Fiscal year ended June 30, 2014

Net investment income increased by \$1.3 million, or 2,236.84%, from fiscal year 2013. The increase is attributed to the net appreciation in the fair value of investments during fiscal year 2014.

Deductions from Fiduciary Net Position

The costs associated with this Fund include the benefits payments and administrative costs.

Fiscal year ended June 30, 2015

Total deductions were consistent with prior fiscal year; it was only down 1.71% versus fiscal year 2014.

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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**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. 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 WPERP to establish the fund during fiscal year 2007.

As of June 30, 2015 the fiduciary net position of the fund totaled approximately \$1.7 billion. A condensed statements of the fund's fiduciary net position and a condensed statements of changes in fiduciary net position are as follow:

Fiduciary Net Position

	Condensed Statements of Fiduciary Net Position (In Thousands)			2014-15	2013-14
	2015	2014	2013	% Change	% Change
Cash	\$ 932	\$ 1,059	\$ 798	-11.99%	32.71%
Receivables	35,349	30,660	57,071	15.29%	-46.28%
Investments	1,849,752	1,801,197	1,451,419	2.70%	24.10%
Total assets	1,886,033	1,832,916	1,509,288	2.90%	21.44%
Liabilities	207,712	220,768	131,468	-5.91%	67.93%
Total fiduciary net position	<u>\$ 1,678,321</u>	<u>\$ 1,612,148</u>	<u>\$ 1,377,820</u>	4.10%	17.01%

Fiscal year ended June 30, 2015

Fiduciary net position increased by \$66.2 million or 4.10% to \$1.7 billion over the prior fiscal year. Receivables were up \$4.7 million or 15.29% from fiscal year 2014 mainly because of an increase in pending trades at year-end.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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

Retiree Health Benefits Fund (continued)

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.

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2014-15	2013-14
	2015	2014	2013	% Change	% Change
Additions					
Employer contributions	\$ 79,161	\$ 74,715	\$ 68,180	5.95%	9.58%
Net investment income	66,052	234,219	151,941	-71.80%	54.15%
Total additions	<u>145,213</u>	<u>308,934</u>	<u>220,121</u>	-53.00%	40.35%
Deductions					
Benefit payment	78,497	74,106	67,563	5.93%	9.68%
Administrative expenses	543	500	517	8.60%	-3.29%
Total deductions	<u>79,040</u>	<u>74,606</u>	<u>68,080</u>	5.94%	9.59%
Net increase in fiduciary net position	66,173	234,328	152,041	-71.76%	54.12%
Fiduciary net position beginning	<u>1,612,148</u>	<u>1,377,820</u>	<u>1,225,779</u>	17.01%	12.40%
Fiduciary net position ending	<u>\$ 1,678,321</u>	<u>\$ 1,612,148</u>	<u>\$ 1,377,820</u>	4.10%	17.01%

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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, 2015

Total additions were down \$163.7 million or 53.00% to \$145.2 million. Net investment income decreased by \$168.2 million or 71.80% from \$234.2 million to \$66.1 million in fiscal year 2015 as capital markets' return leveled in 2015.

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.

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, 2015

Insurance premiums paid from the fund for the benefit of retirees increased \$4.4 million or 5.93% in fiscal year 2015 when compared to fiscal year 2014.

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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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 WPERP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Linda P. Le, 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 PLAN
STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015 AND 2014

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2015	2014	2015	2014	2015	2014	2015	2014
ASSETS								
Cash (Notes 2 and 3)	\$ 9,685,328	\$ 13,263,953	\$ 2,513,507	\$ 1,674,914	\$ 726,261	\$ 501,792	\$ 931,670	\$ 1,059,009
Prepaid expense	3,500	3,500	-	-	-	-	-	-
Receivables								
Accrued investment income	21,576,304	18,388,786	58,291	109,786	44,942	79,814	3,410,744	3,182,540
Department of Water and Power	50,401,537	53,102,730	2,750,084	2,470,971	941,168	937,866	-	-
Pending investment sales	189,318,173	159,788,053	-	-	-	-	31,937,878	27,477,591
Other	3,335,673	2,848,676	878,254	1,046,811	20,062	20,362	-	-
Contingent disability benefit advance	-	-	3,310,339	3,310,339	-	-	-	-
Total receivables	<u>264,631,687</u>	<u>234,128,245</u>	<u>6,996,968</u>	<u>6,937,907</u>	<u>1,006,172</u>	<u>1,038,042</u>	<u>35,348,622</u>	<u>30,660,131</u>
Investments, at fair value (Notes 2, 3, and 4)								
Fixed income	1,990,107,215	2,010,736,243	35,383,946	36,563,077	27,203,872	26,574,545	345,212,681	344,005,011
Common stock	6,676,919,897	6,448,966,735	-	-	-	-	1,130,611,058	1,097,742,165
Short-term investments	290,222,803	230,244,751	222,966	219,290	721,814	1,218,119	46,589,023	36,213,349
Alternative investments	772,766,362	710,532,517	-	-	-	-	125,656,163	111,586,634
Real estate	392,705,953	326,016,817	-	-	-	-	49,692,079	36,780,086
Securities lending - short-term collateral investment pool	551,763,182	999,882,392	-	-	-	-	151,991,455	174,870,176
Total investments	<u>10,674,485,412</u>	<u>10,726,379,455</u>	<u>35,606,912</u>	<u>36,782,367</u>	<u>27,925,686</u>	<u>27,792,664</u>	<u>1,849,752,459</u>	<u>1,801,197,421</u>
Total assets	<u>10,948,805,927</u>	<u>10,973,775,153</u>	<u>45,117,387</u>	<u>45,395,188</u>	<u>29,658,119</u>	<u>29,332,498</u>	<u>1,886,032,751</u>	<u>1,832,916,561</u>
LIABILITIES								
Payables								
Pending investment purchases	308,020,119	256,872,241	58,263	109,764	44,794	79,778	52,489,230	42,967,869
Department of Water and Power	-	-	-	-	-	-	181	29,938
Other	14,722,357	13,703,217	312,440	208,126	392,712	336,815	3,231,095	2,900,300
Securities lending - collateral payable (Note 4)	551,763,182	999,882,392	-	-	-	-	151,991,455	174,870,176
Death claims in process - insured lives	-	-	-	-	2,646,111	2,845,447	-	-
Total liabilities	<u>874,505,658</u>	<u>1,270,457,850</u>	<u>370,703</u>	<u>317,890</u>	<u>3,083,617</u>	<u>3,262,040</u>	<u>207,711,961</u>	<u>220,768,283</u>
Fiduciary net position restricted for pension, other postemployment, and disability benefits	<u>\$ 10,074,300,269</u>	<u>\$ 9,703,317,303</u>	<u>\$ 44,746,684</u>	<u>\$ 45,077,298</u>	<u>\$ 26,574,502</u>	<u>\$ 26,070,458</u>	<u>\$ 1,678,320,790</u>	<u>\$ 1,612,148,278</u>

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2015	2014	2015	2014	2015	2014	2015	2014
ADDITIONS								
Members' contributions								
Retirement benefit	\$ 68,552,375	\$ 72,299,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporary disability benefit	-	-	221,735	222,479	-	-	-	-
Supplemental disability benefit	-	-	219,845	219,191	-	-	-	-
Insured lives death benefit	-	-	-	-	219,847	219,200	-	-
Supplemental family death benefit	-	-	-	-	98,520	98,487	-	-
Total members' contributions	<u>68,552,375</u>	<u>72,299,526</u>	<u>441,580</u>	<u>441,670</u>	<u>318,367</u>	<u>317,687</u>	<u>-</u>	<u>-</u>
Department of Water and Power contributions towards:								
Retirement benefit (net of reversions)	376,902,022	384,265,892	-	-	-	-	-	-
Insurance premiums	-	-	-	-	-	-	78,496,618	74,105,548
Temporary disability benefits	-	-	13,445,019	12,409,023	-	-	-	-
Supplemental disability benefits	-	-	1,615,714	1,491,158	-	-	-	-
Active members	-	-	-	-	2,098,033	2,049,810	-	-
Retired members (non-contributing)	-	-	-	-	4,935,211	4,993,033	-	-
Administrative expenses	5,329,846	4,872,432	883,728	792,780	936,845	886,356	663,812	609,234
Total Department of Water and Power contributions	<u>382,231,868</u>	<u>389,138,324</u>	<u>15,944,461</u>	<u>14,692,961</u>	<u>7,970,089</u>	<u>7,929,199</u>	<u>79,160,430</u>	<u>74,714,782</u>
Total contributions	<u>450,784,243</u>	<u>461,437,850</u>	<u>16,386,041</u>	<u>15,134,631</u>	<u>8,288,456</u>	<u>8,246,886</u>	<u>79,160,430</u>	<u>74,714,782</u>
Investment income								
Net appreciation (depreciation) in fair value of investments	264,809,481	1,240,972,860	(74,172)	909,206	(48,585)	667,658	42,571,388	208,396,566
Interest	67,064,083	74,307,486	898,722	961,890	681,720	698,391	11,069,250	13,145,791
Dividends	84,864,193	96,747,720	-	-	-	-	14,805,149	15,067,108
Income from real estate investments	20,032,089	18,493,818	-	-	-	-	1,850,683	1,630,376
Income from alternative investments	2,185,222	206,985	-	-	-	-	92,939	124,371
Securities lending (Note 4)	2,399,325	2,541,704	-	-	-	-	473,308	381,834
Total investment income	<u>441,354,393</u>	<u>1,433,270,573</u>	<u>824,550</u>	<u>1,871,096</u>	<u>633,135</u>	<u>1,366,049</u>	<u>70,862,717</u>	<u>238,746,046</u>
Less: Securities lending expenses (Note 4)	(557,142)	(560,646)	-	-	-	-	(110,871)	(84,068)
Less: Investment expenses	<u>(30,858,155)</u>	<u>(28,006,541)</u>	<u>(45,349)</u>	<u>(47,408)</u>	<u>(34,595)</u>	<u>(34,463)</u>	<u>(4,997,625)</u>	<u>(4,484,405)</u>
Net investment income	<u>409,939,096</u>	<u>1,404,703,386</u>	<u>779,201</u>	<u>1,823,688</u>	<u>598,540</u>	<u>1,331,586</u>	<u>65,754,221</u>	<u>234,177,573</u>
Other income	<u>839,013</u>	<u>982,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,533</u>	<u>42,008</u>
Total additions	<u>861,562,352</u>	<u>1,867,124,048</u>	<u>17,165,242</u>	<u>16,958,319</u>	<u>8,886,996</u>	<u>9,578,472</u>	<u>145,212,184</u>	<u>308,934,363</u>

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plan			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2015	2014	2015	2014	2015	2014	2015	2014
DEDUCTIONS								
Benefits paid								
Retirement	480,465,024	457,558,214	-	-	-	-	-	-
Temporary disability	-	-	12,655,916	13,707,175	-	-	-	-
Extended temporary disability	-	-	502,729	463,946	-	-	-	-
Permanent total disability	-	-	1,840,316	1,883,397	-	-	-	-
Supplemental	-	-	1,615,714	1,491,158	-	-	-	-
Death benefits (active/retired members)	-	-	-	-	6,899,271	7,141,427	-	-
Family allowances	-	-	-	-	548,834	502,216	-	-
Retiree health benefits paid (insurance premiums)	-	-	-	-	-	-	78,496,618	74,105,548
Total benefits paid	480,465,024	457,558,214	16,614,675	17,545,676	7,448,105	7,643,643	78,496,618	74,105,548
Refund of members' contributions	5,501,886	6,038,726	-	-	-	-	-	-
Administrative expenses	4,612,476	4,221,234	881,181	790,191	934,847	884,503	543,054	500,125
Total deductions	490,579,386	467,818,174	17,495,856	18,335,867	8,382,952	8,528,146	79,039,672	74,605,673
Net increase (decrease) in fiduciary net position	370,982,966	1,399,305,874	(330,614)	(1,377,548)	504,044	1,050,326	66,172,512	234,328,690
Fiduciary net position restricted for pension, other postemployment, and disability benefits								
Beginning of year	9,703,317,303	8,304,011,429	45,077,298	46,454,846	26,070,458	25,020,132	1,612,148,278	1,377,819,588
End of year	\$ 10,074,300,269	\$ 9,703,317,303	\$ 44,746,684	\$ 45,077,298	\$ 26,574,502	\$ 26,070,458	\$ 1,678,320,790	\$ 1,612,148,278

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – PLAN DESCRIPTIONS

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) in 1938. The WPERP is a single employer public employee retirement system whose main function is to provide pension, death and disability benefits, to eligible employees 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. The Retirement Board has investment oversight of the RHBF.

Under the provisions of the Charter of the City of Los Angeles (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 has four separate funds – Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund (RHBF). Each fund is considered a separate plan and an independent trust fund of the Department. The Retirement Fund is a single employer defined benefit pension plan. The Death Benefit Fund and Retiree Health Benefit Fund are single employer defined benefit other postemployment benefits (OPEB) plans. The Disability Fund is for the payment of temporary disability and permanent total disability of the Department's employees, and is not considered a pension plan nor an OPEB plan.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

Retirement Fund, Disability Fund, and Death Benefit Fund

Membership

The Retirement Plan's membership consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Retirees, beneficiaries	8,843	8,739
Terminated vested	1,528	1,484
Active	<u>9,205</u>	<u>8,960</u>
Total	<u><u>19,576</u></u>	<u><u>19,183</u></u>

Benefit Provisions

Retirement Fund

The Retirement Fund consists of both defined contribution and defined benefit elements. Certain 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 of Los Angeles (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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – PLAN DESCRIPTIONS (Continued)

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). 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 Disability Benefit 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 consecutive 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 (CPI) 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 Disability Benefit 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 highest 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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – PLAN DESCRIPTIONS (Continued)

“Final average salary” is defined as the employee’s average salary, excluding overtime, over the highest 78 consecutive payroll periods. A member’s monthly pension amount is capped at 80% of one’s highest average salary. Retirees who are receiving a formula pension are entitled to annual COLA. Adjustments are applied each July 1 based on the CPI 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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

Contributions

Retirement Fund

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.

Disability Fund

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 2015 and 2014 (based on the July 1, 2014 and 2013 valuations) were 46.17% and 47.30% 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 2015 and 2014 for the temporary disability (based on the July 1, 2014 and 2013 valuations) were \$1.65 and \$1.51 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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 1 – PLAN DESCRIPTIONS (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 contributions for the IDB for contributing active members are maintained at \$0.25 per \$100 of payroll for fiscal years 2015 and 2014. In addition, the Department contributions for the IDB for non-contributing members are at \$1.19 and \$1.27 per \$100 of retirement benefits paid for fiscal years 2015 and 2014, respectively.

- Family Death Benefit

The Department contribution has been suspended since July 1, 1993. The Department contribution will continue to be suspended as recommended by the 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 Fund

Membership

The Retiree Health Benefits Plan's membership consisted of the following at June 30, 2015 and 2014:

	2015	2014
Current retirees and beneficiaries	7,690	7,644
Current active members	9,102	8,847
Total	16,792	16,491

Benefit Provisions

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – PLAN DESCRIPTIONS (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 2015 and 2014, the Department contributed \$79.2 million and \$74.7 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 Presentation

The financial statements are prepared using the accrual basis of accounting and reflect the overall financial operations of each fund of the WPERP. Member and Department contributions are recognized as revenues in the period in which the employee services are performed and when due, and benefits and refunds are recognized when due and payable in accordance with the terms of each benefit fund.

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

Investments

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 statements of fiduciary net position. The WPERP 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 statements 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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists primarily of cash on deposits in the City Treasury under the City's 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

On June 25, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, which replaces the requirements of GASB Statement Nos. 25 and 50. During fiscal year 2014, the WPERP adopted the provisions of GASB Statement No. 67.

Reclassifications

Certain reclassifications have been made to the fiscal year 2014 financial statements to conform to the 2015 presentation.

June 30, 2014 Financial Statements

During fiscal year 2015 the WPERP determined that the death benefit provided separately from the pension plan as defined in the context of GASB statements, City Charter and Plan provisions should be accounted for and reported as other postemployment benefits. As a result, the 2014 disclosures related to actuarial calculation of total and net pension liability of the insured lives death benefit, the Schedule of Changes in Net Pension Liability and Related Ratios for Death Benefit Fund (Insured Lives) and the Schedule of Investment Returns for Death Benefit Fund (Insured Lives) in the required supplementary information are no longer presented.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These previously presented schedules are replaced by the Schedule of Funding Progress as required by GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Also, the 2014 financial statements of the Retirement Fund, Disability Funds, Death Benefit Fund, and Retiree Health Benefits Fund have been reformatted and presented as a separate column on the statements of fiduciary net position and the statements of changes in fiduciary net position of the WPERP.

NOTE 3 – CASH AND INVESTMENTS

Investment Policy

Investment authority is granted to the WPERP by the City Charter and is exercised in accordance with the Retirement Board's investment policy. The City 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 2015 and 2014:

<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, 2015 and 2014, the cash balances consist primarily of cash deposits in the City Treasury. The WPERP's participation in the program is less than 1% at June 30, 2015 and 2014. Interest earned on the City's investment pool is allocated by the City Treasury to the RHBF based on its average daily cash balance during the allocation period.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2015 and 2014, the WPERP had the following investments:

<u>Investment Type</u>	<u>June 30, 2015</u> <u>Fair Value</u>	<u>June 30, 2014</u> <u>Fair Value</u>
Domestic equities	\$ 5,341,747,723	\$ 5,013,867,904
International equities	2,439,382,311	2,504,911,438
U.S. Treasuries	620,564,455	628,239,926
U.S. Agency notes	802,998,021	743,690,505
Preferred securities/convertible bonds/other	29,862,149	43,715,370
Mortgage and asset backed securities	243,384,864	302,923,948
Corporate debt - domestic	573,187,762	658,281,504
Corporate debt - international	91,723,566	5,819,559
Mutual funds	400,344,424	331,033,131
Hedge funds	898,422,525	822,119,151
Real estate	442,398,032	362,796,903
Securities lending short-term collateral investment pool	703,754,637	1,174,752,568
Total investments	<u>\$ 12,587,770,469</u>	<u>\$ 12,592,151,907</u>

Rate of Return

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on the Retirement Fund investments, net of investment expense, was 4.27% and 17.05%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Credit Risk

The WPERP'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 WPERP'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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

According to the WPERP's investment policy for fixed income, the WPERP 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 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 decline 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 WPERP's investments at June 30, 2015 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 620,564,455	22.47%
U.S. Agency notes	AA+ or better A or better	786,156,348 16,841,673	28.46% 0.61%
Preferred securities/convertible bonds/other	B or better C or better Not rated	3,477,709 198,040 26,186,400	0.13% 0.01% 0.95%
Mortgage and asset backed securities	AAA A or better B or better Not rated	210,572,910 26,076,137 6,332,927 402,890	7.62% 0.94% 0.23% 0.01%
Corporate debt - domestic	AAA A or better B or better C or better Not rated	9,321,753 140,889,304 388,005,169 28,974,085 5,997,451	0.34% 5.10% 14.05% 1.05% 0.22%
Corporate debt - international	A or better B or better C or better WR/Not Rated	41,587,822 41,676,683 569,243 7,889,818	1.51% 1.51% 0.02% 0.29%
Mutual funds	Not rated	<u>400,344,423</u> **	<u>14.49%</u>
Total		<u>\$ 2,762,065,240</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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Credit Risks (Continued)

The credit ratings of the WPERP'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%
	Not rated	3,080,110	0.11%
Corporate debt - domestic	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%
	Not rated	21,539,706	0.79%
Corporate debt - international	AAA	1,426,426	0.05%
	A or better	3,927,273	0.14%
	B or better	465,860	0.02%
Mutual funds	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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risks

For deposits, custodial credit risk is the risk that in the event of a bank failure, the WPERP's deposits may not be returned. As of June 30, 2015 and 2014, the WPERP'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 WPERP'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, 2015 and 2014, there were no investments holdings of more than 5% in any one issue of each fund's net position or in the WPERP's aggregate net position, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk

As of June 30, 2015, the WPERP'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	\$ 620,564,455	6.49
U.S. Agency notes	802,998,021	16.62
Preferred securities/convertible bonds/other	29,862,149	0.00
Mortgage and asset backed securities	243,384,864	12.94
Corporate debt - domestic	573,187,762	9.98
Corporate debt - international	91,723,566	12.98
Mutual funds	400,344,423	0.00
Total	\$ 2,762,065,240	9.93

As of June 30, 2014 the WPERP'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	\$ 2,713,703,943	10.54

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

Foreign Currency Risk

As of June 30, 2015 and 2014, the WPERP's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Investment Type</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Australian Dollar	Cash & cash equivalents	\$ 107,816	\$ 93,058
	Equities	59,055,315	65,102,511
	Fixed Income	1,924,979	-
	Corporate debt	-	2,477,094
Brazil Real	Cash & cash equivalents	61,200	57,824
	Equities	21,971,851	28,432,179
	Fixed Income	1,717,171	-
	Corporate debt	-	1,773,024
Canadian Dollar	Cash & cash equivalents	99,249	270,883
	Equities	66,003,946	69,139,366
	Fixed Income	4,449,405	-
	Corporate debt	-	4,984,566
Chilean Peso	Corporate debt	-	509,884
	Fixed Income	432,831	-
Danish Krone	Cash & cash equivalents	525	2,275
	Equities	19,420,253	22,480,080
Euro Currency Unit	Cash & cash equivalents	25,237,400	26,035,516
	Equities	350,554,933	357,979,662
	Fixed Income	80,304,174	-
	Corporate debt	128,133	68,053,678
Hong Kong Dollar	Cash & cash equivalents	67,884	96,914
	Equities	53,207,723	50,452,254
Indonesian Rupiah	Equities	13,701,262	10,062,982
Israeli Shekel	Cash & cash equivalents	2	-
Indian Rupee	Fixed Income	471,864	-
	Equities	-	2
Japanese Yen	Cash & cash equivalents	2,038,758	845,093
	Equities	306,381,431	290,260,838
	Fixed Income	2,235,616	-
	Corporate debt	-	2,723,364
Malaysian Ringgit	Equities	7,710,361	12,454,141
Mexican New Peso	Cash & cash equivalents	43,973	203,487
	Fixed Income	3,573,614	-
	Corporate debt	876,406	5,493,749
	Equities	7,625,139	13,646,406
New Taiwan Dollar	Equities	5,692,680	3,903,541
	Cash & cash equivalents	-	-
New Turkish Lira	Equities	-	755,110
New Zealand Dollar	Cash & cash equivalents	65,235	10,956
	Fixed Income	5,577,632	-
	Equities	3,034,572	3,367,906
Norwegian Krone	Cash & cash equivalents	-	136
	Equities	11,480,603	8,266,958

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CASH AND INVESTMENTS (Continued)

<u>Currency</u>	<u>Investment Type</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Pound Sterling	Cash & cash equivalents	1,800,988	811,786
	Equities	256,635,657	284,891,113
	Fixed Income	72,451,400	-
	Corporate debt	-	64,798,775
S. African Comm Rand	Cash & cash equivalents	-	25,560
	Equities	-	41,909,513
Singapore Dollar	Cash & cash equivalents	49,560	25,559
	Equities	14,757,553	7,960,393
South Korean Won	Equities	6,817,410	5,264,724
Swedish Krona	Cash & cash equivalents	6,374	11,065
	Equities	36,385,059	29,117,121
	Fixed Income	3,292,930	-
	Corporate debt	-	3,851,383
Swiss Franc	Cash & cash equivalents	392,877	1,069,563
	Equities	146,360,374	156,667,014
Thailand Baht	Equities	13,051,994	11,279,187
Total		<u>\$ 1,607,256,112</u>	<u>\$ 1,657,618,193</u>

The WPERP's investment policy permits it to invest up to 21.00% of total investments of the WPERP in non-U.S. investments. The WPERP's position is 12.77% and 13.16% as of June 30, 2015 and 2014, respectively.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2015 and 2014, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2015 and 2014 financial statements are as follows:

Type	2015		2015		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 491,432	Investment	\$ 598,848	\$ 268,432,969
Call Options	Investment Income / (Loss)	\$ 7,857,183	Investment	\$ 4,426,303	\$ 811,214,852

Type	2014		2014		Notional Amount
	Classification	Amount	Classification	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

At June 30, 2015 and 2014, the WPERP 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, 2015 and 2014, the WPERP 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.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 – SECURITIES LENDING PROGRAM

The WPERP is authorized by the City Charter and the Retirement Board's investment policy to lend its investment securities to various brokers, without limit. The lending is managed by the WPERP's custodial bank. The WPERP 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 WPERP 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 WPERP and continue to be included in their respective accounts on the statements of fiduciary net position. The WPERP does not have the ability to pledge or sell collateral assets unless the borrower is in default of its obligation. As of June 30, 2015 and 2014, the WPERP has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan.

The WPERP's custodian is the authorized agent to handle the WPERP's securities lending activity. The WPERP's custodian may invest the cash collateral received in connection with securities on loan in investments permitted by the WPERP. The WPERP 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. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which has an average maturity of 62 days and 24 days as of June 30, 2015 and 2014, respectively.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 4 – SECURITIES LENDING PROGRAM (Continued)

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2015 and 2014 are:

<u>Securities on loan</u>	<u>2015</u>
Global equities	\$ 45,351,454
Global government fixed	60,162,905
U.S. Agency notes	1,347,569
U.S. corporate fixed	84,887,039
U.S. equities	414,852,889
U.S. government fixed	243,331,578
Total	<u>\$ 849,933,434</u>

<u>Securities on loan</u>	<u>2014</u>
Common stock	\$ 778,758,869
Corporate debt	112,553,442
U.S. Agency notes	1,023,780
U.S. Treasuries	285,770,467
U.S. Treasury STRIPs	43,005,908
U.S. TIPS	120,336,289
Total	<u>\$ 1,341,448,755</u>

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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, 2015 and 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>
As of June 30, 2015	\$11,218,445,567	\$10,074,300,269	\$1,144,145,298	89.80%
As of June 30, 2014	\$10,975,550,617	\$9,703,317,303	\$1,272,233,314	88.41%

The WPERP engages an independent actuarial firm to conduct annual actuarial valuation to determine the total pension liability of the Department as of June 30, 2015 and 2014. The NPL as of June 30, 2015 and 2014 was determined by actuarial valuation as of July 1, 2015 and July 1, 2014, respectively. The actuarial assumptions used in the June 30, 2015 and 2014 measurements 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 measurements.

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.

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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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

The Retirement Fund's target asset allocation and 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	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.50% as of June 30, 2015 and 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, 2015 and 2014.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Retirement Fund's NPL as of June 30, 2015 and 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
NPL as of June 30, 2015	\$2,572,589,681	\$1,144,145,298	-\$55,839,808
NPL as of June 30, 2014	\$2,683,222,999	\$1,272,233,314	\$87,350,054

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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 postemployment health care benefits, in September 2006. The annual required contribution (ARC) of \$73.4 million and \$60.7 million for fiscal years 2015 and 2014 were determined by the actuarial valuation as of June 30, 2014 and 2013, respectively. The Department contributions, excluding administrative expenses reimbursement, during the fiscal years 2015 and 2014, amounted to \$78.5 million and \$74.1 million, respectively. The June 30, 2015 actuarial valuation determines the ARC for the fiscal year 2016 to be \$64.3 million.

The funded status of the RHBF as of June 30, 2015, 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)
\$ 1,637,578,438	\$ 1,956,230,463	\$ 318,652,025	83.71%	\$ 920,781,074	34.61%

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, 2015 and 2014 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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30-year amortization closed, level percent of pay
Remaining amortization period	20 years remaining as of June 30, 2015
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	6.75%, graded down to an ultimate rate of 5.00% over 7 years
Dental and Medicare part B	5.00%
Mortality rate:	
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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 7 – ACTUARIAL VALUATION – DEATH BENEFIT FUND

Annual actuarial valuation are performed to determine and recommend the contribution rate for the Death Benefit Fund. For fiscal year 2015, the annual valuation as of July 1, 2014 recommended continue suspension of the Department contribution for the family death benefit and maintaining the Department contributions for the insured lives death benefit for active members at \$0.25 per \$100 of covered active payroll, and decreasing the Department contributions for the insured lives death benefit for retired and disabled members from \$1.27 to \$1.19 per \$100 retired payroll.

The funded status of the Death Benefit Fund (other postemployment benefits) as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 12,007,902	\$ 109,531,351	\$ 97,523,449	10.96%	\$ 920,781,074	10.59%

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2015
Actuarial cost method	Entry age actuarial cost method
Asset valuation method	The market value of the Death Benefit Fund at valuation date, less reserves for benefits granted and contribution accounts for the family death benefit and supplemental family death benefit and insured lives general reserve for contributing members.
Actuarial assumptions:	
Discount rate	4.00%
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.
Projected salary increases	4.75% to 10.00%, vary by service, including inflation
Inflation rate	3.25%
Mortality rate	RP-2000 Combined Healthy Mortality Table with ages set back one year, projected to 2030 with Scale AA.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE 8 – 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, 2014 and July 1, 2013) 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 permanent total disability, the Department's contribution rate remains at \$0 per \$100 of covered payroll. As for temporary disability, the Department's contribution rate was increased from \$1.51 per \$100 of covered payroll to \$1.65 of covered payroll. The rate change was approved by the Retirement Board in December 2014 and was implemented the same month.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9 – 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. There are 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 WPERP's reciprocity provision.

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

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

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9 – RESERVES AND DESIGNATED BALANCES (Continued)

The WPERP's reserves and designated balances at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 6,052,694,436	\$ 5,707,710,238
Contributions:		
Members' contributions	1,497,404,562	1,424,395,594
Department contributions	(1,189,150,983)	(1,189,110,780)
Total contributions	<u>308,253,579</u>	<u>235,284,814</u>
Reserve for investments gains	<u>5,484,082</u>	<u>5,484,082</u>
General reserve	<u>1,956,119,958</u>	<u>1,928,372,515</u>
Total reserves and designated balances	8,322,552,055	7,876,851,649
Unrealized appreciation in the fair value of investments	<u>1,751,748,214</u>	<u>1,826,465,654</u>
Total reserves and designated balances at fair value	<u>\$ 10,074,300,269</u>	<u>\$ 9,703,317,303</u>
<u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary and permanent disability cases	\$ 15,330,996	\$ 13,504,137
General reserve	<u>24,712,877</u>	<u>26,882,251</u>
Total reserves and designated balances	40,043,873	40,386,388
Unrealized appreciation in the fair value of investments	<u>4,702,811</u>	<u>4,690,910</u>
Total reserves and designated balances at fair value	<u>\$ 44,746,684</u>	<u>45,077,298</u>
<u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 4,281,741	\$ 4,398,429
Contribution account - family allowances	6,388,232	6,532,956
General reserve	<u>12,956,768</u>	<u>12,426,186</u>
Total reserves and designated balances	23,626,741	23,357,571
Unrealized appreciation in the fair value of investments	<u>2,947,761</u>	<u>2,712,887</u>
Total reserves and designated balances at fair value	<u>\$ 26,574,502</u>	<u>\$ 26,070,458</u>
<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	<u>340,025,818</u>	<u>260,472,084</u>
Total reserves and designated balances	1,377,630,745	1,298,077,011
Unrealized appreciation in the fair value of investments	<u>300,690,045</u>	<u>314,071,267</u>
Total reserves and designated balances at fair value	<u>\$ 1,678,320,790</u>	<u>\$ 1,612,148,278</u>

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 10 – PLAN AMENDMENTS

The Plan is periodically amended to meet changes in economic conditions and sound business practices. The following is a summary of the more significant Plan amendments taken effect during the fiscal years ended June 30, 2015 and 2014:

Fiscal year ended June 30, 2015

There were no significant Plan amendments for the fiscal year ended June 30, 2015.

Fiscal year ended June 30, 2014

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 WPERP and the City Employees' Retirement System became effective on January 1, 2014.

NOTE 11 – RISKS AND UNCERTAINTIES

The WPERP 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 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 12 – SUBSEQUENT EVENTS

The WPERP has evaluated subsequent events through December 14, 2015, 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 PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total pension liability			
Service cost	\$ 214,735,027	\$ 193,661,118	\$ 189,950,104
Interest	821,047,664	779,396,615	748,904,919
Change of benefit terms	(144,007,904)	-	-
Differences between expected and actual experience	(162,912,927)	(154,221,968)	(98,062,638)
Change of assumptions	-	525,443,921	-
Benefit payments, including refund of member contributions	(485,966,910)	(463,596,940)	(438,527,366)
Net change in total pension liability	242,894,950	880,682,746	402,265,019
Total pension liability - beginning	10,975,550,617	10,094,867,871	9,692,602,852
Total pension liability - ending	<u>\$ 11,218,445,567</u>	<u>\$ 10,975,550,617</u>	<u>\$ 10,094,867,871</u>
Fiduciary net position			
Contributions - employer, including administrative expenses	\$ 382,231,868	\$ 389,138,324	\$ 372,819,194
Contributions - employees	68,552,375	72,299,526	69,633,449
Net investment income	410,778,109	1,405,686,199	919,679,147
Benefit payments, including refund of member contribution	(485,966,910)	(463,596,941)	(438,527,366)
Administrative expense	(4,612,476)	(4,221,234)	(3,736,871)
Net change in fiduciary net position	370,982,966	1,399,305,874	919,867,553
Fiduciary net position - beginning	9,703,317,303	8,304,011,429	7,384,143,876
Fiduciary net position - ending	<u>\$ 10,074,300,269</u>	<u>\$ 9,703,317,303</u>	<u>\$ 8,304,011,429</u>
Net pension liability	<u>\$ 1,144,145,298</u>	<u>\$ 1,272,233,314</u>	<u>\$ 1,790,856,442</u>
Fiduciary net position as % of total pension liability	89.80%	88.41%	82.26%
Covered employee payroll	\$ 839,213,254	\$ 819,923,866	\$ 817,421,028
Net pension liability as % of covered employee payroll	136.34%	155.16%	219.09%

Note to Schedule:

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

<u>Plan Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage of Covered Payroll</u>
2015	\$ 387,464,759	\$ 376,902,022	\$ 10,562,737	\$ 839,213,254	44.91%
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%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
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 PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.27%	17.05%

Note to schedule:

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
July 1, 2015	\$ 12,007,902	\$ 109,531,351	\$ 97,523,449	10.96%	\$ 920,781,074	10.59%
July 1, 2014	12,211,148	107,730,290	95,519,142	11.33%	900,126,274	10.61%
July 1, 2013	10,446,743	96,808,939	86,362,196	10.79%	900,254,454	9.59%
July 1, 2012	10,358,504	95,907,085	85,548,581	10.80%	886,539,366	9.65%
July 1, 2011	8,273,263	94,627,428	86,354,165	8.74%	870,203,423	9.92%
July 1, 2010	7,186,971	92,173,753	84,986,782	7.80%	856,089,559	9.93%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Year Ended June 30	Annual Required Contributions (ARC)	Annual OPEB Cost (AOC)	Actual Contributions	Percentage of ARC Contributed	Percentage of AOC Contributed
2015	\$ 13,961,242	\$ 12,098,666	\$ 4,935,211	35.3%	40.8%
2014	12,559,961	11,114,702	4,993,033	39.8%	44.9%
2013	11,862,188	10,679,472	5,021,181	42.3%	47.0%
2012	11,379,225	10,449,289	5,001,416	44.0%	47.9%
2011	10,717,090	9,993,189	5,552,771	51.8%	55.6%
2010	10,708,915	10,221,070	5,133,632	47.9%	50.2%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
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, 2015	\$ 1,637,578,438	\$ 1,956,230,463	\$ 318,652,025	83.71%	\$ 920,781,074	34.61%
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%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Year Ended June 30	Annual Required Contributions (ARC)	Actual Contributions	Percentage Contributed
2015	\$ 73,353,532	\$ 78,496,618 ⁽¹⁾⁽²⁾	107.01%
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%

(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 PLAN
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES
For the Years Ended June 30, 2015 and 2014**

	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, 2013	\$ 1,349,989,963	\$ (1,137,936,952)	\$ (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	(989,678,057)	(1,558,661,379)	(66,532,435)	(1,189,110,781)	1,424,395,593	235,284,812	5,707,710,238
Contributions received	53,106,550	327,850,184	-	-	380,956,734	68,552,375	449,509,109	-
Contributions refunded	(4,054,712)	-	-	-	(4,054,712)	(5,501,886)	(9,556,598)	-
Net Contributions	49,051,838	327,850,184	-	-	376,902,022	63,050,489	439,952,511	-
Transfers from contribution accounts for retiring members	(96,171,282)	(83,984,264)	(93,979,012)	(13,802,295)	(287,936,853)	(98,964,167)	(386,901,020)	386,901,020
Retirement allowances paid								(480,465,024)
Interest at 7.75% per annum	108,667,737	(68,063,816)	(124,000,425)	(5,608,867)	(89,005,371)	108,922,647	19,917,276	438,548,202
Balance at June 30, 2015	\$ 1,487,309,383	\$ (813,875,953)	\$ (1,776,640,816)	\$ (85,943,597)	\$ (1,189,150,983)	\$ 1,497,404,562	\$ 308,253,579	\$ 6,052,694,436

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
SUPPLEMENTARY INFORMATION**

**DEATH BENEFIT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR
FAMILY ALLOWANCES**

For the Years Ended June 30, 2015 and 2014

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
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
Contributions received	98,520	-	98,520	-
Transfers to estimated liability for family allowances from contribution accounts for member deceased during the year	(18,719)	(224,525)	(243,244)	243,244
Family allowances paid	-	-	-	(548,834)
Interest transferred from general reserve at 5% per annum	-	-	-	188,902
Balances at June 30, 2015	\$ 5,474,759	\$ 913,473	\$ 6,388,232	\$ 4,281,741

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
SUPPLEMENTARY INFORMATION**

RETIREMENT FUND
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
June 30, 2015

Revenues by Source

Fiscal Year	Members' Contributions	Department Contributions*	Investment Income**	Total
2015	\$ 68,552,375	\$ 386,286,580	\$ 175,987,770	\$ 630,826,725
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

Expenses by Type

Fiscal Year	Benefits	Administrative Expenses***	Refunds****	Total
2015	\$ 480,465,024	\$ 35,470,631	\$ 9,556,598	\$ 525,492,253
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.