

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES'  
RETIREMENT PLAN  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2019 and 2018**

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

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Financial Statements:	
Statements of Fiduciary Net Position .....	19
Statements of Changes in Fiduciary Net Position.....	20
Notes to the Financial Statements.....	22
Required Supplementary Information	
Exhibit I:	
Retirement Fund	
Schedule of Changes in Net Pension Liability and Related Ratios .....	62
Exhibit II:	
Retirement Fund	
Schedule of Employer Contributions.....	63
Notes to Schedule of Employer Contributions .....	64
Exhibit III:	
Retirement Fund	
Schedule of Investment Returns .....	65
Exhibit IV:	
Retiree Health Benefits Fund	
Schedule of Changes in Net Other Postemployment Liability and Related Ratios .....	66
Exhibit V:	
Retiree Health Benefits Fund	
Schedule of Employer Contributions.....	67
Notes to Schedule of Employer Contributions .....	68
Exhibit VI:	
Retiree Health Benefits Fund	
Schedule of Investment Returns .....	69
Exhibit VII:	
Death Benefit Fund	
Schedule of Changes in Net Other Postemployment Liability and Related Ratios .....	70
Exhibit VIII:	
Death Benefit Fund	
Schedule of Employer Contributions.....	71
Notes to Schedule of Employer Contributions .....	72
Exhibit IX:	
Death Benefit Fund	
Schedule of Investment Returns .....	73

Supplementary Information

Exhibit X:

Retirement Fund – Schedule of Contribution Accounts and Estimated Liability for  
Retirement Allowances ..... 74

Exhibit XI:

Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability for  
Family Allowances ..... 75

Exhibit XII:

Retirement Fund – Schedule of Revenues by Source and Expenses by Type ..... 76



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

## 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, 2019 and 2018, 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, 2019 and 2018, 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.

## **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 62; the Schedule of Changes in Net Other Postemployment Benefit and Related Ratios on pages 66 and 70; the Schedule of Employer Contributions and related notes on pages 63, 64, 67, 68, 71, and 72; and the Schedule of Investment Returns on pages 65, 69, and 73 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 &amp; Simpson".

Los Angeles, California  
December 2, 2019

**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, 2019 and 2018.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2019, the fiduciary net position was \$13.0 billion, \$48.3 million, \$28.8 million, and \$2.2 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 \$710.0 million or 5.78%, \$1.9 million or 4.03%, \$1.6 million or 5.87%, and \$134.9 million or 6.47% for the Retirement, Disability, Death Benefit and Retiree Health Benefits Fund respectively.
- Additions to the Retirement Fund's fiduciary net position totaled \$1.3 billion in the current year, while additions to the Retiree Health Benefit Fund's fiduciary net position totaled \$237.3 million. They were due mainly to investments' market value appreciation in 2019.
- Deductions from the Retirement Fund's fiduciary net position increased \$34.2 million from \$568.5 million to \$602.8 million over the prior year or approximately 6.02%, due to the rise in the total number of retirees and the cost of living adjustment granted.
- At June 30, 2019, the fiduciary net position as a percentage of total pension liability of the Retirement Fund was 94.03%.
- At June 30, 2019, the Department's net pension liability under the Retirement Fund was \$824.9 million.
- At June 30, 2019, the fiduciary net position as a percentage of total other postemployment benefits liability of the Retiree Health Benefits Fund and Death Benefit Fund was 82.75% and 21.46%, respectively.
- At June 30, 2019, the Department's net other postemployment benefits liability under the Retiree Health Benefits Fund and Death Benefit Fund was \$462.9 million and \$105.5 million, respectively.

**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 61 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 62 to 73 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 74 to 76 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)			2018-19 % Change	2017-18 % Change
	2019	2018	2017		
Cash	\$ 8,237	\$ 8,064	\$ 8,803	2.15%	-8.39%
Prepaid expense	3	2	8	50.00%	-75.00%
Receivables	164,798	355,239	287,125	-53.61%	23.72%
Investments	13,519,694	12,816,076	12,033,013	5.49%	6.51%
 Total assets	 13,692,732	 13,179,381	 12,328,949	 3.90%	 6.90%
 Liabilities	 705,645	 902,296	 1,015,050	 -21.79%	 -11.11%
 Fiduciary net position	 <u>\$ 12,987,087</u>	 <u>\$ 12,277,085</u>	 <u>\$ 11,313,899</u>	 5.78%	 8.51%

**Fiscal year ended June 30, 2019**

Fiduciary net position increased by \$710.0 million or 5.78% over the prior fiscal year to \$13.0 billion. Investments were up \$703.6 million or 5.49% due to solid market performance. Total receivables decreased by \$190.4 million or 53.61% due to the lower pending investment sales at fiscal year-end. Total liabilities decreased by \$196.7 million or 21.79% due to lower pending investment purchases and less securities lending collateral held at fiscal year-end.

**Fiscal year ended June 30, 2018**

Fiduciary net position increased by \$963.2 million or 8.51% over the prior fiscal year to \$12.3 billion. Investments were up \$783.1 million or 6.51% due to continued strong market performance. Total receivables rose by \$68.1 million or 23.72% due to the higher pending investment sales at fiscal year-end. Total liabilities decreased by \$112.8 million or 11.11% due mainly to the lower securities lending collateral held at fiscal 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)			2018-19 % Change	2017-18 % Change
	2019	2018	2017		
<b>Additions</b>					
Members' contributions	\$ 104,742	\$ 93,659	\$ 83,239	11.83%	12.52%
Employer contributions	416,180	439,299	397,748	-5.26%	10.45%
Net investment income	791,832	998,777	1,280,806	-20.72%	-22.02%
<b>Total additions</b>	<b>1,312,754</b>	<b>1,531,735</b>	<b>1,761,793</b>	<b>-14.30%</b>	<b>-13.06%</b>
<b>Deductions</b>					
Benefit payments	591,461	558,901	535,915	5.83%	4.29%
Refund	6,102	4,312	4,447	41.51%	-3.04%
Administrative expenses	5,189	5,336	5,375	-2.75%	-0.73%
<b>Total deductions</b>	<b>602,752</b>	<b>568,549</b>	<b>545,737</b>	<b>6.02%</b>	<b>4.18%</b>
Net decrease					
in fiduciary net position	710,002	963,186	1,216,056	-26.29%	-20.79%
Fiduciary net position beginning	12,277,085	11,313,899	10,097,843	8.51%	12.04%
Fiduciary net position ending	<b>\$ 12,987,087</b>	<b>\$ 12,277,085</b>	<b>\$ 11,313,899</b>	<b>5.78%</b>	<b>8.51%</b>

**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 Retirement Fund's investing activities.

**Fiscal year ended June 30, 2019**

Member contributions for fiscal year 2019 were up 11.83% over the prior fiscal year. The increase in contributions was due primarily to the increase in covered payroll. Employer contributions decreased by 5.26% over the same period, due to the lower required contribution rate versus the prior year. Net investment income totaled \$791.8 million in fiscal year 2019, a decrease of 20.72%. The decrease was attributed to lesser appreciation in the fair value of investments relative to prior year.

**Fiscal year ended June 30, 2018**

Member contributions and employer contributions for fiscal year 2018 were up 12.52% and 10.45% respectively over the prior fiscal year. The increase in contributions was due primarily to the increase in the number of active Plan members. Net investment income decreased by \$282.0 million, or 22.02%, to \$1.0 billion in fiscal year 2018. The decrease was attributed to lesser appreciation in the fair value of investments relative to prior year.

**Deductions from Fiduciary Net Position**

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

**Fiscal year ended June 30, 2019**

Deductions for the fiscal year ended June 30, 2019 totaled \$602.8 million, up \$34.2 million or 6.02% over the prior fiscal year. Benefit payments increased by 5.83% over the prior fiscal year. The increase was due to the rise in the total number of retirees and the cost of living adjustment granted.

**Fiscal year ended June 30, 2018**

Deductions for the fiscal year ended June 30, 2018 totaled \$568.5 million, up \$22.8 million or 4.18% over the prior fiscal year. Benefit payments increased by \$23.0 million or 4.29% over the prior fiscal year. The increase was due to the rise in the total number of retirees and the cost of living adjustment granted.

**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)			2018-19	2017-18
	2019	2018	2017	% Change	% Change
Cash	\$ 2,004	\$ 1,293	\$ 3,139	54.99%	-58.81%
Receivables	8,019	8,022	6,804	-0.04%	17.90%
Investments	38,730	37,572	37,688	3.08%	-0.31%
Total assets	48,753	46,887	47,631	3.98%	-1.56%
Liabilities	470	473	436	-0.63%	8.49%
Fiduciary net position	\$ 48,283	\$ 46,414	\$ 47,195	4.03%	-1.65%

**Fiscal year ended June 30, 2019**

The Disability Fund's fiduciary net position increased by \$1.9 million, or 4.03% in fiscal year 2019. Cash increased by \$0.7 million or 54.99% from prior year based on projected liquidity needs.

**Fiscal year ended June 30, 2018**

The Disability Fund's fiduciary net position decreased by \$0.8 million, or 1.65% in fiscal year 2018. Cash decreased by \$1.8 million or 58.81% from prior year. It mainly resulted from higher receivables outstanding at fiscal year-end.

**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)			2018-19	2017-18
	2019	2018	2017	% Change	% Change
<b>Additions</b>					
Members' contributions	\$ 504	\$ 493	\$ 473	2.23%	4.23%
Employer contributions	16,504	16,499	16,365	0.03%	0.82%
Net investment income (loss)	2,761	(159)	(80)	1836.48%	-98.75%
Total additions	19,769	16,833	16,758	17.44%	0.45%
<b>Deductions</b>					
Benefit payments	16,881	16,719	16,185	0.97%	3.30%
Administrative expenses	1,019	895	865	13.85%	3.47%
Total deductions	17,900	17,614	17,050	1.62%	3.31%
Net increase (decrease) in fiduciary net position	1,869	(781)	(292)	339.31%	-167.47%
Fiduciary net position beginning	46,414	47,195	47,487	-1.65%	-0.61%
Fiduciary net position ending	\$ 48,283	\$ 46,414	\$ 47,195	4.03%	-1.65%

**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.

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

*Disability Fund (Continued)*

**Fiscal year ended June 30, 2019**

Net investment income increased by \$2.9 million compared to fiscal year 2018. The increase is attributed to the rebound in fair value of fixed income investments during fiscal year 2019.

**Fiscal year ended June 30, 2018**

Employer contributions increased minimally during fiscal year 2018. Net investment income totaled negative \$0.2 million due to the continued challenging fixed income market.

**Deductions from Fiduciary Net Position**

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

**Fiscal year ended June 30, 2019**

Total deductions were consistent with prior fiscal year; it was only up by \$0.3 million or 1.62% versus fiscal year 2018.

**Fiscal year ended June 30, 2018**

Fiscal year 2018 benefit payments increased by \$0.6 million or 3.30% from a year ago. The increase was primarily due to increases in the permanent disability and industrial supplemental 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)			2018-19	2017-18
	2019	2018	2017	% Change	% Change
Cash	\$ 995	\$ 940	\$ 960	5.85%	-2.08%
Receivables	1,612	1,178	1,023	36.84%	15.15%
Investments	31,150	29,802	29,533	4.52%	0.91%
Total assets	33,757	31,920	31,516	5.76%	1.28%
Liabilities	4,950	4,710	3,932	5.10%	19.79%
Total fiduciary net position	\$ 28,807	\$ 27,210	\$ 27,584	5.87%	-1.36%

**Fiscal year ended June 30, 2019**

The Fund's fiduciary net position increased by \$1.6 million, or 5.87% when compared to prior year's fiduciary net position. Investments were up \$1.3 million, or 4.52% against last year. This is mostly attributable to the appreciation in the fair value of investments.

**Fiscal year ended June 30, 2018**

The Fund's fiduciary net position decreased slightly by \$0.4 million or 1.36% when compared to prior year's fiduciary net position of \$27.6 million. Liabilities at June 30, 2018 were up \$0.8 million, or 19.79% against last year. This is mostly attributable to the higher death benefit claims outstanding at fiscal year-end.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT 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)			2018-19	2017-18
	2019	2018	2017	% Change	% Change
<b>Additions</b>					
Members' contributions	\$ 358	\$ 347	\$ 336	3.17%	3.27%
Employer contributions	8,778	8,101	8,207	8.36%	-1.29%
Net investment income (loss)	2,293	(120)	(57)	2010.83%	-110.53%
<b>Total additions</b>	<b>11,429</b>	<b>8,328</b>	<b>8,486</b>	<b>37.24%</b>	<b>-1.86%</b>
<b>Deductions</b>					
Benefit payments	8,232	7,603	7,968	8.27%	-4.58%
Administrative expenses	1,600	1,099	1,119	45.59%	-1.79%
<b>Total deductions</b>	<b>9,832</b>	<b>8,702</b>	<b>9,087</b>	<b>12.99%</b>	<b>-4.24%</b>
Net increase (decrease) in fiduciary net position	1,597	(374)	(601)	527.01%	37.77%
Fiduciary net position beginning	27,210	27,584	28,185	-1.36%	-2.13%
Fiduciary net position ending	<b>\$ 28,807</b>	<b>\$ 27,210</b>	<b>\$ 27,584</b>	<b>5.87%</b>	<b>-1.36%</b>

**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, 2019**

Net investment income totaled \$2.3 million in fiscal year 2019. The increase is attributed to the superior performance of fixed income investments during fiscal year 2019.

**Fiscal year ended June 30, 2018**

Net investment income totaled negative \$0.1 million. The decrease is attributed to the continued decline in the fair value of fixed income investments during fiscal year 2018.

**Deductions from Fiduciary Net Position**

The costs associated with the Death Benefit Fund include the benefits payments and administrative expenses.

**Fiscal year ended June 30, 2019**

Fiscal year 2019 benefit payments increased by \$0.6 million, up 8.27% from prior year. The increase was due to the rise in the number of death benefits claimed. Administrative expenses increased \$0.5 million from the previous year. The rise is mostly attributed to the increase in salary expense allocation.

**Fiscal year ended June 30, 2018**

Fiscal year 2018 benefit payments decreased by \$0.4 million, or 4.58% from prior year. The decrease was due to a drop in the number of death benefits claimed.

**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, 2019 the fiduciary net position of the fund totaled approximately \$2.2 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)			2018-19	2017-18
	2019	2018	2017	% Change	% Change
Cash	\$ 915	\$ 370	\$ 518	147.30%	-28.57%
Receivables	16,515	45,142	34,786	-63.42%	29.77%
Investments	2,353,913	2,220,685	2,071,771	6.00%	7.19%
 Total assets	 2,371,343	 2,266,197	 2,107,075	 4.64%	 7.55%
Liabilities	150,792	180,506	195,194	-16.46%	-7.52%
 Total fiduciary net position	 <u>\$ 2,220,551</u>	 <u>\$ 2,085,691</u>	 <u>\$ 1,911,881</u>	 6.47%	 9.09%

**Fiscal year ended June 30, 2019**

Fiduciary net position increased \$134.9 million or 6.47% over the prior fiscal year to \$2.2 billion. Cash increased by \$0.5 million from prior fiscal year based on projected liquidity needs. Total receivables decreased by \$28.6 million or 63.42% due to lower pending investment sales at fiscal year-end. Total liabilities decreased by \$29.7 million or 16.46% due mainly to lesser pending investment purchases at fiscal 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, 2018**

Fiduciary net position increased \$173.8 million or 9.09% over the prior fiscal year. Investments were up \$148.9 million or 7.19% due to sustained positive market performance. Total receivables rose by \$10.4 million or 29.77% due to the higher pending investment sales at fiscal year-end. Total liabilities decreased by \$14.7 million or 7.52% due mainly to the lower securities lending collateral held at fiscal year-end.

**Changes in Fiduciary Net Position**

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2018-19 % Change	2017-18 % Change
	2019	2018	2017		
<b>Additions</b>					
Employer contributions	\$ 102,631	\$ 95,919	\$ 91,024	7.00%	5.38%
Net investment income	134,707	173,674	218,836	-22.44%	-20.64%
Total additions	<u>237,338</u>	<u>269,593</u>	<u>309,860</u>	-11.96%	-13.00%
<b>Deductions</b>					
Benefit payments	101,595	95,234	90,311	6.68%	5.45%
Administrative expenses	883	549	585	60.84%	-6.15%
Total deductions	<u>102,478</u>	<u>95,783</u>	<u>90,896</u>	6.99%	5.38%
Net increase					
in fiduciary net position	134,860	173,810	218,964	-22.41%	-20.62%
Fiduciary net position beginning	<u>2,085,691</u>	<u>1,911,881</u>	<u>1,692,917</u>	9.09%	12.93%
Fiduciary net position ending	<u>\$ 2,220,551</u>	<u>\$ 2,085,691</u>	<u>\$ 1,911,881</u>	6.47%	9.09%

**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, 2019**

Net investment income decreased \$39.0 million or 22.44% in fiscal year 2019. The decrease was attributed to lesser appreciation in the fair value of investments relative to prior year.

**Fiscal year ended June 30, 2018**

Net investment income decreased \$45.2 million from \$218.8 million to \$173.7 million in fiscal year 2018. The decrease was attributed to smaller appreciation in the fair value of investments relative to prior year.

**Deductions from Fiduciary Net Position**

Deductions represent medical and dental insurance premiums paid for the benefit of retirees and operating costs.

**Fiscal year ended June 30, 2019**

Insurance premiums paid for the benefit of retirees increased \$6.4 million or 6.68% in fiscal year 2019. Administrative expenses increased \$0.3 million from the previous year. The rise is mostly attributed to the increase in salary expense allocation.

**Fiscal year ended June 30, 2018**

Insurance premiums paid for the benefit of retirees experienced a moderate increase \$4.9 million or 5.45% in fiscal year 2018 when compared to fiscal year 2017.

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

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
STATEMENTS OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2019 AND 2018**

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>								
Cash (Notes 2 and 3)	\$ 8,236,991	\$ 8,063,652	\$ 2,004,310	\$ 1,292,540	\$ 994,997	\$ 939,600	\$ 914,705	\$ 370,123
Prepaid expense	2,500	2,536	-	-	-	-	-	-
Receivables								
Accrued investment income	37,291,739	32,914,444	107,617	92,379	86,518	71,175	5,927,876	5,289,156
Department of Water and Power	55,310,152	59,147,316	2,772,908	2,867,535	1,505,548	1,087,132	114,440	-
Pending investment sales	68,016,136	256,132,221	-	-	-	-	10,473,340	39,852,447
Other	4,179,911	7,044,572	1,828,443	1,751,910	20,044	20,044	31	-
Contingent disability benefit advance	-	-	3,310,339	3,310,339	-	-	-	-
Total receivables	164,797,938	355,238,553	8,019,307	8,022,163	1,612,110	1,178,351	16,515,687	45,141,603
Investments, at fair value (Notes 2, 3, and 4)								
Fixed income	2,993,027,511	2,848,790,689	38,478,528	37,327,310	30,896,023	29,554,341	510,524,982	484,791,809
Equity	6,854,961,546	6,689,840,829	-	-	-	-	1,188,542,388	1,158,878,523
Short-term investments	421,180,428	324,250,963	251,500	245,110	254,304	248,138	66,115,479	61,419,921
Alternative investments	1,831,807,159	1,628,016,346	-	-	-	-	318,574,277	281,791,375
Real estate	896,221,087	716,440,769	-	-	-	-	147,051,417	107,329,484
Securities lending - short-term collateral investment pool	522,496,357	608,736,556	-	-	-	-	123,104,324	126,473,770
Total investments	13,519,694,088	12,816,076,152	38,730,028	37,572,420	31,150,327	29,802,479	2,353,912,867	2,220,684,882
Total assets	13,692,731,517	13,179,380,893	48,753,645	46,887,123	33,757,434	31,920,430	2,371,343,259	2,266,196,608
<b>LIABILITIES</b>								
Payables								
Pending investment purchases	168,746,737	279,145,489	107,098	91,959	85,993	70,700	23,442,203	47,367,851
Department of Water and Power	-	-	-	-	-	-	-	31,891
Other	14,401,422	14,413,585	363,272	381,287	776,220	999,290	4,245,298	6,632,018
Securities lending - collateral payable (Note 4)	522,496,357	608,736,556	-	-	-	-	123,104,324	126,473,770
Death claims in process - insured lives	-	-	-	-	4,088,481	3,640,220	-	-
Total liabilities	705,644,516	902,295,630	470,370	473,246	4,950,694	4,710,210	150,791,825	180,505,530
Fiduciary net position restricted for pension, other postemployment, and disability benefits	\$ 12,987,087,001	\$ 12,277,085,263	\$ 48,283,275	\$ 46,413,877	\$ 28,806,740	\$ 27,210,220	\$ 2,220,551,434	\$ 2,085,691,078

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, 2019 AND 2018**

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>ADDITIONS</b>								
Members' contributions								
Retirement benefit	\$ 104,741,925	\$ 93,659,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporary disability benefit	-	-	251,825	249,642	-	-	-	-
Permanent total disability	-	-	252,574	243,575	-	-	-	-
Insured lives death benefit	-	-	-	-	252,939	244,551	-	-
Supplemental family death benefit	-	-	-	-	105,134	102,380	-	-
Total members' contributions	<u>104,741,925</u>	<u>93,659,240</u>	<u>504,399</u>	<u>493,217</u>	<u>358,073</u>	<u>346,931</u>	<u>-</u>	<u>-</u>
Department of Water and Power contributions towards:								
Retirement benefit (net of reversions)	410,165,124	433,412,569	-	-	-	-	-	-
Insurance premiums	-	-	-	-	-	-	101,594,970	95,233,622
Temporary disability benefits	-	-	14,176,920	14,103,745	-	-	-	-
Supplemental disability benefits	-	-	1,304,880	1,497,638	-	-	-	-
Active members	-	-	-	-	2,110,835	2,049,059	-	-
Retired members (non-contributing)	-	-	-	-	4,963,513	4,893,639	-	-
Family death benefit	-	-	-	-	185,607	194,513	-	-
Administrative expenses	6,015,073	5,885,875	1,021,835	897,795	1,517,626	963,988	1,036,490	685,090
Total Department of Water and Power contributions	<u>416,180,197</u>	<u>439,298,444</u>	<u>16,503,635</u>	<u>16,499,178</u>	<u>8,777,581</u>	<u>8,101,199</u>	<u>102,631,460</u>	<u>95,918,712</u>
Total contributions	<u>520,922,122</u>	<u>532,957,684</u>	<u>17,008,034</u>	<u>16,992,395</u>	<u>9,135,654</u>	<u>8,448,130</u>	<u>102,631,460</u>	<u>95,918,712</u>
Investment income								
Net appreciation (depreciation) in fair value of investments	583,142,901	817,302,623	1,613,231	(1,117,049)	1,346,590	(857,419)	100,632,276	144,145,469
Interest	123,770,821	110,619,932	1,190,476	1,001,807	981,308	771,276	19,541,413	18,044,351
Dividends	87,792,103	74,421,498	-	-	-	-	15,492,139	12,998,061
Income from real estate investments	38,244,903	30,666,108	-	-	-	-	6,321,780	4,591,788
Income from alternative investments	4,625,795	4,295,489	-	-	-	-	616,469	320,561
Securities lending (Note 4)	17,510,795	14,510,674	-	-	-	-	3,718,375	2,905,337
Total investment income	<u>855,087,318</u>	<u>1,051,816,324</u>	<u>2,803,707</u>	<u>(115,242)</u>	<u>2,327,898</u>	<u>(86,143)</u>	<u>146,322,452</u>	<u>183,005,567</u>
Less: Securities lending expenses (Note 4)	(14,610,056)	(10,902,675)	-	-	-	-	(3,127,803)	(2,201,552)
Less: Investment expenses	(49,249,999)	(42,957,057)	(42,759)	(43,793)	(35,099)	(33,751)	(8,514,980)	(7,207,236)
Net investment income	<u>791,227,263</u>	<u>997,956,592</u>	<u>2,760,948</u>	<u>(159,035)</u>	<u>2,292,799</u>	<u>(119,894)</u>	<u>134,679,669</u>	<u>173,596,779</u>
Other income	<u>604,850</u>	<u>820,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,922</u>	<u>77,580</u>
Total additions	<u>1,312,754,235</u>	<u>1,531,734,911</u>	<u>19,768,982</u>	<u>16,833,360</u>	<u>11,428,453</u>	<u>8,328,236</u>	<u>237,338,051</u>	<u>269,593,071</u>

(Continued)

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, 2019 AND 2018**

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plan			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>DEDUCTIONS</b>								
Benefits paid								
Retirement	591,461,776	558,900,946	-	-	-	-	-	-
Temporary disability	-	-	13,353,351	12,989,490	-	-	-	-
Extended temporary disability	-	-	320,631	379,185	-	-	-	-
Permanent total disability	-	-	1,901,678	1,853,258	-	-	-	-
Supplemental	-	-	1,304,880	1,497,638	-	-	-	-
Death benefits (active/retired members)	-	-	-	-	7,685,403	7,059,333	-	-
Family allowances	-	-	-	-	546,650	543,244	-	-
Retiree health benefits paid (insurance premiums)	-	-	-	-	-	-	101,594,970	95,233,622
Total benefits paid	591,461,776	558,900,946	16,880,540	16,719,571	8,232,053	7,602,577	101,594,970	95,233,622
Refund of members' contributions	6,101,790	4,311,579	-	-	-	-	-	-
Administrative expenses	5,188,931	5,336,458	1,019,044	895,315	1,599,880	1,099,573	882,725	548,907
Total deductions	602,752,497	568,548,983	17,899,584	17,614,886	9,831,933	8,702,150	102,477,695	95,782,529
Net increase (decrease) in fiduciary net position	710,001,738	963,185,928	1,869,398	(781,526)	1,596,520	(373,914)	134,860,356	173,810,542
Fiduciary net position restricted for pension, other postemployment, and disability benefits								
Beginning of year	12,277,085,263	11,313,899,335	46,413,877	47,195,403	27,210,220	27,584,134	2,085,691,078	1,911,880,536
End of year	<u>\$ 12,987,087,001</u>	<u>\$ 12,277,085,263</u>	<u>\$ 48,283,275</u>	<u>\$ 46,413,877</u>	<u>\$ 28,806,740</u>	<u>\$ 27,210,220</u>	<u>\$ 2,220,551,434</u>	<u>\$ 2,085,691,078</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, 2019 AND 2018**

**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.

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.

In 1986, 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. The DWP Board establishes the benefit terms and funding policy of the Retiree Health Benefits Plan. The DWP Board has five members. The members are appointed by the Mayor of the City of Los Angeles, subject to the approval of City Council. On September 6, 2006, the Retirement Board approved the creation and establishment of the Retiree Health Benefits Fund (RHBF) as an independent trust fund to discharge the benefits provided under the Retiree Health Benefits Plan. The Retirement Board has investment oversight of the RHBF.

The WPERP has four separate funds – Retirement Fund, Disability Fund, Death Benefit Fund, and 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 considered neither a pension plan nor an OPEB plan.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – PLAN DESCRIPTIONS (Continued)**

**Retirement Fund, Disability Fund, and Death Benefit Fund**

Membership

The Retirement Fund's and Death Benefit Fund's membership consisted of the following at June 30, 2019 and 2018:

	2019		2018	
	Retirement	Death Benefit	Retirement	Death Benefit
Retirees, beneficiaries	9,315	7,445	9,165	7,290
Terminated vested	1,663	630	1,728	656
Active	10,362	10,362	10,114	10,114
Total	<u>21,340</u>	<u>18,437</u>	<u>21,007</u>	<u>18,060</u>

Benefit Provisions

*Retirement Fund*

The Retirement Fund consists of both defined contribution and defined benefit elements. Under Tier 1, 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, Tier 2, for the Department's new-hires on or after January 1, 2014. Major benefit provisions for each tier are described below.

Tier 1 members are eligible for normal retirement at age 60. Early retirement at age 55 is generally available if the member has at least 10 years of qualifying service out of the last 12 years before retirement. Members with 30 or more years of qualifying service also may retire at any age and receive a reduced benefit. The early retirement benefit reduction is not applicable if the member is between the ages of 55 and 60, and has at least 30 years of service credits. Upon qualifying for retirement, Tier 1 members will also qualify for a formula pension if they have been employed by the Department or City 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

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – PLAN DESCRIPTIONS (Continued)**

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 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 base salary 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-Long Beach-Anaheim, 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 5 years of continuous Department 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 30 years of service. Members with 30 or more years of credited service may retire at age 55 and receive unreduced benefits.

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

- 1.5% at age 60 with 5 years of continuous Department service or 10 years of qualifying service
- 2.0% at any age with 30 years
- 2.0% at age 63 with 5 years of continuous Department service or 10 years of qualifying service
- 2.1% at age 63 with 30 years

"Final average salary" is defined as the employee's average base salary over the highest 78 consecutive payroll periods. A member's monthly pension amount is capped at 80% of one's final average salary. Retirees who are receiving a formula pension are entitled to annual COLA. Adjustments are applied each July 1 based on the CPI for each of the two immediately preceding

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – PLAN DESCRIPTIONS (Continued)**

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. Members, who are eligible for a deferred retirement (vesting), are also eligible for a formula pension, but they are not entitled to an annual COLA.

*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, 2019 AND 2018**

**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 5 years of continuous Department service.

The Department contributes \$1.10 for each \$1.00 contributed by Tier 1 members, plus an actuarially determined percentage of covered payroll. The Department solely contributes an actuarially determined percentage of covered payroll for Tier 2 members. Contribution provisions are established and amended by the Retirement Board upon the advice of the Plan actuary. The average employer contribution rates for fiscal years 2019 and 2018 (based on the July 1, 2018 and 2017 valuations) were 40.15% and 44.62% of compensation, respectively.

*Disability Fund*

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 2019 and 2018 for temporary disability (based on the July 1, 2018 and 2017 valuations) were \$1.31 and \$1.44 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, 2019 AND 2018**

**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 at \$0.20 and \$0.21 per \$100 of covered payroll for fiscal years 2019 and 2018 respectively. In addition, the Department contributions for the IDB for non-contributing members were at \$0.96 and \$1.01 per \$100 of retirement benefits paid for fiscal years 2019 and 2018, respectively.

- Family Death Benefit

The Department contribution rate was \$1.36 and \$1.76 per active member per month for fiscal years 2019 and 2018, respectively.

- 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current retirees and beneficiaries	8,253	8,185
Current active members	10,362	10,114
Total	<u>18,615</u>	<u>18,299</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 – PLAN DESCRIPTIONS (Continued)**

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.

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 2019 and 2018, the Department contributed \$102.6 million and \$95.9 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. Investments that do not have a readily determinable fair value may be valued at Net Asset Value (NAV), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Short-term investments are reported at cost, which approximates fair value.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

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.

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.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap US equity	22.95%
Small Cap US equity	1.75%
Developed international Large Cap equity	13.06%
Developed international Small Cap equity	2.18%
Global equity	2.90%
Emerging market equity	5.16%
Fixed income	25.00%
Real estate	8.00%
Real return	5.00%
Private equity	8.00%
Hedge funds	5.00%
Cash equivalents	1.00%
Total	<u>100.00%</u>

The following is the asset allocation policy as of June 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	29.00%
International equity	19.00%
Fixed income	25.00%
Real estate	8.00%
Real return	5.00%
Private equity	8.00%
Hedge funds	5.00%
Cash equivalents	1.00%
Total	<u>100.00%</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Cash

As of June 30, 2019 and 2018, 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, 2019 and 2018. Interest earned on the City's investment pool is allocated by the City Treasury to the WPERP based on its average daily cash balance during the allocation period.

Investments

As of June 30, 2019, and 2018, the WPERP had the following investments:

<u>Investment Type</u>	<u>June 30, 2019 Fair Value</u>	<u>June 30, 2018 Fair Value</u>
Domestic equities	\$ 5,210,951,550	\$ 5,081,268,433
International equities	2,799,827,678	2,735,232,279
U.S. Treasuries	774,227,106	817,381,695
U.S. agencies	957,820,449	891,017,438
Preferred securities/convertible bonds/other	32,724,707	32,218,640
Mortgage and asset backed securities	121,149,682	167,777,326
Corporate debt - domestic	1,030,840,075	956,783,790
Corporate debt - international	427,873,692	348,556,493
Government debt - international	187,283,297	147,484,966
Municipal/provincial bonds	4,358,191	4,580,790
Mutual funds	557,176,262	453,045,783
Private equity & hedge funds	2,150,381,436	1,909,807,721
Real estate	1,043,272,504	823,770,253
Securities lending short-term collateral investment pool	645,600,681	735,210,326
Total investments	<u>\$ 15,943,487,310</u>	<u>\$ 15,104,135,933</u>

Fair Value of Investments

The WPERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability as follows:

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

- Level 1 — Inputs utilized are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs include quoted prices for similar assets or liabilities, and inputs other than quoted prices that are observable for the asset or liability, including quoted prices in markets that are not active.
- Level 3 — Inputs are unobservable for an asset or liability.

Investments that do not have a readily determinable fair value may be valued at the NAV, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments whose fair value is measured at NAV are excluded from the fair value hierarchy.

The WPERP has the following recurring fair value measurement as of June 30, 2019:

	Fair Value Measurement at June 30, 2019*			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic equities	\$ 5,210,951,550	\$ -	\$ -	\$ 5,210,951,550
International equities	2,799,827,678	-	-	2,799,827,678
Preferred securities	32,724,707	-	-	32,724,707
Fixed income securities:	-			
U.S. Treasuries	-	774,227,106	-	774,227,106
U.S. agencies	-	957,820,449	-	957,820,449
Mortgage and asset backed securities	-	121,149,682	-	121,149,682
Corporate debt - domestic	-	1,030,840,075	-	1,030,840,075
Corporate debt - international	-	427,873,692	-	427,873,692
Government debt -international	-	187,283,297	-	187,283,297
Municipal/provincial bonds	-	4,358,191	-	4,358,191
Alternative investments				
GILS	(322,063)	364,490,473	98,143,103	462,311,513
Real estate	67,564,028	-	-	67,564,028
	<u>\$ 8,110,745,900</u>	<u>\$ 3,868,042,965</u>	<u>\$ 98,143,103</u>	<u>\$ 12,076,931,968</u>

\* Mutual funds of \$557.2 million and Sec Lending ST investments of \$645.6 million are not included in FV hierarchy. Investment measured at NAV are also not included within the fair value hierarchy. See description of investments measured at the NAV on page 34.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Equity securities, preferred securities, and certain real estate funds classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities and real estate funds. Debt securities classified in level 2 of the fair value hierarchy are valued based on evaluated quotes provided by independent pricing services and matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgage and asset backed securities classified in level 2 are valued on the basis of discounted future principal and interest payments.

Alternative investments classified under level 2 include global inflation linked securities (GILS) managed by Western Assets Management Company with total fair value of \$364.5 million. The fair value determination techniques may include, but not be limited to, matrix pricing, modeled securities. Examples of these models include but are not limited to: a) bespoke total return swaps that are priced using the change in relevant indices, and b) certain restructured securities that can be mapped to prices of other securities; and other valuation techniques. These other valuation techniques include, but are not limited to, discounted cash flow methods using comparable index yields, comparable bond spreads applied to treasuries or comparable prepayment speeds and yields, asset based valuations using the values from securities underlying the security being priced, and relative valuation techniques including total enterprise value/EBITDA for multiple companies and applied to the capital structure of the security being priced.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Fair Value of Investments Measured at the Net Asset Value (NAV)** — Below is a summary of the WPERP's investments at June 30, 2019 for which fair value is measured based on the NAV.

<b>Investments Measured at the NAV</b>	<b>Fair Value</b>	<b>Unfunded Commitment</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
<u>Private Equity</u>				
Direct partnerships	\$ 657,012,612	\$ 425,112,792	Not Eligible	Not Eligible
Fund of funds	131,704,224	183,638,082	Not Eligible	Not Eligible
<u>Real Estate</u>				
Open ended	602,044,298	26,006,512	Quarterly	45-90 days
Close ended	373,664,179	360,239,576	Not Eligible	Not Eligible
<u>Real Return</u>				
Commodities	149,170,036	-	Daily	2 days
Timberland	38,720,489	-	Not Eligible	Not Eligible
<u>Hedge Fund</u>				
Fund of funds	711,462,561	-	1-30 Days	30-60 Days
Total investments measured at the NAV	<u>\$ 2,663,778,399</u>	<u>\$ 994,996,962</u>		

WPERP's private equity portfolio consists of ventured capital, leveraged buyouts, distressed debt, and other special equity funds. WPERP's participation is either through direct partnership or fund of funds. Both structures are not eligible for redemption. Instead, distributions are received as underlying investments within the partnerships and funds are liquidated, which on average can occur over the span of 10 to 15 years.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The real estate portfolio consists of investments in domestic and international commercial and industrial real property. WPERP is invested in both open ended and close ended funds/partnerships. Open ended funds/partnerships can be redeemed subject to the redemption schedule as listed above. Close ended funds/partnerships are not eligible for redemption. Instead, distributions are received as underlying investments within the funds/partnerships are liquidated, which on average can occur over the span of 10 to 15 years.

Real return investments include a commingled commodities fund and two timberland direct partnerships. The timberland partnerships are not eligible for redemption. The estimated duration of these partnerships ranges from 10 to 15 years.

Two hedge fund investments are executed through fund of funds. The underlying third party hedge fund managers' strategies could include, but is not limited to convertible arbitrage, distressed securities, fixed income arbitrage, merger arbitrage, long/short credit, long/short equity, etc.

**Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on the Retirement Fund investments, net of investment expense, was 6.50% and 8.89%, respectively.

For the year ended June 30, 2019 and 2018, the annual money-weighted rate of return on the Retiree Health Benefits Fund investments, net of investment expense, was 6.46% and 9.08%, respectively; the annual money-weighted rate of return on the Death Benefit Fund investments, net of investment expense, was 7.56% and -0.39%, respectively.

**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, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

According to the WPERP's investment policy for fixed income securities, 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 the WPERP's 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. If a bond is rated by all three rating agencies, then it must be graded BB+ or Ba1 or below by two or more rating agencies. If a bond is rated by two rating agencies, it must be rated below investment grade by at least one rating agency.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The credit ratings of the WPERP's investments at June 30, 2019 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 774,227,106	18.91%
U.S. agency notes	AAA	957,820,449	23.40%
Preferred securities/convertible bonds/other	Not rated	32,724,707	0.80%
Mortgage and asset backed securities	AAA	88,040,967	2.15%
	A or better	6,686,957	0.16%
	B or better	20,994,569	0.51%
	Not rated	5,427,189	0.13%
Corporate debt - domestic	AAA	14,544,053	0.36%
	A or better	121,024,794	2.96%
	B or better	749,850,123	18.32%
	C or better	93,803,292	2.29%
	Not rated	51,617,814	1.26%
Corporate debt - international	A or better	46,480,926	1.14%
	B or better	351,166,475	8.58%
	C or better	26,283,988	0.64%
	Not Rated	3,942,302	0.10%
Government debt - international	AAA	25,493,836	0.62%
	A or better	33,666,271	0.82%
	B or better	89,902,394	2.20%
	C or better	22,185,513	0.54%
	D/Not Rated	16,035,283	0.39%
Municipal/provincial bonds	A or better	2,694,350	0.07%
	C or better	1,663,841	0.04%
Mutual funds	Not rated	<u>557,176,262</u> *	<u>13.61%</u>
Total		<u>\$ 4,093,453,461</u>	<u>100.00%</u>

\* 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, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

The credit ratings of the WPERP's investments at June 30, 2018 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 817,381,695	21.40%
U.S. agency notes	AAA	891,017,438	23.33%
Preferred securities/convertible bonds/other	Not rated	32,218,640	0.84%
Mortgage and asset backed securities	AAA	80,184,709	2.10%
	A or better	20,665,149	0.54%
	B or better	63,927,258	1.67%
	C or better	537,885	0.01%
	Not rated	2,462,326	0.06%
Corporate debt - domestic	AAA	4,660,470	0.12%
	A or better	49,724,081	1.30%
	B or better	690,701,034	18.09%
	C or better	140,445,312	3.68%
	D/Not rated	71,252,892	1.87%
Corporate debt - international	A or better	30,248,277	0.79%
	B or better	304,157,774	7.96%
	WR/Not Rated	14,150,443	0.37%
Government debt - international	AAA	22,929,523	0.60%
	A or better	36,015,957	0.94%
	B or better	76,318,832	2.00%
	C or better	2,727,256	0.07%
	D/Not Rated	9,493,398	0.25%
Municipal/provincial bonds	B or better	2,572,250	0.07%
	C or better	2,008,540	0.05%
Mutual funds	Not rated	<u>453,045,783</u> *	<u>11.86%</u>
Total		<u>\$ 3,818,846,922</u>	<u>100.00%</u>

\* 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, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019, and 2018, 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.

Interest Rate Risk

As of June 30, 2019, 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	\$ 774,227,106	4.07
U.S. agency notes	957,820,449	24.63
Preferred securities	32,724,707	0.00
Mortgage and asset backed securities	121,149,682	20.26
Corporate debt - domestic	1,030,840,075	8.07
Corporate debt - international	427,873,692	8.98
Government debt - international	187,283,297	10.75
Municipal / Provincial Bonds	4,358,191	15.00
Mutual funds	557,176,262	0.02
<b>Total</b>	<b>\$ 4,093,453,461</b>	<b>10.61</b>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

As of June 30, 2018, 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	\$ 817,381,695	3.97
U.S. agency notes	891,017,438	21.21
Preferred securities	32,218,640	0.00
Mortgage and asset backed securities	167,777,327	18.43
Corporate debt - domestic	956,783,789	9.15
Corporate debt - international	348,556,494	17.45
Government debt - international	147,484,966	11.39
Municipal / Provincial Bonds	4,580,790	17.19
Mutual funds	453,045,783	0.00
<b>Total</b>	<b>\$ 3,818,846,922</b>	<b>10.95</b>

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, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Foreign Currency Risk**

As of June 30, 2019 and 2018, the WPERP's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Investment Type</u>	<u>2019</u>	<u>2018</u>
Australian Dollar	Cash & cash equivalents	\$ 127,339	\$ 83,420
	Equities	52,286,522	52,891,596
	Fixed Income	2,470,487	2,410,202
Brazil Real	Cash & cash equivalents	18,555	8,508
	Equities	32,366,609	16,908,598
Canadian Dollar	Cash & cash equivalents	900,545	274,663
	Equities	74,232,805	67,843,703
	Fixed Income	13,341,564	13,093,907
HK offshore Chinese Yuan Renminbi	Equities	9,662,256	-
	Cash & cash equivalents	18,022	-
Danish Krone	Cash & cash equivalents	(745)	-
	Equities	14,815,444	12,499,111
	Cash & cash equivalents	34,550,028	33,726,828
Euro Currency Unit	Equities	471,416,437	481,639,841
	Fixed Income	261,471,976	144,423,608
	Cash & cash equivalents	305,320	61,797
Hong Kong Dollar	Equities	137,381,919	121,970,452
	Equities	2,846,607	1,045,177
Hungarian Forint	Equities	8,700,468	10,778,347
	Cash & cash equivalents	1,643,159	2,041,805
Indonesian Rupiah	Equities	305,505,891	320,293,320
	Fixed Income	13,965,993	6,334,019
	Cash & cash equivalents	115	119
South Korea Won	Equities	51,788,100	60,346,531
	Equities	2,813,286	15,348,421
Malaysian Ringgit	Cash & cash equivalents	633,230	356,079
	Equities	12,548,281	13,152,068
	Fixed Income	9,110,848	9,068,604
New Taiwan Dollar	Cash & cash equivalents	-	392
	Equities	53,883,929	57,215,812
New Zealand Dollar	Cash & cash equivalents	118,061	135,960
	Fixed Income	4,789,692	4,357,896
	Equities	3,576,375	3,897,928
Norwegian Krone	Cash & cash equivalents	28	223
	Equities	17,987,661	18,945,498
Philippine Peso	Cash & cash equivalents	77	526
	Equities	1,605,611	1,016,138
Polish Zloty	Cash & cash equivalents	856	852
	Equities	2,821,559	1,510,098
Pound Sterling	Cash & cash equivalents	3,459,114	3,017,047
	Equities	232,128,226	216,478,690
	Fixed Income	135,805,272	96,592,505

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

<u>Currency</u>	<u>Investment Type</u>	<u>2019</u>	<u>2018</u>
Qatari Riyal	Equities	278,860	-
S. African Rand	Cash & cash equivalents	-	332
	Equities	-	18,397,638
Singapore Dollar	Equities	8,290,317	6,533,571
		254	-
Swedish Krona	Cash & cash equivalents	7,696	8,337
	Equities	20,740,473	19,307,684
Swiss Franc	Cash & cash equivalents	(2,523)	200
	Equities	158,527,560	120,336,032
Thailand Baht	Equities	12,793,354	16,469,165
Turkish Lira	Cash & cash equivalents	7	9
	Equities	6,054,712	8,365,774
Total		<u>\$ 2,177,788,232</u>	<u>\$ 1,979,189,031</u>

The WPERP's investment policy permits it to invest up to 23.30 % of total investments of the WPERP in non-U.S. investments. The WPERP's position is 13.66% and 13.10% as of June 30, 2019 and 2018, respectively.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2019 and 2018, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2019 and 2018 financial statements are as follows:

Type	2019				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ (10,119,898)	Investment	\$ 328,092	\$ 1,326,254,627

Type	2018				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 14,751,807	Investment	\$ 10,447,990	\$ 1,273,018,619

At June 30, 2019 and 2018, 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.

**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

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 4 – SECURITIES LENDING PROGRAM (Continued)**

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, 2019, and 2018, 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 72 days and 79 days as of June 30, 2019 and 2018, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2019 and 2018 are:

<u>Securities on loan</u>	<u>2019</u>	<u>2018</u>
Global agencies	\$ 1,142,480	\$ -
Global equities	131,981,209	200,350,142
Global corporate fixed	21,448,101	19,218,338
Global government fixed	316,795,034	496,180,209
U.S. agency notes	6,294,318	4,665,074
U.S. corporate fixed	148,122,264	174,072,468
U.S. equities	441,800,077	415,299,763
U.S. government fixed	<u>201,282,076</u>	<u>274,916,345</u>
Total	<u>\$ 1,268,865,559</u>	<u>\$ 1,584,702,339</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018 are as follows:

	Total Pension Liability	Retirement Fund Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability
As of June 30, 2019	\$13,811,964,793	\$12,987,087,001	\$824,877,792	94.03%
As of June 30, 2018	\$13,187,551,040	\$12,277,085,263	\$910,465,777	93.10%

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, 2019 and 2018. The NPL as of June 30, 2019 and 2018 was determined by actuarial valuation as of July 1, 2019 and July 1, 2018, respectively. The actuarial assumptions used in the June 30, 2019 measurements were based on the results of the most recently completed actuarial experience study for the period from July 1, 2015 through June 30, 2018. The actuarial assumptions used in the June 30, 2018 measurements were based on the results of the previous actuarial experience study for the period from July 1, 2012 through June 30, 2015. In particular, the following assumptions were applied in the measurements:

*June 30, 2019 measurements*

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 members and 2.00% maximum for Tier 2 members.
Investment rate of return	7.00% net of investment expense, including inflation



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.
<i>June 30, 2018 measurements</i>	
Inflation rate	3.00%
Projected salary increases	4.50% to 10.00%, includes inflation at 3.00%, “across the board” increases of 0.50% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 members and 2.00% maximum for Tier 2 members.
Investment rate of return	7.25% net of investment expense, including inflation
Mortality	Head count-weighted RP-2014 Healthy Annuitant Mortality Table with no age adjustment for males and set back one year for females, projected generationally with the two-dimensional MP-2015 projection scale.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

*Investment rate of return:* The long-term expected rate of return on Retirement Fund's investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

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 assumptions as of June 30, 2019 and 2018 are summarized in the following table. The expected rates of return are based on their respective actuarial experience studies.

*June 30, 2019 measurements*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equity	22.95%	5.44%
Small cap U.S. equity	1.75%	6.18%
Developed international large cap equity	13.06%	6.54%
Developed international small cap equity	2.18%	6.64%
Global equity	2.90%	6.45%
Emerging market equity	5.16%	8.73%
Fixed income	25.00%	1.65%
Real estate	8.00%	4.60%
Real return	5.00%	2.07%
Private equity	8.00%	9.27%
Hedge funds	5.00%	3.53%
Cash and cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

*June 30, 2018 measurements*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29.00%	5.76%
Broad international equity	19.00%	7.25%
Fixed income	25.00%	1.74%
Real estate	8.00%	4.37%
Real return	5.00%	2.39%
Private equity	8.00%	7.75%
Hedge funds	5.00%	3.50%
Cash and cash equivalents	1.00%	-0.46%
Total	<u>100.00%</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 7.00% and 7.25% as of June 30, 2019 and June 30, 2018, respectively. 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, 2019 and 2018.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the Retirement Fund's NPL as of June 30, 2019 and 2018, calculated using its respective discount rate, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the utilized rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NPL as of June 30, 2019	\$2,684,655,288	\$824,877,792	\$(711,927,203)
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
NPL as of June 30, 2018	\$2,690,251,200	\$910,465,777	\$(561,244,711)

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT**

The WPERP benefits and funds included within the definition of Other Postemployment Benefits (OPEB) are the RHBF and the Death Benefit Fund.

**Retiree Health Benefits Fund**

The components of the net OPEB liability (NOL) of the RHBF as of June 30, 2019 and 2018 are as follows:

	Total OPEB Liability	RHBF Fiduciary Net Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability
As of June 30, 2019	\$2,683,446,018	\$2,220,551,434	\$462,894,584	82.75%
As of June 30, 2018	\$2,469,304,377	\$2,085,691,078	\$383,613,299	84.46%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

An independent actuarial firm conducts annual actuarial valuation to determine the total OPEB liability of the Department. The NOL as of June 30, 2019 and 2018 were determined by the actuarial valuation as of June 30, 2019 and 2018. The non-healthcare cost actuarial assumptions used in the June 30, 2019 measurements were based on the results of the most recently completed actuarial experience study for the period from July 1, 2015 through June 30, 2018. The actuarial assumptions used in the June 30, 2018 measurements were based on the results of the previous actuarial experience study for the period from July 1, 2012 through June 30, 2015. In particular, the following assumptions were applied in the measurements:

*June 30, 2019 measurements*

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	7.00% net of investment expense, including inflation
Mortality	Headcount-weighted Above Median Pub-2010 General Healthy Retiree Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*June 30, 2018 measurements*

Inflation rate	3.00%
Projected salary increases	4.50% to 10.00%, includes inflation at 3.00%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	7.25% net of investment expense, including inflation
Mortality	Head count-weighted RP-2014 Healthy Annuitant Mortality Table with no age adjustment for males and set back one year for females, projected generationally with the two-dimensional MP-2015 projection scale.

Healthcare cost assumptions are separately developed by the actuary annually. They are based on annual cost trend survey of the healthcare industry and plan specific information. Specifically, the following assumptions were applied in the June 30, 2019 and 2018 measurements:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Non-Medicare medical plan	6.75%, graded down to an ultimate of 4.50% over 9 years	7.00%, graded down to an ultimate of 4.50% over 10 years
Medicare medical plans	6.25%, graded down to an ultimate of 4.50% over 7 years	6.50%, graded down to an ultimate of 4.50% over 8 years
Dental	4.00%	4.00%
Medicare Part B	4.50%	4.00%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*Investment rate of return:* The long-term expected rate of return on RHBF's investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

The RHBF'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 assumptions as of June 30, 2019 and 2018 are summarized in the following table. The expected rates of return are based on their respective actuarial experience studies.

*June 30, 2019 measurements*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equity	22.95%	5.44%
Small cap U.S. equity	1.75%	6.18%
Developed international large cap equity	13.06%	6.54%
Developed international small cap equity	2.18%	6.64%
Global equity	2.90%	6.45%
Emerging market equity	5.16%	8.73%
Fixed income	25.00%	1.65%
Real estate	8.00%	4.60%
Real return	5.00%	2.07%
Private equity	8.00%	9.27%
Hedge funds	5.00%	3.53%
Cash and cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*June 30, 2018 measurements*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29.00%	5.76%
Broad international equity	19.00%	7.25%
Fixed income	25.00%	1.74%
Real estate	8.00%	4.37%
Real return	5.00%	2.39%
Private equity	8.00%	7.75%
Hedge funds	5.00%	3.50%
Cash and cash equivalents	1.00%	-0.46%
Total	<u>100.00%</u>	

*Discount rate:* The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2019 and 7.25% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed Department contributions will be equal to benefit payments. 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 RHBF'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 RHBF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019 and 2018.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate:* The following presents the RHBF's NOL as of June 30, 2019 and 2018, calculated using its respective discount rate, as well as what the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the utilized rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NOL as of June 30, 2019	\$833,848,943	\$462,894,584	\$157,692,076
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
NOL as of June 30, 2018	\$726,798,149	\$383,613,299	\$101,707,364

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:* The following presents the RHBF's NOL as of June 30, 2019 and 2018, calculated using the healthcare cost trend rates assumed in the June 30, 2019 and 2018 actuarial valuations, as well as what the NOL would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the assumed rates:

	1% Decrease	Assumed Trend Rates	1% Increase
NOL as of June 30, 2019	\$116,743,580	\$462,894,584	\$926,010,141
NOL as of June 30, 2018	\$66,555,802	\$383,613,299	\$809,369,825

**Death Benefit Fund**

The components of the NOL of the Death Benefit Fund as of June 30, 2019 and 2018 are as follows:

	Total OPEB Liability	Death Benefit Fund Fiduciary Net Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability
As of June 30, 2019	\$134,257,596	\$28,806,740	\$105,450,856	21.46%
As of June 30, 2018	\$143,870,026	\$27,210,220	\$116,659,806	18.91%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

The WPERP engages an independent actuarial firm to conduct annual actuarial valuation to determine the total OPEB liability of the Department. The NOL as of June 30, 2019 and 2018 were determined by the actuarial valuations as of June 30, 2019 and 2018. The actuarial assumptions used in the June 30, 2019 measurements were based on the results of the most recently completed actuarial experience study for the period from July 1, 2015 through June 30, 2018, with the exception of a 3.50% investment return assumption and additional assumptions regarding family composition for the Family Death Benefit and Supplemental Family Death Benefit. The actuarial assumptions used in the June 30, 2018 measurements were based on the results of the previous actuarial experience study for the period from July 1, 2012 through June 30, 2015. In particular, the following assumptions were applied in the measurements:

*June 30, 2019 measurements*

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	3.50% net of investment expense, including inflation

*June 30, 2018 measurements*

Inflation rate	3.00%
Projected salary increases	4.50% to 10.00%, includes inflation at 3.00%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	3.50% net of investment expense, including inflation

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*Investment rate of return:* The long-term expected rate of return on the Death Benefit Fund's investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

The Death Benefit 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 assumptions valuation as of June 30, 2019 and 2018 are summarized in the following table. This information may change as the actuarial experience study is conducted at the maximum of five years interval.

Asset Class	Target Allocation	June 30, 2019 Long-Term Expected Real Rate of Return	June 30, 2018 Long-Term Expected Real Rate of Return
Fixed income	96.00%	1.42%	0.82%
Cash and cash equivalents	4.00%	0.25%	-0.46%
Total	<u>100.00%</u>		

*Discount rate:* The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019 and 2018. A "crossover test" was not explicitly performed since the municipal bond rate as of June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. Those municipal bond rates were actually higher than or equal to the 3.50% long-term expected rate of return on Death Benefit Fund's investments. Therefore, the long-term expected rate of return on Death Benefit Fund's investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019 and 2018.

*Sensitivity of the net OPEB liability to changes in the discount rate:* The following presents the Death Benefit Fund's NOL as of June 30, 2019 and 2018, calculated using the discount rate of 3.50%, as well as what the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
NOL as of June 30, 2019	\$127,029,200	\$105,450,856	\$88,288,477
NOL as of June 30, 2018	\$138,389,690	\$116,659,806	\$99,378,700

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)**

*Sensitivity of the net OPEB liability to changes in the cost trend rate:* Since there is no trend rate assumption used in valuing these benefits, the net OPEB liability is unaffected by any changes in trend rates.

**NOTE 7 – ACTUARIAL VALUATION – DISABILITY FUND**

Actuarial studies are performed annually on the Disability Fund to determine and recommend the appropriate contribution rates and the benefit reserves levels needed to fund the current and future benefit liabilities. The results of the most recent annual actuarial reviews (as of July 1, 2018 and July 1, 2017) 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 decreased from \$1.44 per to \$1.31 per \$100 of covered payroll. The rate change was approved by the Retirement Board in January 2019 and was implemented the same month.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 8 – RESERVES AND DESIGNATED BALANCES**

Reserve accounts are established to cover all deferred liabilities as they accrue. Reserves are established from members and Department contributions and the accumulation of investment income after satisfying investment and administrative expenses. 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 and the reserve for death benefit.

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, 2019 AND 2018**

**NOTE 8 – RESERVES AND DESIGNATED BALANCES (Continued)**

The WPERP's reserves and designated balances at June 30, 2019 and 2018 are as follows:

	2019	2018
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 7,853,587,428	\$ 7,409,140,493
Contributions:		
Members' contributions	1,753,563,838	1,667,598,977
Department contributions	(1,441,549,089)	(1,382,598,166)
Total contributions	312,014,749	285,000,811
General reserve	2,406,274,766	2,388,641,092
Total reserves and designated balances	10,571,876,943	10,082,782,396
Unrealized appreciation in the fair value of investments	2,415,210,058	2,194,302,867
Total reserves and designated balances at fair value	<u>\$ 12,987,087,001</u>	<u>\$ 12,277,085,263</u>
<u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary and permanent disability cases	\$ 17,873,839	\$ 17,458,849
General reserve	25,107,150	24,940,465
Total reserves and designated balances	42,980,989	42,399,314
Unrealized appreciation in the fair value of investments	5,302,286	4,014,563
Total reserves and designated balances at fair value	<u>\$ 48,283,275</u>	<u>\$ 46,413,877</u>
<u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 4,289,423	\$ 3,941,818
Contribution account - family allowances	7,044,579	7,254,184
General reserve	13,879,500	13,594,205
Total reserves and designated balances	25,213,502	24,790,207
Unrealized appreciation in the fair value of investments	3,593,238	2,420,013
Total reserves and designated balances at fair value	<u>\$ 28,806,740</u>	<u>\$ 27,210,220</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	748,311,847	658,580,136
Total reserves and designated balances	1,785,916,774	1,696,185,063
Unrealized appreciation in the fair value of investments	434,634,660	389,506,015
Total reserves and designated balances at fair value	<u>\$ 2,220,551,434</u>	<u>\$ 2,085,691,078</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 9 – 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, 2019 and 2018:

Fiscal year ended June 30, 2019

There were no significant Plan amendments for the fiscal year ended June 30, 2019.

Fiscal year ended June 30, 2018

The Regular Interest rate, as defined in the Plan, is used to credit members' retirement contributions on deposit with the Plan. An amendment was adopted to align the Regular Interest rate with the Plan's investment return assumption as adopted by the Retirement Board, so long as the investment return assumption is at least 7.00%. Post adoption, the Regular Interest rate was decreased from 7.50% to 7.25% effective March 1, 2018.

Another amendment aligned the mortality tables used by the Plan to calculate retirement allowances and the conversion to optional benefit amounts with the mortality assumptions as adopted by the Retirement Board. Effective July 1, 2018, such calculations shall be based upon the mortality and associated interest rate assumptions as adopted by the Retirement Board, so long as the interest rate assumption is at least 7.00%.

Lastly an amendment was adopted to reduce the minimum vesting requirement for all Tier 2 members to 5 years of continuous Department service.

**NOTE 10 – 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.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 – SUBSEQUENT EVENTS**

The WPERP has evaluated subsequent events through December 2, 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total pension liability</b>							
Service cost	\$ 243,262,953	\$ 228,621,066	\$ 217,276,778	\$ 209,832,859	\$ 214,735,027	\$ 193,661,118	\$ 189,950,104
Interest	952,071,733	913,798,415	887,133,571	837,977,383	821,047,664	779,396,615	748,904,919
Change of benefit terms	-	(59,019,242)	-	-	(144,007,904)	-	-
Differences between expected and actual experience	17,806,843	10,253,750	(196,176,749)	(189,461,173)	(162,912,927)	(154,221,968)	(98,062,638)
Change of assumptions	8,835,790	-	-	722,927,661	-	525,443,921	-
Benefit payments, including refund of member contributions	(597,563,566)	(563,212,525)	(540,361,335)	(510,484,986)	(485,966,910)	(463,596,940)	(438,527,366)
<b>Net change in total pension liability</b>	624,413,753	530,441,464	367,872,265	1,070,791,744	242,894,950	880,682,746	402,265,019
<b>Total pension liability - beginning</b>	13,187,551,040	12,657,109,576	12,289,237,311	11,218,445,567	10,975,550,617	10,094,867,871	9,692,602,852
<b>Total pension liability - ending</b>	<u>\$ 13,811,964,793</u>	<u>\$ 13,187,551,040</u>	<u>\$ 12,657,109,576</u>	<u>\$ 12,289,237,311</u>	<u>\$ 11,218,445,567</u>	<u>\$ 10,975,550,617</u>	<u>\$ 10,094,867,871</u>
<b>Fiduciary net position</b>							
Contributions - employer, including administrative expenses	\$ 416,180,197	\$ 439,298,444	\$ 397,747,778	\$ 368,259,056	\$ 382,231,868	\$ 389,138,324	\$ 372,819,194
Contributions - employees	104,741,925	93,659,240	83,239,105	75,068,523	68,552,375	72,299,526	69,633,449
Net investment income	791,832,113	998,777,227	1,280,806,288	95,807,981	410,778,109	1,405,686,199	919,679,147
Benefit payments, including refund of member contribution	(597,563,566)	(563,212,525)	(540,361,335)	(510,484,986)	(485,966,910)	(463,596,941)	(438,527,366)
Administrative expense	(5,188,931)	(5,336,458)	(5,375,229)	(5,108,115)	(4,612,476)	(4,221,234)	(3,736,871)
<b>Net change in fiduciary net position</b>	710,001,738	963,185,928	1,216,056,607	23,542,459	370,982,966	1,399,305,874	919,867,553
<b>Fiduciary net position - beginning</b>	12,277,085,263	11,313,899,335	10,097,842,728	10,074,300,269	9,703,317,303	8,304,011,429	7,384,143,876
<b>Fiduciary net position - ending</b>	<u>\$ 12,987,087,001</u>	<u>\$ 12,277,085,263</u>	<u>\$ 11,313,899,335</u>	<u>\$ 10,097,842,728</u>	<u>\$ 10,074,300,269</u>	<u>\$ 9,703,317,303</u>	<u>\$ 8,304,011,429</u>
<b>Net pension liability</b>	<u>\$ 824,877,792</u>	<u>\$ 910,465,777</u>	<u>\$ 1,343,210,241</u>	<u>\$ 2,191,394,583</u>	<u>\$ 1,144,145,298</u>	<u>\$ 1,272,233,314</u>	<u>\$ 1,790,856,442</u>
<b>Fiduciary net position as % of total pension liability</b>	94.03%	93.10%	89.39%	82.17%	89.80%	88.41%	82.26%
<b>Covered employee payroll</b>	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196	\$ 861,818,854	\$ 839,213,254	\$ 819,923,866	\$ 817,421,028
<b>Net pension liability as % of covered employee payroll</b>	80.22%	95.47%	150.53%	254.28%	136.34%	155.16%	219.09%

**Note to Schedule:**

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

See accompanying independent auditor's report.

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

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

Plan Year Ended June 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2019	\$ 408,750,192	\$ 410,165,124	\$ (1,414,932)	\$ 1,028,212,002	39.89%
2018	425,512,236	433,412,569	(7,900,333)	953,635,670	45.45%
2017	403,780,319	391,717,359	12,062,960	892,332,196	43.90%
2016	368,599,924	362,359,894	6,240,030	861,818,854	42.05%
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%

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	7.00%
Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%
Cost of living adjustments	2.75% (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1, 2.00% maximum for Tier 2)
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.
Other assumptions	Same as those used in the July 1, 2019 funding actuarial valuation

See accompanying independent auditor's report.

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.50%	8.89%	12.79%	0.96%	4.27%	17.05%

**Note to schedule:**

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

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 CHANGES IN NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY  
AND RELATED RATIOS  
(Unaudited)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total OPEB liability</b>				
Service cost	\$ 46,187,613	\$ 49,190,698	\$ 49,295,168	\$ 38,342,912
Interest	178,690,352	170,306,670	169,518,251	146,596,915
Change of benefit terms	-	(285,566)	-	-
Differences between expected and actual experience	(40,431,700)	(6,956,314)	(44,553,945)	87,184,567
Change of assumptions	131,290,346	4,798,880	(70,508,237)	185,583,627
Benefit payments	(101,594,970)	(95,233,622)	(90,310,419)	(79,895,671)
<b>Net change in total OPEB liability</b>	214,141,641	121,820,746	13,440,818	377,812,350
<b>Total OPEB liability - beginning</b>	<u>2,469,304,377</u>	<u>2,347,483,631</u>	<u>2,334,042,813</u>	<u>1,956,230,463</u>
<b>Total OPEB liability - ending</b>	<u>\$ 2,683,446,018</u>	<u>\$ 2,469,304,377</u>	<u>\$ 2,347,483,631</u>	<u>\$ 2,334,042,813</u>
<b>Fiduciary net position</b>				
Contributions - employer, including administrative expenses	\$ 102,631,460	\$ 95,918,712	\$ 91,023,926	\$ 80,606,726
Net investment income	134,706,591	173,674,359	218,835,834	14,462,876
Benefit payments	(101,594,970)	(95,233,622)	(90,310,419)	(79,895,671)
Administrative expense	(882,725)	(548,907)	(585,352)	(578,174)
<b>Net change in fiduciary net position</b>	134,860,356	173,810,542	218,963,989	14,595,757
<b>Fiduciary net position - beginning</b>	<u>2,085,691,078</u>	<u>1,911,880,536</u>	<u>1,692,916,547</u>	<u>1,678,320,790</u>
<b>Fiduciary net position - ending</b>	<u>\$ 2,220,551,434</u>	<u>\$ 2,085,691,078</u>	<u>\$ 1,911,880,536</u>	<u>\$ 1,692,916,547</u>
<b>Net OPEB liability</b>	<u>\$ 462,894,584</u>	<u>\$ 383,613,299</u>	<u>\$ 435,603,095</u>	<u>\$ 641,126,266</u>
<b>Fiduciary net position as % of total OPEB liability</b>	82.75%	84.46%	81.44%	72.53%
<b>Covered employee payroll</b>	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196	\$ 861,818,854
<b>Net OPEB liability as % of covered employee payroll</b>	45.02%	40.23%	48.82%	74.39%

**Note to Schedule:**

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

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)**

<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>
2019	\$ 80,850,687	\$ 101,594,970	\$ (20,744,283)	\$ 1,028,212,002	9.88%
2018	85,339,091	95,233,622	(9,894,531)	953,635,670	9.99%
2017	93,920,143	90,310,419	3,609,724	892,332,196	10.12%
2016	61,971,138	79,895,671	(17,924,533)	861,818,854	9.27%
2015	70,748,429	78,496,618	(7,748,189)	839,213,254	9.35%
2014	58,453,215	74,105,548	(15,652,333)	819,923,866	9.04%
2013	36,907,715	67,562,881	(30,655,166)	817,421,028	8.27%
2012	40,094,940	101,720,586	(61,625,646)	805,607,436	12.63%
2011	66,188,311	140,132,520	(73,944,209)	791,760,493	17.70%
2010	56,294,335	160,236,897	(103,942,562)	767,912,436	20.87%

See accompanying independent auditor's report.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
RETIREE HEALTH BENEFITS 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, Level Percent of Pay
Amortization method	Single Closed amortization period, level percent of pay; 17 years remaining as of June 30, 2018
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market returns and the expected returns on a market value basis, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expense
Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%
Healthcare cost trend rates:	
Non-Medicare medical plan	6.75%, graded down to an ultimate of 4.50% over 9 years
Medicare medical plans	6.25%, graded down to an ultimate of 4.50% over 7 years
Dental	4.00%
Medicare Part B	4.50%

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 INVESTMENT RETURNS  
 (Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.46%	9.08%	12.92%

**Note to schedule:**

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

See accompanying independent auditor's report.



**EXHIBIT VII**

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

**REQUIRED SUPPLEMENTARY INFORMATION  
DEATH BENEFIT FUND  
SCHEDULE OF CHANGES IN NET OTHER POST EMPLOYMENT BENEFIT LIABILITY  
AND RELATED RATIOS  
(Unaudited)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost	\$ 4,779,848	\$ 3,875,903	\$ 3,656,610
Interest	5,058,685	5,140,912	5,095,026
Change of benefit terms	-	90,905	-
Differences between expected and actual experience	485,084	(4,443,689)	125,381
Change of assumptions	(11,703,994)	-	-
Benefit payments	(8,232,053)	(7,602,577)	(7,968,010)
<b>Net change in total OPEB liability</b>	(9,612,430)	(2,938,546)	909,007
<b>Total OPEB liability - beginning</b>	143,870,026	146,808,572	145,899,565
<b>Total OPEB liability - ending</b>	\$ 134,257,596	\$ 143,870,026	\$ 146,808,572
<b>Fiduciary net position</b>			
Contributions - employer, including administrative expenses	\$ 8,777,581	\$ 8,101,199	\$ 8,206,607
Contributions - employees	358,073	346,931	336,630
Net investment income	2,292,799	(119,894)	(56,662)
Benefit payments	(8,232,053)	(7,602,577)	(7,968,010)
Administrative expense	(1,599,880)	(1,099,573)	(1,119,190)
<b>Net change in fiduciary net position</b>	1,596,520	(373,914)	(600,625)
<b>Fiduciary net position - beginning</b>	27,210,220	27,584,134	28,184,759
<b>Fiduciary net position - ending</b>	\$ 28,806,740	\$ 27,210,220	\$ 27,584,134
<b>Net OPEB liability</b>	\$ 105,450,856	\$ 116,659,806	\$ 119,224,438
<b>Fiduciary net position as % of total OPEB liability</b>	21.46%	18.91%	18.79%
<b>Covered employee payroll</b>	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196
<b>Net OPEB liability as % of covered employee payroll</b>	10.26%	12.23%	13.36%

**Note to Schedule:**

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

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)**

<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>
2019	\$ 7,259,955	\$ 7,259,955	\$ -	\$ 1,028,212,002	0.71%
2018	7,137,211	7,137,211	-	953,635,670	0.75%
2017	7,137,953	7,137,953	-	892,332,196	0.80%
2016	7,206,780	7,206,780	-	861,818,854	0.84%

**Note to schedule:**

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

See accompanying independent auditor's report.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
DEATH BENEFIT 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	Pay as you go, subject to modifications by the Board's funding policy
Funding policy	Varies by component of the Death Benefit Fund as follows:  Family Death Benefit: Recommend a contribution rate that maintains assets at a target level equal to the reserve for benefits granted plus an additional 20%  Supplemental Family Death Benefit: Establish once stable annual costs are achieved  Insured Lives Death Benefit (Both): Recommend a contribution rate that maintains the general reserve at a target level of the average of the benefits paid for the last five years
Asset valuation method	Total market value of the Death Benefit Fund at valuation date
Actuarial assumptions:	
Investment rate of return	3.50%, net of investment expense
Inflation rate	2.75%
Projected salary increase	4.50% to 10.25%

See accompanying independent auditor's report.

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

**REQUIRED SUPPLEMENTARY INFORMATION  
DEATH BENEFIT FUND  
SCHEDULE OF INVESTMENT RETURNS  
(Unaudited)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.56%	-0.39%	-0.18%

**Note to schedule:**

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

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, 2019 and 2018  
(Unaudited)**

	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, 2017	\$ 1,531,956,516	\$ (421,562,579)	\$ (2,311,985,072)	\$ (134,038,601)	\$ (1,335,629,736)	\$ 1,592,237,219	\$ 256,607,483	\$ 6,942,830,729
Contributions received	51,075,538	385,574,488	-	-	436,650,026	93,659,240	530,309,266	-
Contributions refunded	(3,237,457)	-	-	-	(3,237,457)	(4,311,579)	(7,549,036)	-
Net Contributions	47,838,081	385,574,488	-	-	433,412,569	89,347,661	522,760,230	-
Transfers from contribution accounts for retiring members	(128,776,286)	(114,894,048)	(128,282,495)	(13,055,817)	(385,008,646)	(130,811,408)	(515,820,054)	515,820,054
Retirement allowances paid	-	-	-	-	-	-	-	(558,900,946)
Interest at 7.50% July - February & 7.25% per annum thereafter	111,059,573	(21,279,914)	(174,854,431)	(10,297,580)	(95,372,352)	116,825,504	21,453,152	509,390,656
Balance at June 30, 2018	1,562,077,884	(172,162,053)	(2,615,121,998)	(157,391,998)	(1,382,598,165)	1,667,598,977	285,000,811	7,409,140,493
Contributions received	49,871,075	363,816,576	-	-	413,687,651	104,741,925	518,429,576	-
Contributions refunded	(3,522,527)	-	-	-	(3,522,527)	(6,101,790)	(9,624,317)	-
Net Contributions	46,348,548	363,816,576	-	-	410,165,124	98,640,135	508,805,259	-
Transfers from contribution accounts for retiring members	(129,167,886)	(88,323,610)	(135,942,915)	(18,276,723)	(371,711,134)	(132,242,574)	(503,953,708)	503,953,708
Retirement allowances paid	-	-	-	-	-	-	-	(591,461,776)
Interest at 7.25% per annum	110,322,435	(2,370,237)	(193,418,131)	(11,938,981)	(97,404,914)	119,567,300	22,162,386	531,955,003
Balance at June 30, 2019	\$ 1,589,580,981	\$ 100,960,676	\$ (2,944,483,044)	\$ (187,607,702)	\$ (1,441,549,089)	\$ 1,753,563,838	\$ 312,014,749	\$ 7,853,587,428

**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, 2019 and 2018

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2017	\$ 6,036,412	\$ 825,171	\$ 6,861,583	\$ 4,192,337
Contributions received	102,380	194,513	296,893	-
Transfers to estimated liability for family allowances from contribution accounts for member deceased during the year	(59,299)	(89,136)	(148,435)	148,435
Family allowances paid	-	-	-	(543,244)
Interest transferred from general reserve at 3.5% per annum	214,450	29,693	244,143	144,290
Balances at June 30, 2018	\$ 6,293,943	\$ 960,241	\$ 7,254,184	\$ 3,941,818
Contributions received	105,134	185,607	290,741	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	(67,560)	(679,657)	(747,217)	747,217
Family allowances paid	-	-	-	(546,650)
Interest transferred from general reserve at 3.5% per annum	224,421	22,450	246,871	147,038
Balances at June 30, 2019	\$ 6,555,938	\$ 488,641	\$ 7,044,579	\$ 4,289,423

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

**RETIREMENT FUND  
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPES  
June 30, 2019**

## Revenues by Source

<b>Fiscal Year</b>	<b>Members' Contributions</b>	<b>Department Contributions*</b>	<b>Investment Income**</b>	<b>Total</b>
2019	\$ 104,741,925	\$ 419,702,724	\$ 257,334,361	\$ 781,779,010
2018	\$ 93,659,240	\$ 442,535,901	\$ 223,611,026	\$ 759,806,167
2017	\$ 83,239,105	\$ 401,127,290	\$ 208,617,806	\$ 692,984,201
2016	\$ 75,068,523	\$ 371,845,053	\$ 184,829,756	\$ 631,743,332
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

## Expenses by Type

<b>Fiscal Year</b>	<b>Benefits</b>	<b>Administrative Expenses***</b>	<b>Refunds****</b>	<b>Total</b>
2019	\$ 591,461,776	\$ 54,438,930	\$ 9,624,317	\$ 655,525,023
2018	\$ 558,900,946	\$ 48,293,515	\$ 7,549,036	\$ 614,743,497
2017	\$ 535,914,984	\$ 40,643,556	\$ 7,825,863	\$ 584,384,403
2016	\$ 505,591,726	\$ 33,807,268	\$ 8,479,257	\$ 547,878,251
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

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

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

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

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