

DWP BOARD OF ADMINISTRATION
Retirement Board

Ex-Officio/Appointed Members



David H. Wright
General Manager



Mel Levine
Commissioner



Mario C. Ignacio
Chief Accounting
Employee



Timothy Hemming
Appointed
Retired Member

Elected Members



Javier Romero
President



Barry Poole
Vice-President



LaTanya Bogin
Member

Published 11/2017

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



**SUMMARY
ANNUAL
REPORT
JUNE 30, 2017**

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

Phone: (213) 367-1712
(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, 2017 is submitted in conformity with Section III C (4) of the Retirement Plan provisions. A complete financial report, audited by Simpson & Simpson, CPAs, is posted on the Retirement Plan Office website at retirement.ladwp.com.

The total fiduciary net position for the Retirement Fund increased to \$11.3 billion from \$10.1 billion. The addition of \$1.2 billion to the Retirement Fund's fiduciary net position is due mainly to a strong market performance. The funded ratio of the Retirement Fund (fiduciary net position as a percentage of total pension liability) increased to 89.39% from 82.17%.

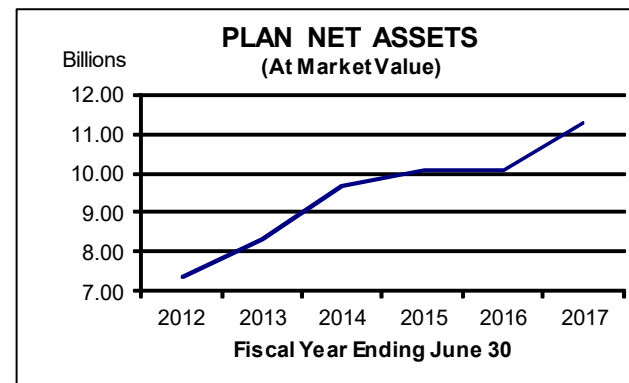
The Department's net pension liability under the Retirement Fund decreased to \$1.3 billion from \$2.2 billion. The Department's contribution to the Retirement Plan for Fiscal Year 2017-2018 will decrease to 44.62% of payroll from the previous rate of 45.25% in accordance with the annual Actuarial Valuation as of July 1, 2017 prepared by Segal Consulting, also posted on the Retirement Plan Office website at retirement.ladwp.com.

Pension plan assets are professionally managed and invested in well-diversified asset classes to manage risk while seeking to achieve long-term investment goals.

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

Javier Romero
President
Retirement Board

Linda P. Le
Retirement Plan Manager



RETIREMENT PLAN OFFICE STAFF

Linda P. Le
Retirement Plan Manager

Katie Zordilla
Assistant Retirement Plan Manager

Monette Carranceja
Assistant Retirement Plan Manager

Jeremy Wolfson
Chief Investment Officer

William Feng
Chief Accountant

**LEGAL COUNSEL
City Attorney's Office**

Alan Manning
Joshua M. Geller

**SERVICE PROVIDERS
As of June 30, 2017**

- | | |
|--|--|
| ACTUARY The Segal Consulting | COUNSEL Nossaman, LLP Ice Miller, LLP Stephoe & Johnson LLP |
| AUDITOR Simpson & Simpson, CPAs | PROXY SERVICE PROVIDER Glass, Lewis & Co., LLC |
| CUSTODIAN BANK Northern Trust | TRANSACTION COST ANALYSIS PROVIDER Zeno Consulting Group, LLC |
| INVESTMENT CONSULTANTS Courtland Partners Pension Consulting Alliance, LLC RVK, Inc. | COMMISSION RECAPTURE Russell Investments Implementations Services, LLC |
| INVESTMENT MANAGERS | |
| Adams Street Almanac Realty Investors, LLC Angelo Gordon & Co. Apollo Global Management, LLC Ares Management, LLC Audax Group BlackRock The Blackstone Group Bristol Group, Inc. Capital Dynamics Clayton, Dubilier & Rice, Inc. Crestview Partners Dimensional Fund Advisors DRA Advisors, LLC Earnest Partners, LLC Emerald Advisors, Inc. EnCap Investments FIAM, LLC Fisher Lynch Capital FPA Multifamily, LLC Fred Alger Management, Inc. GAM USA Inc. Hancock Timber Resource Group Harrison Street Harvest Partners Heitman Industry Ventures, LLC Invesco Real Estate | Invesco National Trust Company J.P. Morgan Jamestown Landmark Partners, Inc. Lexington Partners, Inc. Lone Star Funds Los Angeles Capital Management & Equity Research, Inc. Macquarie Investments Mesa West Capital MFS Institutional Advisors, Inc. Molpus Woodland Group Morgan Stanley AIP Neuberger Berman Oaktree Capital Management, LLC Pacific Asset Management PCCP, LLC PGIM Real Estate Prologis, Inc. Silver Lake Partners Torchlight Investors, LLC T. Rowe Price Associates Vista Equity Partners Wellington Management Company Wells Capital Management Westbrook Partners Western Asset Management Company |

**STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION**

| Retirement Fund | 2017 | 2016 |
|--------------------------------------|------------------|----------------|
| Net Position- Beginning of Year | \$10,097,842,728 | 10,074,300,269 |
| Members' Contribution | 83,239,105 | 75,068,523 |
| Department Contribution Towards | | |
| Benefits (Net of Reversions) | 391,717,359 | 362,359,894 |
| Administration Expenses | 6,030,419 | 5,899,162 |
| Total Contributions | \$480,986,883 | 443,327,579 |
| Total Investment Income ¹ | 1,318,806,641 | 123,645,647 |
| (Less Securities Lending Expenses) | (3,034,878) | (1,291,836) |
| (Less Investment Expenses) | (35,268,327) | (28,699,153) |
| Net Investment Income | \$1,280,503,436 | 93,654,658 |
| Other Income | 302,852 | 2,153,323 |
| Total Additions | \$1,761,793,717 | 539,135,560 |
| Retirement Benefits Paid | 535,914,984 | 505,591,726 |
| Refund of Members' Contribution | 4,446,351 | 4,893,260 |
| Administrative Expenses | 5,375,229 | 5,108,115 |
| Total Deductions | \$545,736,564 | 515,593,101 |
| Net Increase in Plan Net Position | 1,216,056,607 | 23,542,459 |
| Net Position - End of Year | \$11,313,899,335 | 10,097,842,728 |

| <u>Disability Fund</u> | | |
|-------------------------------|--------------|------------|
| Members' Contribution | \$472,760 | 458,316 |
| Department Contribution | 16,365,665 | 17,066,832 |
| Total Contributions | \$16,838,425 | 17,525,148 |
| Benefits Provided | | |
| Temporary Disability | 12,766,755 | 12,235,381 |
| Extended Temporary Disability | 484,247 | 379,035 |
| Permanent Total Disability | 1,700,103 | 1,734,775 |
| Supplemental Disability | 1,233,786 | 1,595,611 |
| Total Benefits Paid | \$16,184,891 | 15,944,802 |

| <u>Death Benefit Fund</u> | | |
|---------------------------|-------------|-----------|
| Members' Contribution | \$336,630 | 326,185 |
| Department Contribution | 8,206,607 | 8,229,494 |
| Total Contributions | \$8,543,237 | 8,555,679 |
| Benefits Paid | | |
| Death Benefit | \$7,427,860 | 7,023,426 |
| Family Allowances | 540,150 | 495,378 |
| Total Benefits Paid | \$7,968,010 | 7,518,804 |

| <u>Retiree Health Benefits Fund</u> | | |
|---|---------------|------------|
| Department Contributions | \$91,023,926 | 80,606,726 |
| Net Investment Income ² | 218,835,834 | 14,462,876 |
| Total Additions | \$309,859,760 | 95,069,602 |
| Retiree Health Benefits Paid (Insurance Premiums) | \$90,310,419 | 79,895,671 |

¹ Includes Fair Market Value Net Appreciation of \$1,107,153,958 for 2017 and Depreciation of \$62,475,946 for 2016.
² Includes Fair Market Value Net Appreciation of \$190,298,244 for 2017 and Depreciation of \$10,364,748 for 2016.

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

**SUMMARY ANNUAL REPORT
JUNE 30, 2017**

ANNUAL ACTIVITY

| <u>Active Membership</u> | | | |
|--|--------------------|-------|--|
| | 2017 | 2016 | |
| Number of Contributing Members | 9,806 ¹ | 9,308 | |
| Tier 1 | 7,543 ¹ | 7,571 | |
| Tier 2 | 2,263 ¹ | 1,737 | |
| Number of Contracts to Purchase Service Credit | 1,586 | 1,437 | |
| Number of New Members | 1,037 | 1,160 | |
| Number of Withdrawals of Funds | 14 | 10 | |
| Average Age | 47.9 | 48.0 | |
| Average Years of Service | 15.7 | 16.3 | |

| <u>Disability Related</u> | | | |
|--|-------|-------|--|
| Number of Temporary Disability Claims | 1,036 | 1,090 | |
| Number Paid Worker's Compensation Supplement | 222 | 221 | |
| Number on PTD | 53 | 52 | |

| <u>Retirees</u> | | | |
|---|---------|---------|--|
| Number of Retirees | 7,139 | 7,102 | |
| Number of Surviving Spouses & Beneficiaries | 1,705 | 1,703 | |
| Number Who Retired During the Fiscal Year | 317 | 608 | |
| Average Monthly Benefit | \$5,517 | \$5,385 | |
| Average Age | 72.9 | 72.8 | |

| <u>Death Benefit Related</u> | | | |
|---|-----|-----|--|
| Number of Deaths | | | |
| Active members | 22 | 23 | |
| Retirees | 282 | 243 | |
| Number Receiving Monthly Survivorship | 283 | 283 | |
| Number of Family Allowances | 63 | 60 | |
| Number of Children on Family Death Benefit Roll | 74 | 68 | |

¹ Source: Segal Consulting Actuarial Valuation

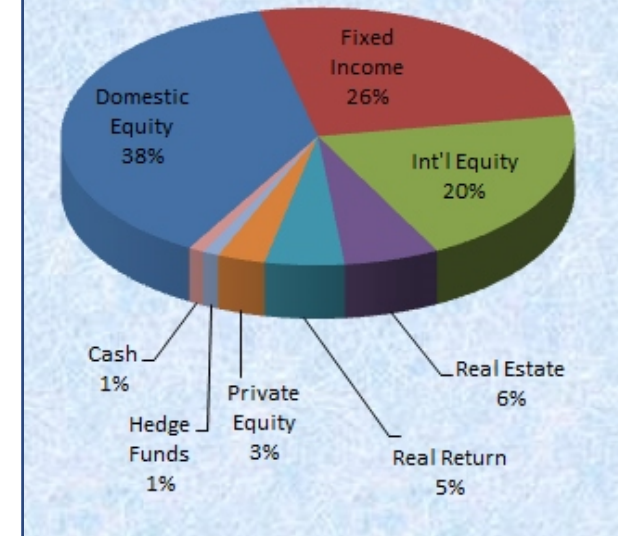
ACTUARIAL BALANCE SHEET

| <u>Assets</u> | June 30, 2017 | June 30, 2016 |
|--|------------------|----------------|
| Total Actuarial Value of Assets | \$11,133,708,386 | 10,344,355,801 |
| Present Value of Future Contributions by Members | 752,862,928 | 662,202,464 |
| Present Value of Future Department Contributions for | | |
| a. Normal Cost | 1,542,317,777 | 1,506,219,599 |
| b. Unfunded Actuarial Accrued Liability | 1,523,392,880 | 1,944,873,200 |
| Total Current and Future Assets | \$14,952,281,971 | 14,457,651,064 |
| <u>Liabilities</u> | | |
| Present Value of Benefits Retirees & Beneficiaries | \$6,995,706,647 | 6,841,312,150 |
| Present Value of Benefits Terminated Vested Members | 219,017,253 | 209,589,957 |
| Present Value of Benefits Active Members | 7,737,558,071 | 7,406,748,957 |
| Total Liabilities | \$14,952,281,971 | 14,457,651,064 |

**RETIREMENT FUND
PORTFOLIO PERFORMANCE**
(Fiscal Year Ended June 30, 2017)

| Asset Class vs. Benchmarks | 1YR (%) | 3YR (%) | 5YR (%) |
|------------------------------|---------|---------|---------|
| <i>Total Retirement Fund</i> | 12.91 | 6.09 | 9.59 |
| Policy Benchmark | 12.70 | 5.66 | 9.06 |
| <i>Domestic Equity</i> | 20.76 | 9.96 | 15.73 |
| Russell 3000 | 18.51 | 9.10 | 14.58 |
| <i>International Equity</i> | 18.47 | 3.37 | 9.45 |
| MSCI ACWI ex-US IMI (Blend) | 20.43 | 1.14 | 1.27 |
| <i>Fixed Income</i> | 3.52 | 3.52 | 3.52 |
| Fixed Income Blend | 2.92 | 3.18 | 2.99 |
| <i>Real Estate</i> | 10.63 | 12.74 | 12.98 |
| NCREIF + 50bps | 7.80 | 11.12 | 11.14 |
| <i>Real Return</i> | (0.53) | 1.49 | 1.27 |
| CPI + 3% | 5.00 | 4.00 | 4.29 |
| <i>Private Equity</i> | 13.34 | 9.42 | 10.50 |
| Private Equity Blend | 21.56 | 12.85 | 16.24 |
| <i>Hedge Funds</i> | 2.32 | 1.38 | 3.36 |
| T-Bills + 3% | 3.45 | 3.21 | 3.16 |
| <i>Cash</i> | 1.18 | 1.01 | 0.75 |
| ML 3 Month T-Bills | 0.49 | 0.23 | 0.17 |

**Retirement Fund Portfolio
Asset Class by Allocation
As of June 30, 2017**



**RETIREMENT FUND PORTFOLIO
ASSET ALLOCATION¹**
(As of June 30, 2017)

| Asset Class | Market Value (\$ Million) | Current Allocation (%) | Target Allocation (%) |
|------------------------------|---------------------------|------------------------|-----------------------|
| Domestic Equity | 4,278 | 38 | 29 |
| Fixed Income | 2,920 | 26 | 25 |
| International Equity | 2,237 | 20 | 19 |
| Real Estate | 657 | 6 | 8 |
| Real Return | 528 | 5 | 5 |
| Private Equity | 376 | 3 | 8 |
| Hedge Funds | 167 | 1 | 5 |
| Cash | 87 | 1 | 1 |
| Total Retirement Fund | \$11,250 | 100 | 100 |

¹ Source: The Northern Trust Company