

DWP BOARD OF ADMINISTRATION
Retirement Board

Ex-Officio/Appointed Members



Martin L. Adams
General Manager &
Chief Engineer



Cynthia McClain-Hill
Commissioner



Linda T. Ikegami
Chief Accounting
Employee



Elizabeth Johnson
Appointed
Retired Member

Elected Members



LaTanya Bogin
President



Adolfo Felix
Vice-President



William Truefitt
Member

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



**SUMMARY
ANNUAL
REPORT
JUNE 30, 2022**

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, 2022 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 decreased to \$15.5 billion from \$ 16.7 billion. The decrease of \$1.2 billion in the Retirement Fund's fiduciary net position is due to the challenging capital market environment. The funded ratio of the Retirement Fund (fiduciary net position as a percentage of total pension liability) decreased to 96.18% from 111.05%.

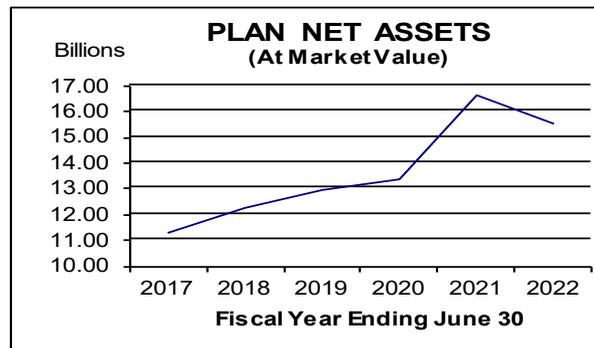
Correspondingly, the Retirement Fund has a net pension liability of \$616.2 million at fiscal year end versus a net pension surplus of \$1.7 billion in the prior year. The Department's contribution to the Retirement Fund for Fiscal Year 2022-2023 will increase to 29.84% of payroll from the previous rate of 26.04% in accordance with the annual Actuarial Valuation as of July 1, 2022 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.

LaTanya Bogin
President
Retirement Board

Linda P. Le
Retirement
Plan Manager



RETIREMENT PLAN OFFICE STAFF

Linda P. Le
Retirement Plan Manager

Monette Carranceja
Assistant Retirement Plan Manager

William Feng
Assistant Retirement Plan Manager

Jeremy Wolfson
Chief Investment Officer

Tri Luu
Chief Accountant

LEGAL COUNSEL
City Attorney's Office

Joshua M. Geller

SERVICE PROVIDERS
As of June 30, 2022

| | |
|---|--|
| ACTUARY The Segal Company | PROXY SERVICE PROVIDER Glass, Lewis & Co., LLC |
| AUDITOR Simpson & Simpson, CPAs | TRANSACTION COST ANALYSIS PROVIDER Zeno AN Solutions |
| CUSTODIAN BANK Northern Trust | COMMISSION RECAPTURE Russell Investments Implementations Services, LLC |
| INVESTMENT CONSULTANTS StepStone Group Real Estate, L.P. StepStone Group, L.P. RVK, Inc. | IN-KIND DISTRIBUTION ADVISOR Hamilton Lane Advisors, LLC |
| COUNSEL Ice Miller, LLP Nossaman, LLP Kutak Rock, LLP | PORTFOLIO TRANSITION PROVIDERS Blackrock Institutional Trust Co., N.A. Northern Trust Investments, Inc. Russell Implementation Services, Inc. |
| INVESTMENT MANAGERS | |
| ACORE Capital Adams Street Partners Alliance Bernstein Allspring Global Investments Almanac Realty Investors Angelo Gordon & Co. Apollo Global Management, LLC Ares Management, LLC Atalaya Capital Management Audax Group BlackRock The Blackstone Group Boston Partners Bristol Group, Inc. Brookfield Asset Management Inc. Capital Dynamics Capital Group Cerberus Clayton, Dubilier & Rice, Inc. Clearlake Capital Group Crestview Partners Dimensional Fund Advisors DRA Advisors, LLC Earnest Partners, LLC Emerald Advisors, Inc. EnCap Investments FIAM, LLC Fisher Lynch Capital FPA Multifamily, LLC Genstar Capital Partners Green Equity Investors Hancock Timber Resource Group Harrison Street Harvest Partners Heitman | Industry Ventures, LLC Invesco Real Estate Invesco National Trust Company J.P. Morgan Jamestown Jennison Associates, LLC Landmark Partners, Inc. LaSalle Investment Management Lexington Partners, Inc. Lone Star Funds Los Angeles Capital Management & Equity Research, Inc. Mesa West Capital MFS Institutional Advisors, Inc. Molpus Woodlands Group Neuberger Berman Oaktree Capital Management, LLC Oak HC/FT Partners Pacific Asset Management PGIM Real Estate Platinum Equity Advisors, LLC Prologis, Inc. Providence Strategic Growth Capital Partners, LLC Searchlight Capital Partners, LLC Silver Lake Partners Stellex TPG Torchlight Investors, LLC T. Rowe Price Associates USA Real Estate Company Victory Park Capital Vista Equity Partners Wellington Management Westbrook Partners |

**STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION**

| Retirement Fund | 2022 | 2021 |
|--|------------------|----------------|
| Net Position- Beginning of Year | \$16,667,463,956 | 13,353,708,096 |
| Members' Contribution | 131,105,102 | 122,316,256 |
| Department Contribution Towards Benefits (Net of Reversions) | 318,873,759 | 378,990,511 |
| Administration Expenses | 6,451,962 | 6,080,956 |
| Total Contributions | \$456,430,823 | 507,387,723 |
| Total Investment Income ¹ | (818,482,075) | 3,554,452,073 |
| (Less Securities Lending Expenses) | (1,900,005) | (548,383) |
| (Less Investment Expenses) | (68,076,515) | (64,819,787) |
| Net Investment Income | \$(888,458,595) | 3,489,083,903 |
| Other Income | 109,867 | 116,430 |
| Total Additions | \$(431,917,905) | 3,996,588,056 |
| Retirement Benefits Paid | 706,884,767 | 671,277,654 |
| Refund of Members' Contribution | 9,123,134 | 6,439,360 |
| Administrative Expenses | 5,613,756 | 5,115,182 |
| Total Deductions | \$721,621,657 | 682,832,196 |
| Net Increase in Plan Net Position | (1,153,539,562) | 3,313,755,860 |
| Net Position - End of Year | \$15,513,924,394 | 16,667,463,956 |

| <u>Disability Fund</u> | | |
|-------------------------|--------------|------------|
| Members' Contribution | \$528,522 | 528,815 |
| Department Contribution | 16,357,748 | 16,794,349 |
| Total Contributions | \$16,886,270 | 17,323,164 |

| <u>Benefits Provided</u> | | |
|-------------------------------|--------------|------------|
| Temporary Disability | 13,839,136 | 11,442,586 |
| Extended Temporary Disability | 454,775 | 544,294 |
| Permanent Total Disability | 2,066,050 | 1,963,922 |
| Supplemental Disability | 1,486,607 | 1,215,960 |
| Total Benefits Paid | \$17,846,568 | 15,166,762 |

| <u>Death Benefit Fund</u> | | |
|---------------------------|--------------|------------|
| Members' Contribution | \$372,258 | 373,989 |
| Department Contribution | 14,991,933 | 14,522,798 |
| Total Contributions | \$15,364,191 | 14,896,787 |

| <u>Benefits Paid</u> | | |
|----------------------|-------------|------------|
| Death Benefit | \$8,704,737 | 9,679,179 |
| Family Allowances | 635,479 | 566,072 |
| Total Benefits Paid | \$9,340,216 | 10,245,251 |

| <u>Retiree Health Benefits Fund</u> | | |
|--|----------------|-------------|
| Department Contributions | \$113,094,077 | 110,261,019 |
| Net Investment/Other Income ² | (157,243,140) | 614,234,046 |
| Total Additions | \$(44,149,063) | 724,495,065 |

| | | |
|---|---------------|-------------|
| Retiree Health Benefits Paid (Insurance Premiums) | \$112,081,130 | 109,282,435 |
|---|---------------|-------------|

¹ Includes Fair Market Value Net Depreciation of \$1,103,563,240 for 2022 and Net Appreciation of \$3,309,171,398 for 2021.

² Includes Fair Market Value Net Depreciation of \$194,009,355 for 2022 and Net Appreciation of \$585,247,030 for 2021.

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

**SUMMARY ANNUAL REPORT
JUNE 30, 2022**

ANNUAL ACTIVITY

| <u>Active Membership</u> | 2022 | 2021 |
|--------------------------------|--------|--------|
| Number of Contributing Members | 10,799 | 10,605 |
| Tier 1 | 5,510 | 5,926 |
| Tier 2 | 5,289 | 4,679 |
| Number of New Members | 697 | 370 |
| Average Age | 46.5 | 46.7 |
| Average Years of Service | 13.3 | 13.8 |

| <u>Disability Related</u> | | |
|--|-------|-----|
| Number of Temporary Disability Claims | 1,042 | 941 |
| Number Paid Worker's Compensation Supplement | 213 | 155 |
| Number on PTD | 52 | 55 |

| <u>Retirees</u> | | |
|---|---------|---------|
| Number of Retirees | 7,760 | 7,621 |
| Tier 1 | 7,745 | 7,609 |
| Tier 2 | 15 | 12 |
| Number of Beneficiaries | 1,956 | 1,943 |
| Tier 1 | 1,955 | 1,942 |
| Tier 2 | 1 | 1 |
| Number Who Retired During the Fiscal Year | 405 | 468 |
| Average Monthly Benefit | \$6,825 | \$6,603 |
| Average Age | 72.7 | 72.7 |

| <u>Death Benefit Related</u> | | |
|---|-----|-----|
| Number of Deaths | | |
| Active members | 32 | 29 |
| Retirees | 256 | 315 |
| Number Receiving Monthly Survivorship | 264 | 262 |
| Number of Family Allowances | 63 | 62 |
| Number of Children on Family Death Benefit Roll | 83 | 81 |

ACTUARIAL BALANCE SHEET

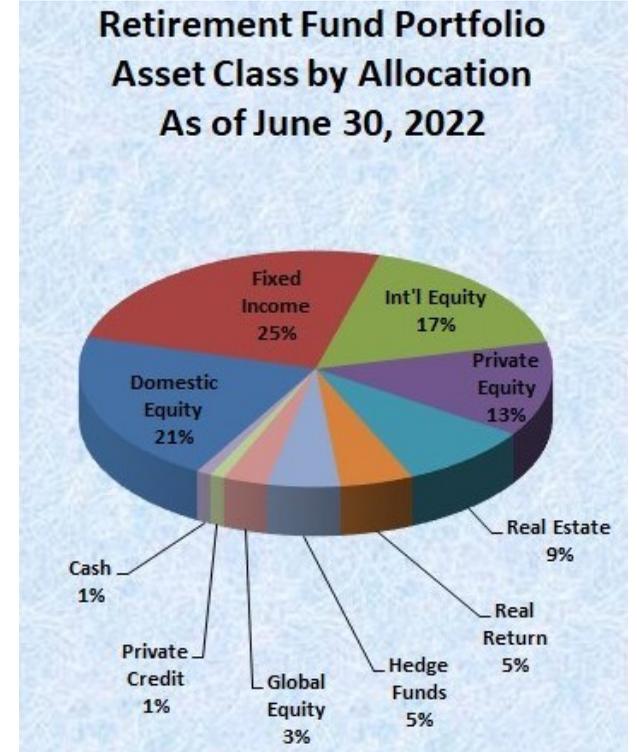
| <u>Assets</u> | June 30, 2022 | June 30, 2021 |
|--|------------------|----------------|
| Total Actuarial Value of Assets | \$15,812,000,418 | 14,889,255,775 |
| Present Value of Future Contributions by Members | 1,338,199,223 | 1,186,434,779 |
| Present Value of Future Department Contributions for | | |
| a. Normal Cost | 2,390,476,053 | 1,882,426,985 |
| b. Unfunded Actuarial Accrued Liability | 318,108,339 | 119,561,791 |
| Total Current and Future Assets | \$19,858,784,033 | 18,077,679,330 |

| <u>Liabilities</u> | | |
|---|------------------|----------------|
| Present Value of Benefits Retirees & Beneficiaries | \$9,628,733,394 | 8,889,505,418 |
| Present Value of Benefits Terminated Vested Members | 265,177,322 | 243,126,270 |
| Present Value of Benefits Active Members | 9,964,873,317 | 8,945,047,642 |
| Total Liabilities | \$19,858,784,033 | 18,077,679,330 |

**RETIREMENT FUND
PORTFOLIO PERFORMANCE
(Fiscal Year Ended June 30, 2022)**

| <u>Asset Class vs. Benchmarks</u> | 1YR (%) | 3YR (%) | 5YR (%) |
|------------------------------------|---------|---------|---------|
| <i>Total Retirement Fund</i> | -5.24 | 7.60 | 7.72 |
| Policy Benchmark | -7.16 | 6.39 | 6.90 |
| <i>Domestic Equity</i> | -15.55 | 9.35 | 10.69 |
| Russell 3000 | -13.87 | 9.77 | 10.60 |
| <i>International Equity</i> | -20.99 | 2.44 | 3.50 |
| MSCI ACWI ex-US IMI ND Index | -19.86 | 1.55 | 2.50 |
| <i>Global Equity²</i> | -7.87 | N/A | N/A |
| MS AC Wld Idx IMI Nt | -16.52 | N/A | N/A |
| <i>Fixed Income</i> | -9.26 | -0.27 | 1.46 |
| Fixed Income Blend | -10.10 | -0.92 | 0.99 |
| <i>Private Credit³</i> | N/A | N/A | N/A |
| Credit Suisse Lev. Loan +2% | N/A | N/A | N/A |
| <i>Real Estate¹</i> | 24.62 | 11.10 | 10.48 |
| NCREIF + 50bps | 22.46 | 10.14 | 9.08 |
| <i>Real Return</i> | 6.68 | 8.97 | 6.65 |
| CPI + 1% | 9.64 | 6.44 | 6.01 |
| <i>Private Equity¹</i> | 36.41 | 27.90 | 23.30 |
| Russell 3000 + 3% | 15.25 | 21.74 | 18.82 |
| <i>Hedge Funds (One Month Lag)</i> | 8.54 | 4.36 | 3.54 |
| T-Bills + 3% | 3.15 | 3.71 | 4.15 |
| <i>Cash</i> | 0.35 | 0.73 | 1.40 |
| ML 3 Month T-Bills | 0.17 | 0.63 | 1.11 |

¹Returns as of 3/31/2022 ²Added to portfolio in September 2020 ³Added to portfolio in October 2021



**RETIREMENT FUND PORTFOLIO
ASSET ALLOCATION¹
(As of June 30, 2022)**

| <u>Asset Class</u> | <u>Market Value (\$ Million)</u> | <u>Current Allocation (%)</u> | <u>Target Allocation (%)</u> |
|------------------------------|----------------------------------|-------------------------------|------------------------------|
| Fixed Income | 3,837 | 25 | 24 |
| Domestic Equity | 3,263 | 21 | 24 |
| International Equity | 2,626 | 17 | 19 |
| Private Equity | 1,952 | 13 | 10 |
| Real Estate | 1,374 | 9 | 8 |
| Hedge Funds | 867 | 5 | 5 |
| Real Return | 859 | 5 | 5 |
| Global Equity | 402 | 3 | 3 |
| Cash | 170 | 1 | 1 |
| Private Credit | 119 | 1 | 1 |
| Total Retirement Fund | \$15,469 | 100 | 100 |

¹ Source: The Northern Trust Company