

DWP BOARD OF ADMINISTRATION
Retirement Board

Ex-Officio/Appointed Members



Ronald O. Nichols
General Manager



Christina Noonan
Commissioner



Mario C. Ignacio
Chief Accounting
Employee



Michael T. Moore
Appointed
Retired Member

Elected Members



Javier Romero
President



Cynthia M. Coffin
Vice-President



Barry Poole

Published 2/2012

**WATER and POWER EMPLOYEES'
RETIREMENT, DISABILITY and
DEATH BENEFIT INSURANCE
PLAN**



**SUMMARY
ANNUAL
REPORT

JUNE 30, 2011**

Retirement Plan Office
111 N Hope St.—Room 357
Los Angeles, CA 90012

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(800) 367-7164

E-Mail: RETIRE@LADWP.COM
Website: RETIREMENT.LADWP.COM

To All DWP Retirement Plan Members:

The Summary Annual Report as of June 30, 2011 is submitted in conformity with Section III C (4) of the Retirement Plan. A complete financial report, audited by Simpson & Simpson, CPAs, is posted on our website.

The highlights for the fiscal year ended **June 30, 2011** are as follows:

Investment returns were 19.5% for the Retirement Fund and 18.9% for the Retiree Health Benefits Fund. Market values were \$7.4 billion for the Retirement Fund and \$1.2 Billion for the Retiree Health Benefits Fund.

The portfolios of the Retirement Fund and Retiree Health Benefits Fund are professionally managed by external investment managers. The portfolios are invested in diverse asset classes such as equity, fixed income, alternatives, and cash which provides the necessary diversification to manage risks and achieve long-term investment goals. The Plan continues to follow a phased in approach to implement the asset allocation changes adopted by the Board in March 2009.

The Board conducts periodic asset liability and asset allocation studies to make informed decisions regarding any adjustments needed to the Plan's strategic investment plan.

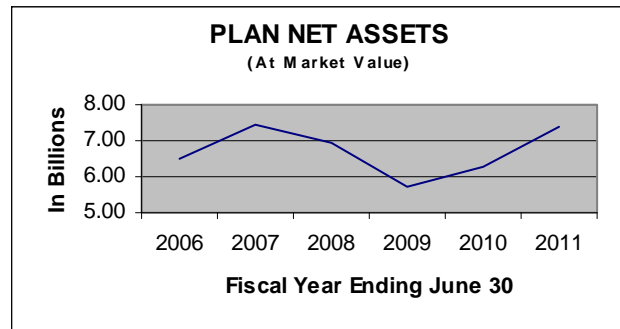
The Department's contribution to the Retirement Plan will be increasing to 41.82% of pay from 38.45%, in accordance with the recommendation of the annual Actuarial Valuation as of July 1, 2011.

The Retirement Board and Staff remain committed to the mission of providing responsive and efficient service through responsible administration of the Plan and prudent management of its assets.

Please visit our web-site at <http://retirement.ladwp.com/> for information on Board meetings, minutes and reports.

Javier Romero
President
Retirement Board

Sangeeta Bhatia
Retirement Plan Manager



RETIREMENT PLAN OFFICE STAFF

- Sangeeta Bhatia**
Retirement Plan Manager
- Monette Carranceja**
Assistant Retirement Plan Manager
- Mary Higgins**
Assistant Retirement Plan Manager
- Jeremy Wolfson**
Chief Investment Officer
- Scott Vargas**
Senior Investment Officer
- Manoj Desai**
Chief Accountant
- Linda Le**
Utility Administrator (Retirement/Death Benefits)
- Elizabeth Jasso**
Retirement Supervisor
- Valerie Taylor-Ragler**
Disability Supervisor
- Kimloan Tran**
Membership Supervisor
- Julie Escudero**
Utility Executive Secretary
- Veronica Mendez**
Utility Administrator (Administration)
- Terri Lopez**
Management Analyst
- Kendrick Mah**
Management Analyst
- Christina Munoz**
Management Analyst
- Mark Rubin**
Management Analyst
- Conney Williams**
Management Analyst

LEGAL COUNSEL - City Attorney's Office

Alan Manning
Marie McTeague

SERVICE PROVIDERS

As of June 30, 2011

- | | |
|--|--|
| ACTUARY The Segal Company | COUNSEL Ice Miller, LLP Nossaman, LLP |
| AUDITOR Simpson & Simpson, CPAs | PROXY SERVICE PROVIDER Glass, Lewis & Co., LLC |
| CUSTODIAN BANK Bank of New York Mellon | INVESTMENT CONSULTANTS Courtland Partners Pension Consulting Alliance, Inc. |
| INVESTMENT MANAGERS | |
| AETOS Capital, LLC | Lexington Partners |
| Audax Group | Lone Star Funds |
| BlackRock | Loomis Sayles & Company |
| Bristol Group, Inc. | Mesa West Capital |
| Capital Dynamics, Inc. | MFS Investment Management |
| CB Richard Ellis Investors, LLC. | Oaktree Capital Management, LP |
| Earnest Partners, LLC | Prudential Financial |
| EnCap Investments L.P. | Pyramis Global Advisors |
| Fisher Lynch Capital | The Boston Co. Asset Mgmt., LLC |
| Fred Alger Management, Inc. | T. Rowe Price |
| Frontier Capital Management | Wells Capital Management |
| Invesco Global Asset Management | Western Asset Management Company |
| JP Morgan Asset Management Co. | |
| Landmark Partners | |

WATER AND POWER EMPLOYEES' RETIREMENT,
DISABILITY, AND DEATH BENEFIT INSURANCE PLAN

SUMMARY ANNUAL REPORT
JUNE 30, 2011

STATEMENT OF CHANGES IN PLAN NET ASSETS

| <u>Retirement Fund</u> | 2011 | 2010 |
|--|-----------------|---------------|
| Net Assets- Beginning of Year | \$6,266,275,369 | 5,698,877,783 |
| Members' Contribution | 65,954,329 | 71,240,553 |
| Installment Payment From Early Retired Employees | 11,278 | 5,500 |
| Department Contribution Towards Benefits (Net of Reversions) | 286,699,384 | 201,033,238 |
| Administration | 4,569,027 | 4,463,141 |
| Total Contributions | \$357,234,018 | 276,742,432 |
| Total Investment Income (Loss) ¹ | 1,209,900,038 | 690,798,191 |
| (Less Securities Lending Expenses) | (276,807) | (119,364) |
| (Less Investment Expenses) | (21,252,715) | (17,063,405) |
| Net Income & Appreciation | \$1,188,370,516 | 673,615,422 |
| Other Income | 868,154 | 825,312 |
| Total Additions | \$1,546,472,688 | 951,183,166 |
| Retirement Benefits Paid | 396,136,140 | 377,051,650 |
| Refund of Members' Contribution | 2,381,657 | 3,006,724 |
| Administrative Expenses | 3,893,338 | 3,727,206 |
| Total Deductions | \$402,411,135 | 383,785,580 |
| Net Increase (Decrease) | 1,144,061,553 | 567,397,586 |
| Net Assets - End of Year | \$7,410,336,922 | 6,266,275,369 |

| <u>Disability Fund</u> | | |
|-------------------------|--------------|------------|
| Members' Contribution | \$465,624 | 461,292 |
| Department Contribution | 12,195,591 | 13,238,407 |
| Total Contributions | \$12,841,215 | 13,699,699 |

| <u>Benefits Paid</u> | | |
|----------------------------|--------------|------------|
| Temporary Disability | 11,291,929 | 10,602,925 |
| Extended Disability | 428,496 | 344,847 |
| Permanent Total Disability | 2,012,392 | 1,671,993 |
| Supplemental Disability | 1,065,120 | 1,393,272 |
| Total Benefits Paid | \$14,797,937 | 14,013,037 |

| <u>Death Benefit Fund</u> | | |
|---------------------------|-------------|-----------|
| Members' Contribution | \$327,600 | 320,462 |
| Department Contribution | 8,003,050 | 6,079,539 |
| Total Contributions | \$8,330,650 | 6,400,001 |

| <u>Benefits Paid</u> | | |
|----------------------|-------------|-----------|
| Death Benefit | \$7,146,080 | 6,588,967 |
| Family Allowances | 688,064 | 698,099 |
| Total Benefits Paid | \$7,834,144 | 7,287,066 |

| <u>Retiree Health Benefits Fund</u> | | |
|-------------------------------------|---------------|-------------|
| Department Contributions | \$140,746,036 | 160,739,954 |
| Net Investment Income ² | 172,299,444 | 86,505,341 |
| Total Additions | \$313,045,480 | 247,245,295 |
| Retiree Health Benefits Paid | \$65,132,520 | 60,195,926 |

ANNUAL ACTIVITY

| <u>Active Membership</u> | 2011 | 2010 |
|--|-------------|-------------|
| Number of Contributing Members | 9,032 | 9,468 |
| Number of Contracts to Purchase Service Credit | 1,260 | 1,159 |
| Number of New Members | 449 | 904 |
| Number of Withdrawals of Funds | 16 | 23 |
| Average Age | 48.4 | 48.0 |
| Average Years of Service | 17.7 | 17.6 |

| <u>Retirees</u> | | |
|---|-------|-------|
| Number of Retirees | 6,553 | 6,838 |
| Number of Surviving Spouses & Beneficiaries | 1,775 | 1,821 |
| Number Who Retired During the Fiscal Year | 278 | 259 |
| Average Age | 73.3 | 73.2 |

| <u>Disability Related</u> | | |
|--|-------|-------|
| Number of Temporary Disability Claims | 1,102 | 1,198 |
| Number of Temporary Disability Claims per 1000 Employees | 122.0 | 130.0 |
| Number Paid Worker's Compensation Supplement | 210 | 165 |
| Number on PTD | 68 | 67 |

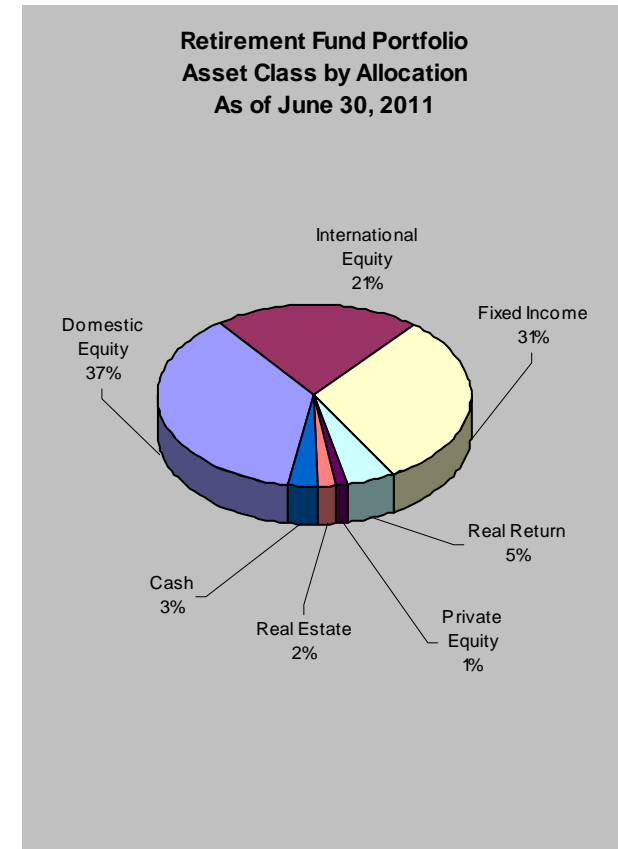
| <u>Death Benefit Related</u> | | |
|---|-----|-----|
| Number of Deaths | | |
| Active members | 22 | 19 |
| Retirees | 284 | 269 |
| Number Receiving Monthly Survivorship | 292 | 299 |
| Number of Family Allowances | 68 | 74 |
| Number of Children on Family Death Benefit Roll | 97 | 99 |

ACTUARIAL BALANCE SHEET

| <u>Assets</u> | June 30, 2011 | June 30, 2010 |
|---|----------------------|----------------------|
| Total Actuarial Value of Assets | \$7,465,183,643 | 7,244,429,689 |
| Present Value of Future Contributions by Members | 520,419,413 | 516,624,069 |
| Present Value of Future Department Contributions for a. Normal Cost | 1,241,953,209 | 1,223,061,069 |
| b. Unfunded Actuarial Accrued Liability | 1,832,020,675 | 1,649,188,744 |
| Total Current and Future Assets | \$11,059,576,940 | 10,633,303,571 |
| <u>Liabilities</u> | | |
| Present Value of Benefits Already Granted | \$4,634,291,818 | 4,375,920,216 |
| Present Value of Benefits to be Granted | 6,425,285,122 | 6,257,383,355 |
| Total Liabilities | \$11,059,576,940 | 10,633,303,571 |

RETIREMENT FUND
PORTFOLIO PERFORMANCE
(Fiscal Year Ended June 30, 2011)

| <u>Asset Class vs. Benchmarks</u> | 1YR (%) | 3YR (%) | 5YR (%) |
|-----------------------------------|----------------|----------------|----------------|
| <i>Total Retirement Fund</i> | 19.51 | 4.40 | 4.94 |
| Policy Benchmark | 19.22 | 4.07 | 4.58 |
| <i>Domestic Equity</i> | 32.60 | 3.55 | 3.71 |
| Russell 3000 | 32.37 | 4.00 | 3.35 |
| <i>International Equity</i> | 28.08 | 1.39 | 3.52 |
| MSCI ACWI ex-US IMI (Blend) | 30.79 | 0.75 | 4.41 |
| <i>Fixed Income</i> | 6.46 | 7.78 | 7.13 |
| BC Universal | 4.78 | 6.74 | 6.61 |
| <i>Real Return¹</i> | 4.92 | 0.34 | N/A |
| Tbill + 3% ¹ | 3.15 | 3.39 | N/A |
| <i>Private Equity¹</i> | 22.7 | 2.2 | N/A |
| Cambridge USPE/USVC ¹ | 20.8 | 3.6 | N/A |
| <i>Real Estate¹</i> | 25.2 | -9.1 | N/A |
| NCREIF ¹ | 16.0 | -3.6 | N/A |
| <i>Cash</i> | 0.62 | 0.70 | 2.38 |
| Citigroup T-Bills | 0.14 | 0.35 | 1.87 |



RETIREMENT FUND PORTFOLIO
ASSET ALLOCATION¹
(As of June 30, 2011)

| <u>Asset Class</u> | <u>Market Value (\$ Million)</u> | <u>Current Allocation (%)</u> | <u>Target Allocation (%)</u> |
|------------------------------|----------------------------------|-------------------------------|------------------------------|
| Domestic Equity | 2,711 | 37 | 34 |
| International Equity | 1,572 | 21 | 20 |
| Fixed Income | 2,304 | 31 | 33 |
| Real Return | 348 | 5 | 5 |
| Private Equity | 94 | 1 | 3 |
| Real Estate | 120 | 2 | 4 |
| Cash | 209 | 3 | 1 |
| Total Retirement Fund | 7,350 | 100 | 100 |

¹ Source: The Bank of New York Mellon Corporation

¹ Includes Fair Market Value Net Appreciation of \$1,077,966,088 and \$509,797,037 for 2011 and 2010 respectively.
² Includes Fair Market Value Net Appreciation of \$144,130,600 and \$65,720,968 for 2011 and 2010 respectively.

¹ Returns are lagged one quarter.