

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES'  
RETIREMENT PLAN  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2020 and 2019**

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

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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, 2020 and 2019, 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, 2020 and 2019, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, effective July 1, 2019, the WPERP adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 18; the Schedule of Changes in Net Pension Liability and Related Ratios on page 60; the Schedule of Changes in Net Other Postemployment Benefit and Related Ratios on pages 64 and 68; the Schedule of Employer Contributions and related notes on pages 61, 62, 65, 66, 69, and 70; and the Schedule of Investment Returns on pages 63, 67, and 71 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  
November 6, 2020

**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, 2020 and 2019.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2020, the fiduciary net position was \$13.4 billion, \$49.9 million, \$37.4 million, and \$2.3 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 \$366.6 million or 2.82%, \$1.6 million or 3.41%, \$8.6 million or 29.71%, and \$83.2 million or 3.75% for the Retirement, Disability, Death Benefit and Retiree Health Benefits Fund respectively.
- Additions to the Retirement Fund's fiduciary net position decreased by \$305.8 million in the current year, while additions to the Retiree Health Benefit Fund's fiduciary net position declined by \$43.9 million. They were due mainly to lower investment returns as a result of the Covid-19 pandemic.
- Deductions from the Retirement Fund's fiduciary net position increased \$37.6 million from \$602.8 million to \$640.4 million over the prior year or approximately 6.24%, due to the rise in the total number of retirees and the cost of living adjustment granted.
- At June 30, 2020, the fiduciary net position as a percentage of total pension liability of the Retirement Fund was 92.32%.
- At June 30, 2020, the Department's net pension liability under the Retirement Fund was \$1.1 billion.
- At June 30, 2020, the fiduciary net position as a percentage of total other postemployment benefits liability of the Retiree Health Benefits Fund and Death Benefit Fund was 92.51% and 27.94%, respectively.
- At June 30, 2020, the Department's net other postemployment benefits liability under the Retiree Health Benefits Fund and Death Benefit Fund was \$186.5 million and \$96.4 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 59 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 60 to 71 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 72 to 74 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<br>(In Thousands) |                          |                          | 2019-20   | 2018-19   |
|----------------------------|--|--------------------------|--------------------------|-----------|-----------|
|                            | 2020   | 2019                     | 2018                     | % Change  | % Change  |
| Cash                       | \$ 85,024  | \$ 59,960                | \$ 8,064                 | 41.80%    | 643.55%   |
| Prepaid expense            | 26   | 3                        | 2                        | 766.67%   | 50.00%    |
| Receivables                | 331,753  | 164,798                  | 355,239                  | 101.31%   | -53.61%   |
| Investments                | <u>13,794,404</u>  | <u>13,519,694</u>        | <u>12,816,076</u>        | 2.03%     | 5.49%     |
| <br>Total assets           | <br>14,211,207   | <br>13,744,455           | <br>13,179,381           | <br>3.40% | <br>4.29% |
| Liabilities                | <u>857,499</u>   | <u>757,368</u>           | <u>902,296</u>           | 13.22%    | -16.06%   |
| <br>Fiduciary net position | <br><u>\$ 13,353,708</u>   | <br><u>\$ 12,987,087</u> | <br><u>\$ 12,277,085</u> | <br>2.82% | <br>5.78% |

**Fiscal year ended June 30, 2020**

Fiduciary net position increased by \$366.6 million or 2.82% over the prior fiscal year to \$13.4 billion. Investments were up \$274.7 million or 2.03%, which reflected the economic slowdown from the Covid-19 pandemic. Total receivables increased by \$167.0 million or 101.31% due primarily to the higher pending investment sales at fiscal year-end. Total liabilities increased by \$100.1 million or 13.22% due to higher pending investment purchases at fiscal year-end.

**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 \$144.9 million or 16.06% due to lower pending investment purchases and less 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<br>(In Thousands) |                     |                     | 2019-20<br>% Change | 2018-19<br>% Change |
|--------------------------------------|---|---------------------|---------------------|---------------------|---------------------|
|                                      | 2020  | 2019                | 2018                |                     |                     |
| <b>Additions</b>                     |   |                     |                     |                     |                     |
| Members' contributions               | \$120,300   | \$104,742           | \$93,659            | 14.85%              | 11.83%              |
| Employer contributions               | 427,655   | 416,180             | 439,299             | 2.76%               | -5.26%              |
| Net investment income                | 459,024   | 791,832             | 998,777             | -42.03%             | -20.72%             |
| <b>Total additions</b>               | <b>1,006,979</b>  | <b>1,312,754</b>    | <b>1,531,735</b>    | <b>-23.29%</b>      | <b>-14.30%</b>      |
| <b>Deductions</b>                    |   |                     |                     |                     |                     |
| Benefit payments                     | 628,852   | 591,461             | 558,901             | 6.32%               | 5.83%               |
| Refund                               | 6,801   | 6,102               | 4,312               | 11.46%              | 41.51%              |
| Administrative expenses              | 4,705   | 5,189               | 5,336               | -9.33%              | -2.75%              |
| <b>Total deductions</b>              | <b>640,358</b>  | <b>602,752</b>      | <b>568,549</b>      | <b>6.24%</b>        | <b>6.02%</b>        |
| Net increase                         |   |                     |                     |                     |                     |
| in fiduciary net position            | 366,621   | 710,002             | 963,186             | -48.36%             | -26.29%             |
| Fiduciary net position beginning     | 12,987,087  | 12,277,085          | 11,313,899          | 5.78%               | 8.51%               |
| <b>Fiduciary net position ending</b> | <b>\$13,353,708</b>   | <b>\$12,987,087</b> | <b>\$12,277,085</b> | <b>2.82%</b>        | <b>5.78%</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, 2020**

Member contributions for fiscal year 2020 were up 14.85% over the prior fiscal year. The increase in contributions was due primarily to the increase in covered payroll. Net investment income decreased by \$332.8 million, or 42.03%, to \$459.0 million in fiscal year 2020. The decrease was attributed to the decline in the fair value of investments relative to prior year.

**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.

**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, 2020**

Deductions for the fiscal year ended June 30, 2020 totaled \$640.4 million, up \$37.6 million or 6.24% over the prior fiscal year. Benefit payments increased by \$37.4 million or 6.32% 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, 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.

**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<br>(In Thousands) |           |           | 2019-20  | 2018-19  |
|------------------------|--|-----------|-----------|----------|----------|
|                        | 2020   | 2019      | 2018      | % Change | % Change |
| Cash                   | \$ 2,487   | \$ 2,212  | \$ 1,293  | 12.43%   | 71.08%   |
| Receivables            | 8,875  | 8,019     | 8,022     | 10.67%   | -0.04%   |
| Investments            | 39,651   | 38,730    | 37,572    | 2.38%    | 3.08%    |
| Total assets           | 51,013   | 48,961    | 46,887    | 4.19%    | 4.42%    |
| Liabilities            | 1,085  | 678       | 473       | 60.03%   | 43.34%   |
| Fiduciary net position | \$ 49,928  | \$ 48,283 | \$ 46,414 | 3.41%    | 4.03%    |

**Fiscal year ended June 30, 2020**

The Disability Fund's fiduciary net position increased by \$1.6 million, or 3.41% in fiscal year 2020. Total liabilities increased by \$0.4 million or 60.03% from prior year. It resulted from higher outstanding checks payable at fiscal year-end.

**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 \$0.9 million or 71.08% from prior year based on projected liquidity needs.

**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<br>Fiduciary Net Position (In Thousands) |                  |                  | 2019-20<br>% Change | 2018-19<br>% Change |
|--|---|------------------|------------------|---------------------|---------------------|
|  | 2020  | 2019             | 2018             |                     |                     |
| <b>Additions</b>                                     |   |                  |                  |                     |                     |
| Members' contributions                               | \$ 541  | \$ 504           | \$ 493           | 7.34%               | 2.23%               |
| Employer contributions                               | 17,451  | 16,504           | 16,499           | 5.74%               | 0.03%               |
| Net investment income (loss)                         | 3,276   | 2,761            | (159)            | 18.65%              | 1836.48%            |
| Total additions                                      | <u>21,268</u>   | <u>19,769</u>    | <u>16,833</u>    | 7.58%               | 17.44%              |
| <b>Deductions</b>                                    |   |                  |                  |                     |                     |
| Benefit payments                                     | 18,489  | 16,881           | 16,719           | 9.53%               | 0.97%               |
| Administrative expenses                              | 1,134   | 1,019            | 895              | 11.29%              | 13.85%              |
| Total deductions                                     | <u>19,623</u>   | <u>17,900</u>    | <u>17,614</u>    | 9.63%               | 1.62%               |
| Net increase (decrease)<br>in fiduciary net position | 1,645   | 1,869            | (781)            | 11.99%              | 339.31%             |
| Fiduciary net position beginning                     | <u>48,283</u>   | <u>46,414</u>    | <u>47,195</u>    | 4.03%               | -1.65%              |
| Fiduciary net position ending                        | <u>\$ 49,928</u>  | <u>\$ 48,283</u> | <u>\$ 46,414</u> | 3.41%               | 4.03%               |

**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, 2020**

Employer contributions increased by \$0.9 million, or 5.74%, as attributed to a higher covered payroll. Net investment income rose 18.65% due to the continued strong performance of fixed income investments.

**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.

**Deductions from Fiduciary Net Position**

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

**Fiscal year ended June 30, 2020**

Fiscal year 2020 benefit payments increased by \$1.6 million or 9.53% from a year ago. The increase was primarily due to increases in the temporary disability benefits paid.

**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.

**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<br>Net Position (In Thousands) |                  |                  | 2019-20  | 2018-19  |
|------------------------|--|------------------|------------------|----------|----------|
|                        | 2020   | 2019             | 2018             | % Change | % Change |
| Cash                   | \$ 2,161   | \$ 1,498         | \$ 940           | 44.26%   | 59.36%   |
| Receivables            | 3,361  | 1,612            | 1,178            | 108.50%  | 36.84%   |
| Investments            | 37,283   | 31,150           | 29,802           | 19.69%   | 4.52%    |
| Total assets           | 42,805   | 34,260           | 31,920           | 24.94%   | 7.33%    |
| Liabilities            | 5,440  | 5,453            | 4,710            | -0.24%   | 15.77%   |
| Fiduciary net position | <u>\$ 37,365</u>   | <u>\$ 28,807</u> | <u>\$ 27,210</u> | 29.71%   | 5.87%    |

**Fiscal year ended June 30, 2020**

The Fund's fiduciary net position increase by \$8.6 million or 29.71%. Receivables and Investments were up 108.50% and 19.69% respectively against last year. The increase was attributed mainly to the change in funding policy and thus employer contributions. Cash increased by 44.26% from prior year based on projected liquidity needs.

**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.

**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**

|  | <u>Condensed Statements of Changes in<br/>Fiduciary Net Position (In Thousands)</u> |                  |                  | 2019-20         | 2018-19         |
|--|---|------------------|------------------|-----------------|-----------------|
|  | <u>2020</u>   | <u>2019</u>      | <u>2018</u>      | <u>% Change</u> | <u>% Change</u> |
| <b>Additions</b>                                     |   |                  |                  |                 |                 |
| Members' contributions                               | \$ 385  | \$ 358           | \$ 347           | 7.54%           | 3.17%           |
| Employer contributions                               | 14,909  | 8,778            | 8,101            | 69.85%          | 8.36%           |
| Net investment income (loss)                         | <u>2,793</u>  | <u>2,293</u>     | <u>(120)</u>     | 21.81%          | 2010.83%        |
| Total additions                                      | <u>18,087</u>   | <u>11,429</u>    | <u>8,328</u>     | 58.26%          | 37.24%          |
| <b>Deductions</b>                                    |   |                  |                  |                 |                 |
| Benefit payments                                     | 7,923   | 8,232            | 7,603            | -3.75%          | 8.27%           |
| Administrative expenses                              | <u>1,606</u>  | <u>1,600</u>     | <u>1,099</u>     | 0.38%           | 45.59%          |
| Total deductions                                     | <u>9,529</u>  | <u>9,832</u>     | <u>8,702</u>     | -3.08%          | 12.99%          |
| Net increase (decrease)<br>in fiduciary net position | 8,558   | 1,597            | (374)            | 435.88%         | 527.01%         |
| Fiduciary net position beginning                     | <u>28,807</u>   | <u>27,210</u>    | <u>27,584</u>    | 5.87%           | -1.36%          |
| Fiduciary net position ending                        | <u>\$ 37,365</u>  | <u>\$ 28,807</u> | <u>\$ 27,210</u> | 29.71%          | 5.87%           |

**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, 2020**

Employer contributions increased by \$6.1 million, or 69.85%, due to the change in funding policy effective starting in fiscal year 2020. Net investment income increased 21.81% from the prior year due to the continued strong performance of fixed income investments.

**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.

**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, 2020**

Total deductions were consistent with prior fiscal year; it was only down \$0.3 million or 3.08% versus fiscal year 2019.

**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.

**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, 2020 the fiduciary net position of the fund totaled approximately \$2.3 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<br>Net Position (In Thousands) |                     |                     | 2019-20  | 2018-19  |
|------------------------|--|---------------------|---------------------|----------|----------|
|                        | 2020   | 2019                | 2018                | % Change | % Change |
| Cash                   | \$ 1,090   | \$ 2,090            | \$ 370              | -47.85%  | 464.86%  |
| Receivables            | 44,257   | 16,515              | 45,142              | 167.98%  | -63.42%  |
| Investments            | <u>2,432,684</u>   | <u>2,353,913</u>    | <u>2,220,685</u>    | 3.35%    | 6.00%    |
| Total assets           | 2,478,031  | 2,372,518           | 2,266,197           | 4.45%    | 4.69%    |
| Liabilities            | <u>174,302</u>   | <u>151,967</u>      | <u>180,506</u>      | 14.70%   | -15.81%  |
| Fiduciary net position | <u>\$ 2,303,729</u>  | <u>\$ 2,220,551</u> | <u>\$ 2,085,691</u> | 3.75%    | 6.47%    |

**Fiscal year ended June 30, 2020**

Investments were up \$78.8 million or 3.35% due to the challenging economic environment from the Covid-19 pandemic. Cash decreased by \$1.0 million from prior fiscal year based on the reduction of outstanding checks at fiscal year end. Total receivables rose by \$27.7 million or 167.98% due to the higher pending investment sales at fiscal year-end. Total liabilities also increased by \$22.3 million or 14.70% due to greater 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, 2019**

Fiduciary net position increased \$134.9 million or 6.47% over the prior fiscal year to \$2.2 billion. Cash increased by \$1.7 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.

**Changes in Fiduciary Net Position**

|   | Condensed Statements of Changes in<br>Fiduciary Net Position (In Thousands) |                     |                     | 2019-20  | 2018-19  |
|---|---|---------------------|---------------------|----------|----------|
|   | 2020  | 2019                | 2018                | % Change | % Change |
| <b>Additions</b>                          |   |                     |                     |          |          |
| Employer contributions                    | \$ 110,445  | \$ 102,631          | \$ 95,919           | 7.61%    | 7.00%    |
| Net investment income                     | 83,021  | 134,707             | 173,674             | -38.37%  | -22.44%  |
| Total additions                           | <u>193,466</u>  | <u>237,338</u>      | <u>269,593</u>      | -18.49%  | -11.96%  |
| <b>Deductions</b>                         |   |                     |                     |          |          |
| Benefit payments                          | 109,401   | 101,595             | 95,234              | 7.68%    | 6.68%    |
| Administrative expenses                   | 887   | 883                 | 549                 | 0.45%    | 60.84%   |
| Total deductions                          | <u>110,288</u>  | <u>102,478</u>      | <u>95,783</u>       | 7.62%    | 6.99%    |
| Net increase<br>in fiduciary net position | 83,178  | 134,860             | 173,810             | -38.32%  | -22.41%  |
| Fiduciary net position beginning          | <u>2,220,551</u>  | <u>2,085,691</u>    | <u>1,911,881</u>    | 6.47%    | 9.09%    |
| Fiduciary net position ending             | <u>\$ 2,303,729</u>   | <u>\$ 2,220,551</u> | <u>\$ 2,085,691</u> | 3.75%    | 6.47%    |

**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, 2020**

Net investment income decreased \$51.7 million or 38.37% compared to fiscal year 2019. The decrease was attributed to the challenging economic environment from the Covid-19 pandemic.

**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.

**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, 2020**

Insurance premiums paid for the benefit of retirees experienced a similar increase of \$7.8 million or 7.68% in fiscal year 2020 when compared to fiscal year 2019.

**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.

**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 T. Ikegami, 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, 2020 AND 2019**

|   | Pension Plan      |                   | Other Benefits Plan |               | Other Postemployment Benefits Plans |               |                              |                  |
|---|-------------------|-------------------|---------------------|---------------|-------------------------------------|---------------|------------------------------|------------------|
|   | Retirement Fund   |                   | Disability Fund     |               | Death Benefit Fund                  |               | Retiree Health Benefits Fund |                  |
|   | 2020              | 2019              | 2020                | 2019          | 2020                                | 2019          | 2020                         | 2019             |
| <b>ASSETS</b>   |                   |                   |                     |               |                                     |               |                              |                  |
| Cash (Notes 2 and 3)  | \$ 85,024,396     | \$ 59,960,056     | \$ 2,486,951        | \$ 2,211,609  | \$ 2,160,551                        | \$ 1,497,721  | \$ 1,089,395                 | \$ 2,089,668     |
| Prepaid expense   | 25,761            | 2,500             | -                   | -             | -                                   | -             | -                            | -                |
| Receivables   |                   |                   |                     |               |                                     |               |                              |                  |
| Accrued investment income   | 32,794,721        | 37,291,739        | 83,817              | 107,617       | 77,712                              | 86,518        | 5,203,846                    | 5,927,876        |
| Department of Water and Power   | 69,274,029        | 55,310,152        | 3,573,922           | 2,772,908     | 3,263,520                           | 1,505,548     | 246,594                      | 114,440          |
| Pending investment sales  | 225,775,217       | 68,016,136        | -                   | -             | -                                   | -             | 38,806,798                   | 10,473,340       |
| Other   | 3,909,151         | 4,179,911         | 1,907,268           | 1,828,443     | 20,044                              | 20,044        | -                            | 31               |
| Contingent disability benefit advance   | -                 | -                 | 3,310,339           | 3,310,339     | -                                   | -             | -                            | -                |
| Total receivables   | 331,753,118       | 164,797,938       | 8,875,346           | 8,019,307     | 3,361,276                           | 1,612,110     | 44,257,238                   | 16,515,687       |
| Investments, at fair value (Notes 2, 3, and 4)  |                   |                   |                     |               |                                     |               |                              |                  |
| Fixed income  | 3,138,728,044     | 2,993,027,511     | 39,093,353          | 38,478,528    | 37,023,700                          | 30,896,023    | 535,032,426                  | 510,524,982      |
| Equity  | 6,912,052,303     | 6,854,961,546     | -                   | -             | -                                   | -             | 1,213,429,996                | 1,188,542,388    |
| Short-term investments  | 349,769,529       | 421,180,428       | 557,833             | 251,500       | 259,090                             | 254,304       | 63,730,965                   | 66,115,479       |
| Alternative investments   | 1,877,334,057     | 1,831,807,159     | -                   | -             | -                                   | -             | 328,711,657                  | 318,574,277      |
| Real estate   | 997,067,804       | 896,221,087       | -                   | -             | -                                   | -             | 168,705,783                  | 147,051,417      |
| Securities lending - short-term collateral investment pool                                      | 519,451,729       | 522,496,357       | -                   | -             | -                                   | -             | 123,073,489                  | 123,104,324      |
| Total investments   | 13,794,403,466    | 13,519,694,088    | 39,651,186          | 38,730,028    | 37,282,790                          | 31,150,327    | 2,432,684,316                | 2,353,912,867    |
| Total assets  | 14,211,206,741    | 13,744,454,582    | 51,013,483          | 48,960,944    | 42,804,617                          | 34,260,158    | 2,478,030,949                | 2,372,518,222    |
| <b>LIABILITIES</b>  |                   |                   |                     |               |                                     |               |                              |                  |
| Payables  |                   |                   |                     |               |                                     |               |                              |                  |
| Pending investment purchases  | 269,367,705       | 168,746,737       | 83,630              | 107,098       | 77,601                              | 85,993        | 46,816,519                   | 23,442,203       |
| Other   | 12,955,936        | 14,401,422        | 175,277             | 363,272       | 719,130                             | 776,220       | 4,093,666                    | 4,245,298        |
| Outstanding checks  | 55,723,275        | 51,723,065        | 826,323             | 207,299       | 257,994                             | 502,724       | 318,253                      | 1,174,963        |
| Securities lending - collateral payable (Note 4)  | 519,451,729       | 522,496,357       | -                   | -             | -                                   | -             | 123,073,489                  | 123,104,324      |
| Death claims in process - insured lives   | -                 | -                 | -                   | -             | 4,385,070                           | 4,088,481     | -                            | -                |
| Total liabilities   | 857,498,645       | 757,367,581       | 1,085,230           | 677,669       | 5,439,795                           | 5,453,418     | 174,301,927                  | 151,966,788      |
| Fiduciary net position restricted for pension,<br>other postemployment, and disability benefits | \$ 13,353,708,096 | \$ 12,987,087,001 | \$ 49,928,253       | \$ 48,283,275 | \$ 37,364,822                       | \$ 28,806,740 | \$ 2,303,729,022             | \$ 2,220,551,434 |

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, 2020 AND 2019**

|  | Pension Plan    |                | Other Benefits Plan |            | Other Postemployment Benefits Plans |            |                              |             |
|--|-----------------|----------------|---------------------|------------|-------------------------------------|------------|------------------------------|-------------|
|  | Retirement Fund |                | Disability Fund     |            | Death Benefit Fund                  |            | Retiree Health Benefits Fund |             |
|  | 2020            | 2019           | 2020                | 2019       | 2020                                | 2019       | 2020                         | 2019        |
| <b>ADDITIONS</b>                                     |                 |                |                     |            |                                     |            |                              |             |
| Members' contributions                               |                 |                |                     |            |                                     |            |                              |             |
| Retirement benefit                                   | \$ 120,299,327  | \$ 104,741,925 | \$ -                | \$ -       | \$ -                                | \$ -       | \$ -                         | \$ -        |
| Temporary disability benefit                         | -               | -              | 269,219             | 251,825    | -                                   | -          | -                            | -           |
| Permanent total disability                           | -               | -              | 271,355             | 252,574    | -                                   | -          | -                            | -           |
| Insured lives death benefit                          | -               | -              | -                   | -          | 271,564                             | 252,939    | -                            | -           |
| Supplemental family death benefit                    | -               | -              | -                   | -          | 113,329                             | 105,134    | -                            | -           |
| Total members' contributions                         | 120,299,327     | 104,741,925    | 540,574             | 504,399    | 384,893                             | 358,073    | -                            | -           |
| Department of Water and Power contributions towards: |                 |                |                     |            |                                     |            |                              |             |
| Retirement benefit (net of reversions)               | 422,017,394     | 410,165,124    | -                   | -          | -                                   | -          | -                            | -           |
| Insurance premiums                                   | -               | -              | -                   | -          | -                                   | -          | 109,401,181                  | 101,594,970 |
| Temporary disability benefits                        | -               | -              | 14,803,866          | 14,176,920 | -                                   | -          | -                            | -           |
| Supplemental disability benefits                     | -               | -              | 1,510,621           | 1,304,880  | -                                   | -          | -                            | -           |
| Death Benefits                                       | -               | -              | -                   | -          | 13,299,775                          | -          | -                            | -           |
| Active members                                       | -               | -              | -                   | -          | -                                   | 2,110,835  | -                            | -           |
| Retired members (non-contributing)                   | -               | -              | -                   | -          | -                                   | 4,963,513  | -                            | -           |
| Family death benefit                                 | -               | -              | -                   | -          | -                                   | 185,607    | -                            | -           |
| Administrative expenses                              | 5,637,874       | 6,015,073      | 1,137,068           | 1,021,835  | 1,609,109                           | 1,517,626  | 1,043,543                    | 1,036,490   |
| Total Department of Water and Power contributions    | 427,655,268     | 416,180,197    | 17,451,555          | 16,503,635 | 14,908,884                          | 8,777,581  | 110,444,724                  | 102,631,460 |
| Total contributions                                  | 547,954,595     | 520,922,122    | 17,992,129          | 17,008,034 | 15,293,777                          | 9,135,654  | 110,444,724                  | 102,631,460 |
| Investment income                                    |                 |                |                     |            |                                     |            |                              |             |
| Net appreciation in fair value of investments        | 270,192,182     | 583,142,901    | 2,248,977           | 1,613,231  | 1,942,508                           | 1,346,590  | 51,494,194                   | 100,632,276 |
| Interest   | 116,587,811     | 123,770,821    | 1,071,851           | 1,190,476  | 889,541                             | 981,308    | 18,604,159                   | 19,541,413  |
| Dividends  | 73,942,298      | 87,792,103     | -                   | -          | -                                   | -          | 12,943,437                   | 15,492,139  |
| Income from real estate investments                  | 42,774,419      | 38,244,903     | -                   | -          | -                                   | -          | 7,723,718                    | 6,321,780   |
| Income from alternative investments                  | 6,982,705       | 4,625,795      | -                   | -          | -                                   | -          | 1,131,743                    | 616,469     |
| Securities lending (Note 4)                          | 9,176,587       | 17,510,795     | -                   | -          | -                                   | -          | 2,046,130                    | 3,718,375   |
| Total investment income                              | 519,656,002     | 855,087,318    | 3,320,828           | 2,803,707  | 2,832,049                           | 2,327,898  | 93,943,381                   | 146,322,452 |
| Less: Securities lending expenses (Note 4)           | (6,277,219)     | (14,610,056)   | -                   | -          | -                                   | -          | (1,435,713)                  | (3,127,803) |
| Less: Investment expenses                            | (55,280,179)    | (49,249,999)   | (45,274)            | (42,759)   | (38,523)                            | (35,099)   | (9,639,079)                  | (8,514,980) |
| Net investment income                                | 458,098,604     | 791,227,263    | 3,275,554           | 2,760,948  | 2,793,526                           | 2,292,799  | 82,868,589                   | 134,679,669 |
| Other income   | 925,495         | 604,850        | -                   | -          | -                                   | -          | 152,755                      | 26,922      |
| Total additions                                      | 1,006,978,694   | 1,312,754,235  | 21,267,683          | 19,768,982 | 18,087,303                          | 11,428,453 | 193,466,068                  | 237,338,051 |

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, 2020 AND 2019**

|   | Pension Plan      |                   | Other Benefits Plan |               | Other Postemployment Benefits Plan |               |                              |                  |
|---|-------------------|-------------------|---------------------|---------------|------------------------------------|---------------|------------------------------|------------------|
|   | Retirement Fund   |                   | Disability Fund     |               | Death Benefit Fund                 |               | Retiree Health Benefits Fund |                  |
|   | 2020              | 2019              | 2020                | 2019          | 2020                               | 2019          | 2020                         | 2019             |
| <b>DEDUCTIONS</b>   |                   |                   |                     |               |                                    |               |                              |                  |
| Benefits paid   |                   |                   |                     |               |                                    |               |                              |                  |
| Retirement  | 628,852,137       | 591,461,776       | -                   | -             | -                                  | -             | -                            | -                |
| Temporary disability  | -                 | -                 | 14,631,271          | 13,353,351    | -                                  | -             | -                            | -                |
| Extended temporary disability   | -                 | -                 | 356,057             | 320,631       | -                                  | -             | -                            | -                |
| Permanent total disability  | -                 | -                 | 1,990,431           | 1,901,678     | -                                  | -             | -                            | -                |
| Supplemental  | -                 | -                 | 1,510,621           | 1,304,880     | -                                  | -             | -                            | -                |
| Death benefits (active/retired members)   | -                 | -                 | -                   | -             | 7,368,268                          | 7,685,403     | -                            | -                |
| Family allowances   | -                 | -                 | -                   | -             | 554,424                            | 546,650       | -                            | -                |
| Retiree health benefits paid (insurance premiums)   | -                 | -                 | -                   | -             | -                                  | -             | 109,401,181                  | 101,594,970      |
| Total benefits paid   | 628,852,137       | 591,461,776       | 18,488,380          | 16,880,540    | 7,922,692                          | 8,232,053     | 109,401,181                  | 101,594,970      |
| Refund of members' contributions  | 6,800,458         | 6,101,790         | -                   | -             | -                                  | -             | -                            | -                |
| Administrative expenses   | 4,705,004         | 5,188,931         | 1,134,325           | 1,019,044     | 1,606,529                          | 1,599,880     | 887,299                      | 882,725          |
| Total deductions  | 640,357,599       | 602,752,497       | 19,622,705          | 17,899,584    | 9,529,221                          | 9,831,933     | 110,288,480                  | 102,477,695      |
| Net increase in fiduciary net position  | 366,621,095       | 710,001,738       | 1,644,978           | 1,869,398     | 8,558,082                          | 1,596,520     | 83,177,588                   | 134,860,356      |
| Fiduciary net position restricted for pension,<br>other postemployment, and disability benefits |                   |                   |                     |               |                                    |               |                              |                  |
| Beginning of year   | 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    |
| End of year   | \$ 13,353,708,096 | \$ 12,987,087,001 | \$ 49,928,253       | \$ 48,283,275 | \$ 37,364,822                      | \$ 28,806,740 | \$ 2,303,729,022             | \$ 2,220,551,434 |

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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019:

|                         | 2020          |               | 2019          |               |
|-------------------------|---------------|---------------|---------------|---------------|
|                         | Retirement    | Death Benefit | Retirement    | Death Benefit |
| Retirees, beneficiaries | 9,443         | 7,560         | 9,315         | 7,445         |
| Terminated vested       | 1,690         | 619           | 1,663         | 630           |
| Active                  | 10,778        | 10,778        | 10,362        | 10,362        |
| <b>Total</b>            | <b>21,911</b> | <b>18,957</b> | <b>21,340</b> | <b>18,437</b> |

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, 2020 AND 2019**

**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

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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.

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**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 2020 and 2019 (based on the July 1, 2019 and 2018 valuations) were 37.97% and 40.15% 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 2020 and 2019 for temporary disability (based on the July 1, 2019 and 2018 valuations) were \$1.31 per \$100 of covered payroll for both fiscal years. Department contribution for permanent total disability continues to be suspended, as current reserve significantly exceeds the target reserve amount.

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

*Death Benefit Fund*

Prior to fiscal year 2019, Death Benefit was funded by the employer on a modified “pay-as-you-go” basis. The funding policy was changed for valuation period beginning July 1, 2019 and thereafter. Employer contributions shall be determined on the basis of Entry Age Actuarial Cost Method and amortizing the resulting unfunded liability or surplus. The Department contribution rate for fiscal year 2020 was 1.18% of covered payroll.

Contributing active Tiers 1 and 2 members continue to contribute \$1.00 per bi-weekly payroll period toward their benefit. For those who have enrolled in the Supplemental Family Death Benefit, active members continue to contribute \$2.25 per bi-weekly payroll period, and retired members contribute \$4.90 per month.

**Retiree Health Benefits Fund**

Membership

The Retiree Health Benefits Plan’s membership consisted of the following at June 30, 2020 and 2019:

|                                    | <u>2020</u>   | <u>2019</u>   |
|------------------------------------|---------------|---------------|
| Current retirees and beneficiaries | 8,321         | 8,253         |
| Current active members             | 10,778        | 10,362        |
| Total                              | <u>19,099</u> | <u>18,615</u> |

Benefit Provisions

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

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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 2020 and 2019, the Department contributed \$110.4 million and \$102.6 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.

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

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

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.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. It becomes effective for financial statements with fiscal years beginning after December 15, 2019. However, the City and WPERP have chosen to early adopt the provisions of GASB Statement No. 84 in the financial statements for the fiscal year ended June 30, 2020.

GASB Statement No. 84 further clarified which activities need to be reported under a fiduciary fund. Fund 828, Water/Power Plan Benefit, is utilized by the City for the classification and clearance of WPERP benefit checks. It was previously reported under the agency fund category within the City's comprehensive annual financial report. As the assets are for the benefit of WPERP members and the City does not have administrative involvement or direct financial



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

involvement with the assets, the balances of this fund will be reported within the WPERP financial statements going forward in accordance with GASB Statement No. 84.

There was no impact on the previously reported fiduciary net positions. However, corresponding changes have been made to the 2019 amounts as result of implementation of GASB Statement No. 84 as follow:

| <u>Funds</u>                | <u>Accounts</u>    | <u>July 1, 2019<br/>as previously<br/>reported</u> | <u>July 1, 2019<br/>as adjusted</u> |
|-----------------------------|--------------------|--|-------------------------------------|
| Retirement Fund             |                    |  |                                     |
|                             | Cash               | \$ 8,236,991                                       | \$ 59,960,056                       |
|                             | Outstanding checks | \$ -   | \$ 51,723,065                       |
| Disability Fund             |                    |  |                                     |
|                             | Cash               | \$ 2,004,310                                       | \$ 2,211,609                        |
|                             | Outstanding checks | \$ -   | \$ 207,299                          |
| Death Benefit Fund          |                    |  |                                     |
|                             | Cash               | \$ 994,997   | \$ 1,497,721                        |
|                             | Outstanding checks | \$ -   | \$ 502,724                          |
| Retiree Health Benefit Fund |                    |  |                                     |
|                             | Cash               | \$ 914,705   | \$ 2,089,668                        |
|                             | Outstanding checks | \$ -   | \$ 1,174,963                        |

**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.

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

Investment Policy

The following is the asset allocation policy as of June 2020 and 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>           |

Cash

As of June 30, 2020 and 2019, 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, 2020 and 2019. 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.

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

Investments

As of June 30, 2020, and 2019, the WPERP had the following investments:

| <u>Investment Type</u>                                   | <u>June 30, 2020<br/>Fair Value</u> | <u>June 30, 2019<br/>Fair Value</u> |
|--|-------------------------------------|-------------------------------------|
| Domestic equities  | \$ 5,314,878,586                    | \$ 5,210,951,550                    |
| International equities                                   | 2,772,590,697                       | 2,799,827,678                       |
| U.S. Treasuries  | 738,504,641                         | 774,227,106                         |
| U.S. agency notes  | 989,359,440                         | 957,820,449                         |
| Preferred securities/convertible bonds/other             | 38,013,015                          | 32,724,707                          |
| Mortgage and asset backed securities                     | 146,487,198                         | 121,149,682                         |
| Corporate debt - domestic                                | 1,202,532,588                       | 1,030,840,075                       |
| Corporate debt - international                           | 448,043,800                         | 427,873,692                         |
| Government debt - international                          | 143,494,125                         | 187,283,297                         |
| Municipal/provincial bonds                               | 5,338,679                           | 4,358,191                           |
| Mutual funds   | 490,434,470                         | 557,176,262                         |
| Private equity & hedge funds                             | 2,206,045,714                       | 2,150,381,436                       |
| Real estate  | 1,165,773,587                       | 1,043,272,504                       |
| Securities lending short-term collateral investment pool | 642,525,218                         | 645,600,681                         |
| Total investments  | <u>\$ 16,304,021,758</u>            | <u>\$ 15,943,487,310</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:

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

Fair Value of Investments

- 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, 2020:

|                                      | Fair Value Measurement at June 30, 2020* |                      |                   |                       |
|--------------------------------------|--|----------------------|-------------------|-----------------------|
|                                      | Level 1                                  | Level 2              | Level 3           | Total                 |
| Equity securities:                   |  |                      |                   |                       |
| Domestic equities                    | \$ 5,314,878,586                         | \$ -                 | \$ -              | \$ 5,314,878,586      |
| International equities               | 2,772,590,697                            | -                    | -                 | 2,772,590,697         |
| Preferred securities                 | 38,013,015                               | -                    | -                 | 38,013,015            |
| Fixed income securities:             | -  |                      |                   |                       |
| U.S. Treasuries                      | -  | 738,504,641          | -                 | 738,504,641           |
| U.S. agency note                     | -  | 989,359,440          | -                 | 989,359,440           |
| Mortgage and asset backed securities | -  | 146,487,198          | -                 | 146,487,198           |
| Corporate debt - domestic            | -  | 1,202,532,588        | -                 | 1,202,532,588         |
| Corporate debt - international       | -  | 448,043,800          | -                 | 448,043,800           |
| Government debt -international       | -  | 143,494,125          | -                 | 143,494,125           |
| Municipal/provincial bonds           | -  | 5,338,679            | -                 | 5,338,679             |
| Alternative investments              |  |                      |                   |                       |
| GILS                                 | -  | 455,851,019          | 39,125,527        | 494,976,546           |
| Real estate                          | 60,152,848                               | -                    | -                 | 60,152,848            |
| <br>Total investments by fair value  | <br>\$ 8,185,635,146                     | <br>\$ 4,129,611,490 | <br>\$ 39,125,527 | <br>\$ 12,354,372,163 |

\* Mutual funds of \$490.4 million and security lending short-term investments of \$642.5 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 35.

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**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 \$455.9 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.

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**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, 2020 for which fair value is measured based on the NAV.

| <b>Investments Measured at the NAV</b> | <b>Fair Value</b>       | <b>Unfunded<br/>Commitment</b> | <b>Redemption<br/>Frequency<br/>(if Currently<br/>Eligible)</b> | <b>Redemption<br/>Notice<br/>Period</b> |
|--|-------------------------|--------------------------------|---|---|
| <u>Private Equity</u>                  |                         |                                |   |   |
| Direct partnerships                    | \$ 707,967,039          | \$ 720,025,523                 | Not Eligible  | Not Eligible                            |
| Fund of funds                          | 173,103,708             | 231,510,123                    | Not Eligible  | Not Eligible                            |
| <u>Real Estate</u>                     |                         |                                |   |   |
| Open ended                             | 663,489,827             | 25,000,000                     | Quarterly   | 45-90 days                              |
| Close ended                            | 442,130,912             | 419,417,377                    | Not Eligible  | Not Eligible                            |
| <u>Real Return</u>                     |                         |                                |   |   |
| Commodities                            | 129,116,548             | -                              | Daily   | 2 days                                  |
| Timberland                             | 36,309,550              | -                              | Not Eligible  | Not Eligible                            |
| <u>Hedge Fund</u>                      |                         |                                |   |   |
| Fund of funds                          | 664,572,323             | -                              | Daily   | 60 Days                                 |
| Total investments measured at the NAV  | <u>\$ 2,816,689,907</u> | <u>\$ 1,395,953,023</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.

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**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.

One hedge fund investment is 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, 2020 and 2019, the annual money-weighted rate of return on the Retirement Fund investments, net of investment expense, was 3.56% and 6.50%, respectively.

For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on the Retiree Health Benefits Fund investments, net of investment expense, was 3.74% and 6.46%, respectively; the annual money-weighted rate of return on the Death Benefit Fund investments, net of investment expense, was 8.33% and 7.56%, 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.

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**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.



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

The credit ratings of the WPERP's investments at June 30, 2020 are as follows:

| <u>Investment Type</u>                       | <u>Credit Rating</u> | <u>Fair Value</u>       | <u>% of Portfolio</u> |
|--|----------------------|-------------------------|-----------------------|
| U.S. Treasuries                              | AAA                  | \$ 738,504,641          | 17.57%                |
| U.S. agency notes                            | AAA                  | 989,359,440             | 23.54%                |
| Preferred securities/convertible bonds/other | Not rated            | 38,013,015              | 0.90%                 |
| Mortgage and asset backed securities         | AAA                  | 88,777,535              | 2.11%                 |
|  | A or better          | 9,565,776               | 0.23%                 |
|  | B or better          | 38,401,265              | 0.91%                 |
|  | Not rated            | 9,742,622               | 0.23%                 |
| Corporate debt - domestic                    | AAA                  | 4,093,314               | 0.10%                 |
|  | A or better          | 139,985,168             | 3.33%                 |
|  | B or better          | 903,385,162             | 21.50%                |
|  | C or better          | 94,272,023              | 2.24%                 |
|  | Not rated            | 60,796,921              | 1.45%                 |
| Corporate debt - international               | A or better          | 40,936,446              | 0.97%                 |
|  | B or better          | 368,755,860             | 8.78%                 |
|  | C or better          | 28,600,716              | 0.68%                 |
|  | Not rated            | 9,750,778               | 0.23%                 |
| Government debt - international              | AAA                  | 10,723,965              | 0.26%                 |
|  | A or better          | 38,844,072              | 0.92%                 |
|  | B or better          | 66,201,322              | 1.58%                 |
|  | C or better          | 18,938,110              | 0.45%                 |
|  | D/Not rated          | 8,786,656               | 0.21%                 |
| Municipal/provincial bonds                   | B or better          | 2,726,250               | 0.06%                 |
|  | Not rated            | 2,612,429               | 0.06%                 |
| Mutual funds                                 | Not rated            | 490,434,470 *           | 11.67%                |
| Total  |                      | <u>\$ 4,202,207,956</u> | <u>100.00%</u>        |

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

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WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
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**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.

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**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, 2020 and 2019, 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, 2020, and 2019, 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, 2020, the WPERP's exposure to interest rate risk is as follows:

| <u>Investment Type</u>               | <u>Fair Value</u>       | <u>Weighted<br/>Average Maturity<br/>(Years)</u> |
|--------------------------------------|-------------------------|--|
| U.S. Treasuries                      | \$ 738,504,641          | 3.47   |
| U.S. agency notes                    | 989,359,440             | 23.48  |
| Preferred securities                 | 38,013,015              | 0.00   |
| Mortgage and asset backed securities | 146,487,198             | 17.81  |
| Corporate debt - domestic            | 1,202,532,588           | 8.89   |
| Corporate debt - international       | 448,043,800             | 14.46  |
| Government debt - international      | 143,494,125             | 10.80  |
| Municipal / Provincial Bonds         | 5,338,679               | 15.15  |
| Mutual funds                         | 490,434,470             | 0.00   |
| <b>Total</b>                         | <b>\$ 4,202,207,956</b> | <b>11.23</b>                                     |

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WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 – CASH AND INVESTMENTS (Continued)**

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<br/>Average Maturity<br/>(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>                                     |

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

**Foreign Currency Risk**

As of June 30, 2020 and 2019, the WPERP's exposure to foreign currency risk is as follows:

| <u>Currency</u>                      | <u>Investment Type</u>  | <u>2020</u>  | <u>2019</u> |
|--------------------------------------|-------------------------|--------------|-------------|
| Australian Dollar                    | Cash & cash equivalents | \$ 1,092,433 | \$ 127,339  |
|                                      | Equities                | 23,021,450   | 52,286,522  |
|                                      | Fixed Income            | 2,447,049    | 2,470,487   |
| Brazil Real                          | Cash & cash equivalents | 646          | 18,555      |
|                                      | Equities                | 19,451,037   | 32,366,609  |
| Canadian Dollar                      | Cash & cash equivalents | 1,996,136    | 900,545     |
|                                      | Equities                | 79,233,520   | 74,232,805  |
|                                      | Fixed Income            | 11,590,231   | 13,341,564  |
| HK offshore Chinese<br>Yuan Renminbi | Cash & cash equivalents | (257,457)    | 18,022      |
|                                      | Equities                | 20,232,757   | 9,662,256   |
| Chilean Peso                         | Equities                | 2,551,708    | -           |
|                                      | Danish Krone            | (1,532)      | (745)       |
| Euro Currency Unit                   | Equities                | 18,667,235   | 14,815,444  |
|                                      | Cash & cash equivalents | 45,702,523   | 34,550,028  |
|                                      | Equities                | 514,271,690  | 471,416,437 |
|                                      | Fixed Income            | 296,996,875  | 261,471,976 |
| Hong Kong Dollar                     | Cash & cash equivalents | 406,408      | 305,320     |
|                                      | Equities                | 158,620,141  | 137,381,919 |
|                                      | Equities                | 593,084      | 2,846,607   |
| Hungarian Forint                     | Equities                | 3,248,213    | 8,700,468   |
|                                      | Indonesian Rupiah       | 2,524,398    | 1,643,159   |
| Japanese Yen                         | Cash & cash equivalents | 365,946,350  | 305,505,891 |
|                                      | Equities                | 26,046,959   | 13,965,993  |
|                                      | Fixed Income            | 110          | 115         |
| South Korea Won                      | Cash & cash equivalents | 47,116,812   | 51,788,100  |
|                                      | Equities                | 10,904,859   | 2,813,286   |
| Malaysian Ringgit                    | Equities                | 287,098      | 633,230     |
|                                      | Cash & cash equivalents | 4,074,578    | 12,548,281  |
|                                      | Equities                | 6,591,740    | 9,110,848   |
| Mexican New Peso                     | Fixed Income            | 752,289      | -           |
|                                      | Cash & cash equivalents | 46,874,728   | 53,883,929  |
| New Taiwan Dollar                    | Equities                | 27,906       | 118,061     |
|                                      | Cash & cash equivalents | 4,790,553    | 4,789,692   |
|                                      | Fixed Income            | 2,642,872    | 3,576,375   |
| New Zealand Dollar                   | Equities                | (287)        | 28          |
|                                      | Cash & cash equivalents | 12,648,850   | 17,987,661  |
| Norwegian Krone                      | Equities                | 80           | 77          |
|                                      | Cash & cash equivalents | 209,804      | 1,605,611   |
| Philippine Peso                      | Cash & cash equivalents | -            | 856         |
|                                      | Equities                | 7,564,772    | 2,821,559   |
| Polish Zloty                         | Cash & cash equivalents | 5,539,632    | 3,459,114   |
|                                      | Equities                | 170,459,712  | 232,128,226 |
| Pound Sterling                       | Cash & cash equivalents | 141,131,977  | 135,805,272 |
|                                      | Fixed Income            |              |             |

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

| <u>Currency</u>                | <u>Investment Type</u>  | <u>2020</u>             | <u>2019</u>             |
|--------------------------------|-------------------------|-------------------------|-------------------------|
| Qatari Riyal                   | Equities                | 248,708                 | 278,860                 |
| S. African Rand                | Cash & cash equivalents | 298                     | -                       |
|                                | Equities                | 11,171,489              | -                       |
| Singapore Dollar               | Cash & cash equivalents | 135                     | 254                     |
|                                | Equities                | 4,319,108               | 8,290,317               |
| Swedish Krona                  | Cash & cash equivalents | 19,845                  | 7,696                   |
|                                | Equities                | 30,759,541              | 20,740,473              |
| Swiss Franc                    | Cash & cash equivalents | 134,698                 | (2,523)                 |
|                                | Equities                | 156,497,322             | 158,527,560             |
| Thailand Baht                  | Equities                | 15,198,151              | 12,793,354              |
| Turkish Lira                   | Cash & cash equivalents | 6                       | 7                       |
|                                | Equities                | 4,150,487               | 6,054,712               |
| United Arab Emirates<br>Dirham | Equities                | 2,052,349               | -                       |
| Total                          |                         | <u>\$ 2,280,552,076</u> | <u>\$ 2,177,788,232</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 13.99% and 13.66% as of June 30, 2020 and 2019, respectively.

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

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2020 and 2019, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2020 and 2019 financial statements are as follows:

| Type                 | 2020                          |                 |                |                 |                    |
|----------------------|-------------------------------|-----------------|----------------|-----------------|--------------------|
|                      | Changes in Fair Value         |                 | Fair Value     |                 | Notional<br>Amount |
|                      | Classification                | Amount          | Classification | Amount          |                    |
| Forward<br>Contracts | Investment<br>Income / (Loss) | \$ (11,564,627) | Investment     | \$ (11,236,535) | \$ 875,051,419     |

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

At June 30, 2020 and 2019, 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  
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**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, 2020, and 2019, 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 66 days and 72 days as of June 30, 2020 and 2019, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2020 and 2019 are:

| Securities on loan      | 2020                    | 2019                    |
|-------------------------|-------------------------|-------------------------|
| Global agencies         | \$ 670,427              | \$ 1,142,480            |
| Global equities         | 127,151,109             | 131,981,209             |
| Global corporate fixed  | 22,176,992              | 21,448,101              |
| Global government fixed | 495,848,104             | 316,795,034             |
| U.S. agency notes       | 4,204,229               | 6,294,318               |
| U.S. corporate fixed    | 95,412,536              | 148,122,264             |
| U.S. equities           | 441,986,542             | 441,800,077             |
| U.S. government fixed   | 186,460,660             | 201,282,076             |
| <b>Total</b>            | <b>\$ 1,373,910,599</b> | <b>\$ 1,268,865,559</b> |



**CITY OF LOS ANGELES  
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**NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT**

**Retirement Fund**

The components of the net pension liability (NPL) of the Retirement Fund as of June 30, 2020 and 2019 are as follows:

|                     | Total Pension<br>Liability | Retirement Fund<br>Fiduciary Net<br>Position | Net Pension<br>Liability | Fiduciary Net<br>Position as % of<br>Total Pension<br>Liability |
|---------------------|----------------------------|--|--------------------------|---|
| As of June 30, 2020 | \$14,465,357,848           | \$13,353,708,096                             | \$1,111,649,752          | 92.32%  |
| As of June 30, 2019 | \$13,811,964,793           | \$12,987,087,001                             | \$824,877,792            | 94.03%  |

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, 2020 and 2019. The TPL as of June 30, 2020 and 2019 was determined by actuarial valuation as of July 1, 2020 and July 1, 2019, respectively. The actuarial assumptions used in the June 30, 2020 and June 30, 2019 measurements were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2018. In particular, the following assumptions were applied in the 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   |

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**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.

*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, 2020 and 2019 are summarized in the following table. The expected rates of return are developed as part of the actuarial experience study.

| Asset Class                              | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Large Cap US equity                      | 22.95%            | 5.44%                                  |
| Small Cap US 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  
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**NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)**

*Discount rate:* The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and June 30, 2019. 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, 2020 and 2019.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the Retirement Fund's NPL as of June 30, 2020 and 2019, 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<br>(6.00%) | Current Discount<br>Rate (7.00%) | 1% Increase<br>(8.00%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| NPL as of June 30, 2020 | \$3,052,191,067        | \$1,111,649,752                  | \$(490,944,736)        |
| NPL as of June 30, 2019 | \$2,684,655,288        | \$824,877,792                    | \$(711,927,203)        |

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**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, 2020 and 2019 are as follows:

|                     | Total OPEB<br>Liability | RHBF<br>Fiduciary Net<br>Position | Net OPEB<br>Liability | Fiduciary Net<br>Position as % of<br>Total OPEB Liability |
|---------------------|-------------------------|-----------------------------------|-----------------------|---|
| As of June 30, 2020 | \$2,490,223,379         | \$2,303,729,022                   | \$186,494,357         | 92.51%  |
| As of June 30, 2019 | \$2,683,446,018         | \$2,220,551,434                   | \$462,894,584         | 82.75%  |

An independent actuarial firm conducts annual actuarial valuation to determine the total OPEB liability of the Department. The TOL as of June 30, 2020 and 2019 were determined by the actuarial valuation as of June 30, 2020 and 2019. The actuarial assumptions used in the June 30, 2020 and June 30, 2019 measurements were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2018 and the OPEB assumption letter dated October 2, 2020. In particular, the following assumptions were applied in the 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. |

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

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, 2020 and 2019 measurements:

|                           | June 30, 2020   | June 30, 2019   |
|---------------------------|---|---|
| Non-Medicare medical plan | 6.75%, graded down to an ultimate of 4.50% over 9 years | 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 | 6.25%, graded down to an ultimate of 4.50% over 7 years |
| Dental                    | 4.00%   | 4.00%   |
| Medicare Part B           | 4.50%   | 4.50%   |

*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, 2020 and 2019 are summarized in the following table. The expected rates of return are based on the evaluation conducted with the actuarial experience study.

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

| Asset Class                              | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Large Cap US equity                      | 22.95%            | 5.44%                                  |
| Small Cap US 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>    |  |

*Discount rate:* The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020 and June 30, 2019. 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, 2020 and 2019.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2020 and 2019, 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<br>(6.00%) | Current Discount<br>Rate (7.00%) | 1% Increase<br>(8.00%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| NOL as of June 30, 2020 | \$529,687,161          | \$186,494,357                    | \$(95,923,693)         |
| NOL as of June 30, 2019 | \$833,848,943          | \$462,894,584                    | \$157,692,076          |

*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, 2020 and 2019, calculated using the healthcare cost trend rates assumed in the June 30, 2020 and 2019 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<br>Rates | 1% Increase   |
|-------------------------|-----------------|------------------------|---------------|
| NOL as of June 30, 2020 | \$(122,350,431) | \$186,494,357          | \$570,406,610 |
| NOL as of June 30, 2019 | \$116,743,580   | \$462,894,584          | \$926,010,141 |

**Death Benefit Fund**

The components of the NOL of the Death Benefit Fund as of June 30, 2020 and 2019 are as follows:

|                     | Total OPEB<br>Liability | Death Benefit<br>Fund Fiduciary<br>Net Position | Net OPEB<br>Liability | Fiduciary Net<br>Position as %<br>of Total OPEB<br>Liability |
|---------------------|-------------------------|---|-----------------------|--|
| As of June 30, 2020 | \$133,737,063           | \$37,364,822                                    | \$96,372,241          | 27.94%   |
| As of June 30, 2019 | \$134,257,596           | \$28,806,740                                    | \$105,450,856         | 21.46%   |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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 TOL as of June 30, 2020 and 2019 were determined by the actuarial valuations as of June 30, 2020 and 2019. The actuarial assumptions used in the June 30, 2020 and June 30, 2019 measurements were based on the results of an 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. In particular, the following assumptions were applied in the 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   |

*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, 2020 and 2019 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 | Long-Term Expected Real Rate of Return |
|---------------------------|-------------------|--|
| Fixed income              | 96.00%            | 1.42%                                  |
| Cash and cash equivalents | 4.00%             | 0.25%                                  |
| Total                     | <u>100.00%</u>    |  |



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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

*Discount rate:* The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed 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 Death Benefit Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Death Benefit's investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2019. A "crossover test" was not explicitly performed since the municipal bond rate as of June 30, 2019 was 3.50%. Those municipal bond rates were 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.

*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, 2020 and 2019, 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<br>(2.50%) | Current Discount<br>Rate (3.50%) | 1% Increase<br>(4.50%) |
|-------------------------|------------------------|----------------------------------|------------------------|
| NOL as of June 30, 2020 | \$117,812,862          | \$96,372,241                     | \$79,310,994           |
| NOL as of June 30, 2019 | \$127,029,200          | \$105,450,856                    | \$88,288,477           |

*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.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2019 and July 1, 2018) for the Disability Fund found that the Fund's accumulated reserves had met the recommended reserve level. The actuarial recommendations for the contribution rates and reserve levels 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 maintained at \$1.31 per \$100 of covered payroll for both fiscal year 2020 and 2019. The rates were approved by the Retirement Board in January of each year and were implemented the same month.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2020 AND 2019**

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

The WPERP's reserves and designated balances at June 30, 2020 and 2019 are as follows:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| <u>Retirement Fund - Reserves and Designated Balances</u>              |                   |                   |
| Reserve for retirement allowances                                      | \$ 8,502,400,614  | \$ 7,853,587,428  |
| Contributions:   |                   |                   |
| Members' contributions   | 1,774,318,853     | 1,753,563,838     |
| Department contributions   | (1,638,256,435)   | (1,441,549,089)   |
| Total contributions  | 136,062,418       | 312,014,749       |
| General reserve  | 2,364,023,864     | 2,406,274,766     |
| Total reserves and designated balances                                 | 11,002,486,896    | 10,571,876,943    |
| Unrealized appreciation in the fair value of investments               | 2,351,221,200     | 2,415,210,058     |
| Total reserves and designated balances at fair value                   | \$ 13,353,708,096 | \$ 12,987,087,001 |
| <u>Disability Fund - Reserves and Designated Balances</u>              |                   |                   |
| Estimated liability for temporary and permanent disability cases       | \$ 16,540,275     | \$ 17,873,839     |
| General reserve  | 26,349,776        | 25,107,150        |
| Total reserves and designated balances                                 | 42,890,051        | 42,980,989        |
| Unrealized appreciation in the fair value of investments               | 7,038,202         | 5,302,286         |
| Total reserves and designated balances at fair value                   | \$ 49,928,253     | \$ 48,283,275     |
| <u>Death Benefit Fund - Reserves and Designated Balances</u>           |                   |                   |
| Estimated liability for family allowances                              | \$ 3,891,107      | \$ 4,289,423      |
| Contribution account - family allowances                               | 6,904,286         | 7,044,579         |
| General reserve  | 21,216,867        | 13,879,500        |
| Total reserves and designated balances                                 | 32,012,260        | 25,213,502        |
| Unrealized appreciation in the fair value of investments               | 5,352,562         | 3,593,238         |
| Total reserves and designated balances at fair value                   | \$ 37,364,822     | \$ 28,806,740     |
| <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  | 830,539,720       | 748,311,847       |
| Total reserves and designated balances                                 | 1,868,144,647     | 1,785,916,774     |
| Unrealized appreciation in the fair value of investments               | 435,584,375       | 434,634,660       |
| Total reserves and designated balances at fair value                   | \$ 2,303,729,022  | \$ 2,220,551,434  |

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2020 and 2019:

Fiscal year ended June 30, 2020

The funding methodology of Plan benefits are stipulated in Plan provisions. Prior to fiscal year 2019, Death Benefit was funded by the employer on an expected annual payments plus reserves basis. The Plan was amended to change the Death Benefit funding policy for valuation period beginning July 1, 2019 and thereafter. Employer contributions shall be determined annually on the basis of Entry Age Actuarial Cost Method and amortizing the resulting unfunded liability or surplus identified in each year in equal dollar amounts over the subsequent fifteen year period.

Fiscal year ended June 30, 2019

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

**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.

**NOTE 11 – SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 11 – SUBSEQUENT EVENTS (Continued)**

To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities.

The WPERP has evaluated subsequent events through November 6, 2020, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.

**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>2020</u>              | <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  | \$ 263,472,814           | \$ 243,262,953           | \$ 228,621,066           | \$ 217,276,778           | \$ 209,832,859           | \$ 214,735,027           | \$ 193,661,118           | \$ 189,950,104           |
| Interest  | 963,032,210              | 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            | 62,540,626               | 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    | (635,652,595)            | (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>                  | <u>653,393,055</u>       | <u>624,413,753</u>       | <u>530,441,464</u>       | <u>367,872,265</u>       | <u>1,070,791,744</u>     | <u>242,894,950</u>       | <u>880,682,746</u>       | <u>402,265,019</u>       |
| <b>Total pension liability - beginning</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>    | <u>9,692,602,852</u>     |
| <b>Total pension liability - ending</b>                       | <u>\$ 14,465,357,848</u> | <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   | \$ 427,655,268           | \$ 416,180,197           | \$ 439,298,444           | \$ 397,747,778           | \$ 368,259,056           | \$ 382,231,868           | \$ 389,138,324           | \$ 372,819,194           |
| Contributions - employees                                     | 120,299,327              | 104,741,925              | 93,659,240               | 83,239,105               | 75,068,523               | 68,552,375               | 72,299,526               | 69,633,449               |
| Net investment income   | 459,024,099              | 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     | (635,652,595)            | (597,563,566)            | (563,212,525)            | (540,361,335)            | (510,484,986)            | (485,966,910)            | (463,596,941)            | (438,527,366)            |
| Administrative expense  | (4,705,004)              | (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>                   | <u>366,621,095</u>       | <u>710,001,738</u>       | <u>963,185,928</u>       | <u>1,216,056,607</u>     | <u>23,542,459</u>        | <u>370,982,966</u>       | <u>1,399,305,874</u>     | <u>919,867,553</u>       |
| <b>Fiduciary net position - beginning</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>     | <u>7,384,143,876</u>     |
| <b>Fiduciary net position - ending</b>                        | <u>\$ 13,353,708,096</u> | <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>\$ 1,111,649,752</u>  | <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> | 92.32%                   | 94.03%                   | 93.10%                   | 89.39%                   | 82.17%                   | 89.80%                   | 88.41%                   | 82.26%                   |
| <b>Covered employee payroll</b>                               | \$ 1,130,066,414         | \$ 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> | 98.37%                   | 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<br>Ended June 30 | Actuarially<br>Determined<br>Contributions | Actual<br>Contributions | Contribution<br>Deficiency/<br>(Excess) | Covered<br>Employee<br>Payroll | Contribution<br>as Percentage<br>of Covered<br>Payroll |
|----------------------------|--|-------------------------|---|--------------------------------|--|
| 2020                       | \$ 424,375,428                             | \$ 422,017,394          | \$ 2,358,034                            | \$ 1,130,066,141               | 37.34%   |
| 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%   |

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 fifteen-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate fifteen-year periods effective with that valuation. All amortization amounts are determined in equal dollar amounts over the amortization period. The Board may, by resolution, adopt a separate period of not more than thirty years to amortize the change in Surplus or Unfunded Actuarial Accrued Liability resulting from an unusual event, plan amendment or change in assumptions or methods. |
| 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.   |
| 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, 2020 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 3.56%       | 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.

**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>2020</u>             | <u>2019</u>             | <u>2018</u>             | <u>2017</u>             | <u>2016</u>             |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Total OPEB liability</b>                                 |                         |                         |                         |                         |                         |
| Service cost  | \$ 52,963,965           | \$ 46,187,613           | \$ 49,190,698           | \$ 49,295,168           | \$ 38,342,912           |
| Interest  | 187,719,658             | 178,690,352             | 170,306,670             | 169,518,251             | 146,596,915             |
| Change of benefit terms                                     | -                       | -                       | (285,566)               | -                       | -                       |
| Differences between expected and actual experience          | (288,180,293)           | (40,431,700)            | (6,956,314)             | (44,553,945)            | 87,184,567              |
| Change of assumptions                                       | (36,324,788)            | 131,290,346             | 4,798,880               | (70,508,237)            | 185,583,627             |
| Benefit payments  | (109,401,181)           | (101,594,970)           | (95,233,622)            | (90,310,419)            | (79,895,671)            |
| <b>Net change in total OPEB liability</b>                   | (193,222,639)           | 214,141,641             | 121,820,746             | 13,440,818              | 377,812,350             |
| <b>Total OPEB liability - beginning</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>    | <u>1,956,230,463</u>    |
| <b>Total OPEB liability - ending</b>                        | <u>\$ 2,490,223,379</u> | <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 | \$ 110,444,724          | \$ 102,631,460          | \$ 95,918,712           | \$ 91,023,926           | \$ 80,606,726           |
| Net investment income                                       | 83,021,344              | 134,706,591             | 173,674,359             | 218,835,834             | 14,462,876              |
| Benefit payments  | (109,401,181)           | (101,594,970)           | (95,233,622)            | (90,310,419)            | (79,895,671)            |
| Administrative expense                                      | (887,299)               | (882,725)               | (548,907)               | (585,352)               | (578,174)               |
| <b>Net change in fiduciary net position</b>                 | 83,177,588              | 134,860,356             | 173,810,542             | 218,963,989             | 14,595,757              |
| <b>Fiduciary net position - beginning</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>    | <u>1,678,320,790</u>    |
| <b>Fiduciary net position - ending</b>                      | <u>\$ 2,303,729,022</u> | <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>\$ 186,494,357</u>   | <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>  | 92.51%                  | 82.75%                  | 84.46%                  | 81.44%                  | 72.53%                  |
| <b>Covered employee payroll</b>                             | \$ 1,130,066,141        | \$ 1,028,212,002        | \$ 953,635,670          | \$ 892,332,196          | \$ 861,818,854          |
| <b>Net OPEB liability as % of covered employee payroll</b>  | 16.50%                  | 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)**

| Plan Year<br>Ended June 30 | Actuarially<br>Determined<br>Contributions | Actual<br>Contributions | Contribution<br>Deficiency/<br>(Excess) | Covered<br>Employee<br>Payroll | Contribution<br>as Percentage<br>of Covered<br>Payroll |
|----------------------------|--|-------------------------|---|--------------------------------|--|
| 2020                       | \$ 95,375,489                              | \$ 109,401,181          | \$ (14,025,692)                         | \$ 1,130,066,141               | 9.68%  |
| 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%   |

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; 15 years remaining as of June 30, 2020 and 16 years remaining as of June 30, 2019   |
| 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 3.74%       | 6.46%       | 9.08%       | 12.92%      |

**Note to schedule:**

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

**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)**

|   | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total OPEB liability</b>                                 |                       |                       |                       |                       |
| Service cost  | \$ 4,716,844          | \$ 4,779,848          | \$ 3,875,903          | \$ 3,656,610          |
| Interest  | 4,725,458             | 5,058,685             | 5,140,912             | 5,095,026             |
| Change of benefit terms                                     | -                     | -                     | 90,905                | -                     |
| Differences between expected and actual experience          | (2,040,143)           | 485,084               | (4,443,689)           | 125,381               |
| Change of assumptions                                       | -                     | (11,703,994)          | -                     | -                     |
| Benefit payments  | (7,922,692)           | (8,232,053)           | (7,602,577)           | (7,968,010)           |
| <b>Net change in total OPEB liability</b>                   | (520,533)             | (9,612,430)           | (2,938,546)           | 909,007               |
| <b>Total OPEB liability - beginning</b>                     | 134,257,596           | 143,870,026           | 146,808,572           | 145,899,565           |
| <b>Total OPEB liability - ending</b>                        | <u>\$ 133,737,063</u> | <u>\$ 134,257,596</u> | <u>\$ 143,870,026</u> | <u>\$ 146,808,572</u> |
| <b>Fiduciary net position</b>                               |                       |                       |                       |                       |
| Contributions - employer, including administrative expenses | \$ 14,908,884         | \$ 8,777,581          | \$ 8,101,199          | \$ 8,206,607          |
| Contributions - employees                                   | 384,893               | 358,073               | 346,931               | 336,630               |
| Net investment income                                       | 2,793,526             | 2,292,799             | (119,894)             | (56,662)              |
| Benefit payments  | (7,922,692)           | (8,232,053)           | (7,602,577)           | (7,968,010)           |
| Administrative expense                                      | (1,606,529)           | (1,599,880)           | (1,099,573)           | (1,119,190)           |
| <b>Net change in fiduciary net position</b>                 | 8,558,082             | 1,596,520             | (373,914)             | (600,625)             |
| <b>Fiduciary net position - beginning</b>                   | 28,806,740            | 27,210,220            | 27,584,134            | 28,184,759            |
| <b>Fiduciary net position - ending</b>                      | <u>\$ 37,364,822</u>  | <u>\$ 28,806,740</u>  | <u>\$ 27,210,220</u>  | <u>\$ 27,584,134</u>  |
| <b>Net OPEB liability</b>                                   | <u>\$ 96,372,241</u>  | <u>\$ 105,450,856</u> | <u>\$ 116,659,806</u> | <u>\$ 119,224,438</u> |
| <b>Fiduciary net position as % of total OPEB liability</b>  | 27.94%                | 21.46%                | 18.91%                | 18.79%                |
| <b>Covered employee payroll</b>                             | \$ 1,130,066,141      | \$ 1,028,212,002      | \$ 953,635,670        | \$ 892,332,196        |
| <b>Net OPEB liability as % of covered employee payroll</b>  | 8.53%                 | 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<br/>Ended June 30</u> | <u>Actuarially<br/>Determined<br/>Contributions</u> | <u>Actual<br/>Contributions</u> | <u>Contribution<br/>Deficiency/<br/>(Excess)</u> | <u>Covered<br/>Employee<br/>Payroll</u> | <u>Contribution<br/>as Percentage<br/>of Covered<br/>Payroll</u> |
|------------------------------------|---|---------------------------------|--|---|--|
| 2020                               | \$ 13,334,780                                       | \$ 13,299,775                   | \$ 35,005  | \$ 1,130,066,141                        | 1.18%  |
| 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.



**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         | Entry Age Actuarial Cost Method  |
| 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 and expected returns on a market value basis and is recognized over a five-year period. Prior to the July 1, 2020 valuation, as directed by the Retirement Office, the actuarial value of assets was reduced by 1% as an amount classified as a non-valuation reserve to develop the net actuarial value of assets.   |
| Amortization method           | Level dollar amortization  |
| Remaining amortization period | The July 1, 2019 Unfunded Actuarial Accrued Liability is amortized over a fifteen-year period commencing July 1, 2019 (fully amortized as of July 1, 2034). Any subsequent changes in Surplus or Unfunded Actuarial Accrued Liability are amortized over separate fifteen-year periods. All amortization amounts are determined in equal dollar amounts over the amortization period. The Board may, by resolution, adopt a separate period of not more than thirty years to amortize the change in Surplus or Unfunded Actuarial Accrued Liability resulting from an unusual event, plan amendment or change in assumptions or methods. |
| 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return,<br>net of investment expense | 8.33%       | 7.56%       | -0.39%      | -0.18%      |

**Note to schedule:**

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

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

**RETIREMENT FUND  
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES  
For the Years Ended June 30, 2020 and 2019**

|  | Current<br>Service | Minimum<br>Pension | Cost of Living<br>Adjustments | Continuance to<br>Eligible Spouse | Department of<br>Water and Power<br>Total | Members'<br>Total | Combined<br>Total | Estimated Liabilities<br>for Retirement<br>Allowances |
|--|--------------------|--------------------|-------------------------------|-----------------------------------|---|-------------------|-------------------|---|
| 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<br>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   |
| Contributions received                                       | 50,953,309         | 375,549,451        | -                             | -                                 | 426,502,760                               | 120,299,327       | 546,802,087       | -   |
| Contributions refunded                                       | (4,485,366)        | -                  | -                             | -                                 | (4,485,366)                               | (6,800,458)       | (11,285,824)      | -   |
| Net Contributions  | 46,467,943         | 375,549,451        | -                             | -                                 | 422,017,394                               | 113,498,869       | 535,516,263       | -   |
| Transfers from contribution accounts<br>for retiring members | (206,412,563)      | (92,536,783)       | (192,714,760)                 | (25,949,872)                      | \$ (517,613,978)                          | (212,971,450)     | (730,585,428)     | 730,585,428   |
| Retirement allowances paid                                   | -                  | -                  | -                             | -                                 | -   | -                 | -                 | (628,852,137)   |
| Interest at 7.00% per annum                                  | 106,849,379        | 16,470,991         | (210,700,408)                 | (13,730,724)                      | (101,110,762)                             | 120,227,596       | 19,116,834        | 547,079,895   |
| Balance at June 30, 2020                                     | \$ 1,536,485,740   | \$ 400,444,335     | \$ (3,347,898,212)            | \$ (227,288,298)                  | \$ (1,638,256,435)                        | \$ 1,774,318,853  | \$ 136,062,418    | \$ 8,502,400,614                                      |

**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, 2020 and 2019

|   | Members'     | Department of<br>Water<br>and Power | Combined<br>Total | Estimated<br>Liability for<br>Family<br>Allowances |
|---|--------------|-------------------------------------|-------------------|--|
| 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<br>for family allowances from contribution accounts<br>for member deceased during the year     | (67,560)     | (679,657)                           | (747,217)         | 747,217  |
| Family allowances paid  | -            | -                                   | -                 | (546,650)  |
| Interest transferred from general<br>reserve at 3.5% per annum  | 224,420      | 22,450                              | 246,870           | 147,038  |
| Balances at June 30, 2019   | \$ 6,555,938 | \$ 488,641                          | \$ 7,044,579      | \$ 4,289,423                                       |
| Contributions received  | 113,329      | -                                   | 113,329           | -  |
| Transfers to estimated liability<br>for family allowances from<br>contribution accounts for<br>members deceased during the year | -            | -                                   | -                 | -  |
| Transfer to/from general reserve  | -            | (488,641)                           | (488,641)         | 12,901   |
| Family allowances paid  | -            | -                                   | -                 | (554,424)  |
| Interest transferred from general<br>reserve at 3.5% per annum  | 235,019      | -                                   | 235,019           | 143,207  |
| Balances at June 30, 2020   | \$ 6,904,286 | \$ -                                | \$ 6,904,286      | \$ 3,891,107                                       |

**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, 2020**

## Revenues by Source

| <b>Fiscal Year</b> | <b>Members' Contributions</b> | <b>Department Contributions*</b> | <b>Investment Income**</b> | <b>Total</b>   |
|--------------------|-------------------------------|----------------------------------|----------------------------|----------------|
| 2020               | \$ 120,299,327                | \$ 432,140,635                   | \$ 243,186,601             | \$ 795,626,563 |
| 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 |

## Expenses by Type

| <b>Fiscal Year</b> | <b>Benefits</b> | <b>Administrative Expenses***</b> | <b>Refunds****</b> | <b>Total</b>   |
|--------------------|-----------------|-----------------------------------|--------------------|----------------|
| 2020               | \$ 628,852,137  | \$ 59,985,183                     | \$ 11,285,824      | \$ 700,123,144 |
| 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 |

\* 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.