

# **The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Review of the Death Benefit Fund as of July 1, 2007**

- **Family Death Benefit Allowance Fund**
- **Supplemental Family Death Benefit Allowance Fund**
- **Insured Lives Portion of the Death Benefit Fund**



1801 Century Park East, Suite 500  
Los Angeles, CA 90067

November 28, 2007

Board of Administration  
Water and Power Employees' Retirement Plan of the City of Los Angeles  
111 North Hope Street, Room 357  
Los Angeles, CA 90012

**Re: July 1, 2007 Review of the Death Benefit Fund**

Dear Members of the Board:

We are pleased to submit our review of the Family Death Benefit Allowance Fund, the Supplemental Family Death Benefit Allowance Fund, and the Insured Lives Portion of the Death Benefit Fund as of July 1, 2007. This review is based on financial statements and employee data furnished by the Retirement Office. We would like to take this opportunity to express our appreciation for the courtesy and cooperation accorded to us by the Retirement Office during the course of our work

We look forward to reviewing this report with you at your next meeting and to answering any questions you may have.

Respectfully submitted,



Kai Petersen, FSA, MAAA, EA  
Principal and Consulting Actuary  
Western Region Retirement Practice Leader

KP:jtm  
Enclosure

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# Section 1 — Review Summary

## Contribution Recommendations

The following table summarizes the contribution recommendations for the Department and the members for the various funds. No contribution changes are recommended in this valuation:

	Department	Members	
		Active	Retired and Disabled
Family Death Benefit	Suspended	N/A	N/A
Supplemental Family Death Benefit	N/A	\$2.25 biweekly	\$4.90 monthly
Insured Lives:			
Contributing	Suspended	\$1.00 biweekly	N/A
Noncontributing	\$1.30 per \$100 of monthly retirement benefit	N/A	N/A

The assumed earnings rate is 5.0% for the combined funds. This return assumption is consistent with the assumption currently used by the Board for the Disability Fund, which is invested in similar assets. The estimated earnings rate for the combined Fund over the past year was 5.96%, and 5.02% for the previous year. We will continue to monitor the return assumption.

## **Section 2 — Family Death Benefit Allowance Fund and Supplemental Family Death Benefit Allowance Fund**

### **A. Introduction**

The Family Death Benefit Allowance program was adopted under Resolution No. 470 dated December 19, 1963. The initial benefit was a monthly allowance payable to the surviving spouse of a member with minor children and was equal to \$95 plus \$96 for each minor child up to a maximum monthly allowance of \$254. The individual's benefit was increased to \$120 and the family maximum was increased to \$340 as of July 1, 1969. After 1989, these benefit levels were raised to \$160 and \$450, respectively. On February 18, 2003, the individual's benefit was raised from \$160 to \$416 and the family maximum was raised from \$450 to \$1,170. The increases were applied retroactively to July 1, 2001.

The Department pays the entire cost of the Family Death Benefit Allowance program. Due to the size of the general reserve, contributions have been temporarily suspended since January 1, 1993. A history of contribution rates for this fund is provided in Section 4, Exhibit I.

The Supplemental Family Death Benefit Allowance Plan was adopted effective September 7, 1981. A monthly allowance of \$200 was provided to each surviving spouse or child, subject to a maximum of \$410 per family. On February 18, 2003, the monthly allowance was raised to \$520 for each surviving spouse or child, in addition to the amounts payable from the Family Death Benefit Allowance Fund, subject to a maximum of \$1,066 for the total of additional allowances. The increases were also applied retroactively to July 1, 2001.

Participation in the supplemental plan is optional and subject to member contributions. Please see Section 4, Exhibit I for a history of contribution rates. The Department will only contribute as necessary to fund the benefit.

Under the funding method for the Family Death Benefit Allowance Plan and the Supplemental Family Death Benefit Allowance program, the total annual contribution is equal to the expected incurred claims for the coming year. This is the same method used for disability benefits and for the other death benefits. Under the funding method, no additional contributions are expected to accumulate to help cover future claims beyond those incurred during the forthcoming year.

## Section 2 — Family Death Benefit Allowance Fund and Supplemental Death Benefit Allowance Fund

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### B. Review of Experience and Recommendations

Chart 1 below shows the reserves for Family Death Benefit and Supplemental Family Death Benefit Allowance Fund.

#### CHART 1

#### Family Death Benefit and Supplemental Family Death Benefit Allowance Fund

	June 30, 2007	June 30, 2006
<b>Family Death Benefit</b>		
Reserve for allowances granted	\$1,690,054	\$1,952,727
Contribution account and general reserve	<u>5,654,198</u>	<u>6,052,843</u>
Subtotal	7,344,252	8,005,570
<b>Supplemental Family Death Benefit</b>		
Reserve for allowances granted	(99,796)	12,516
Contribution account and general reserve	<u>4,426,540</u>	<u>4,337,758</u>
Subtotal	4,326,744	4,350,274
<b>Family Death Benefit and Supplemental Family Death Benefit</b>		
Reserve for allowances granted	1,590,258	1,965,243
Contribution account and general reserve	10,080,738	10,390,601
<b>Grand Total</b>	<u>\$11,670,995</u>	<u>\$12,355,864</u>

Charts 2 and 3 on the following pages show a historical summary of the cost of the Family Death Benefit Allowance Fund and the Supplemental Family Death Benefit Allowance Fund, respectively, from inception to June 30, 2007.

In the early years of the operation of the Family Death Benefit Allowance, the Department contribution rate was somewhat low. For this reason, a deficit in the contribution account gradually accumulated. The extension of the \$120 benefit level in 1969 to current recipients temporarily compounded the deficit and produced abnormally high costs per member. To reverse these trends, a \$3.00 contribution rate was adopted in 1973, which was subsequently reduced to \$2.50 in 1981. Since that time, substantial reserves have been built, and as a result, contributions were suspended in 1993.

The experience table starting on page 5 (chart 2) shows the cumulative monthly cost per member since 1970 for the Family Death Benefit Allowance Fund. In years 1970 through 1989 the Family Death Benefit level was \$120. After 1989, the benefit level rose to \$160. On February 18, 2003, the benefit level was raised to \$416 per person, subject to a maximum of \$1,170 per family. The benefit increase was retroactive to July 1, 2001. The current cumulative experience in the table has been adjusted as if the benefit had always

## **Section 2 — Family Death Benefit Allowance Fund and Supplemental Death Benefit Allowance Fund**

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been \$416. The cumulative cost since 1970 is now \$5.60. Although contributions are currently suspended, the most recent Department contribution rate of \$2.50 would support an individual Family Death Benefit of about \$186.

For the Family Death Benefit Allowance program, the funding policy is to have 20% of the reserve for allowances granted, or \$338,011 (20% of \$1,690,054), in the contribution account and general reserve. The actual contribution account and general reserve of \$5,654,198 is more than the target, but may start to decrease because the Department contribution has been suspended.

The experience for the Supplemental Family Death Benefit Allowance Fund also is shown in this report. A stable long-term cost of this benefit has yet to establish itself, but so far the cost of this benefit has been less than expected. Thus, on the basis of the experience of the fund, the contribution rate for the Supplemental Family Death Benefit Allowance Fund does appear to be greater than the cost of the benefit. We will continue to monitor this.

Thus, we recommend that the Department do the following:

1. Continue to suspend Department contributions to the Family Death Benefit Allowance Fund. The surplus is large enough to justify a continuation of the contribution holiday.
2. Maintain the employee contribution rate to the Supplemental Family Death Benefit Allowance Fund. No Department contribution is necessary at this time.

## Section 2 — Family Death Benefit Allowance Fund and Supplemental Death Benefit Allowance Fund

**CHART 2**  
**Family Death Benefit Allowance Fund Costs Since 1970**

Year Ending June 30	Department Contribution*	Benefits Paid*	Incurred Claims*	Monthly Cost Per Covered Member	Cumulative Monthly Cost Per Covered Member Since 1970**	General Reserve Plus Contribution Account**
1970	\$363,096	\$217,040	\$571,988	\$3.94	\$3.94	\$(668,804)
1971	374,304	257,643	505,849	3.38	3.65	(796,683)
1972	374,796	687,680	378,207	2.52	3.27	(793,744)
1973	364,716	311,080	429,984	2.95	3.19	(857,180)
1974	396,721	334,840	352,399	2.66	3.10	(810,500)
1975	414,036	358,395	144,020	1.04	2.77	(527,656)
1976	396,216	349,267	275,033	2.08	2.68	(389,944)
1977	386,173	321,168	259,379	2.01	2.49	143,731
1978	386,172	305,318	196,128	1.52	2.49	349,389
1979	357,948	309,497	285,996	2.40	2.48	425,441
1980	348,545	304,798	284,255	2.45	2.48	481,694
1981	341,964	283,053	49,077	0.43	2.31	643,080
1982	294,180	267,499	85,774	0.73	2.19	868,296
1983	350,000	274,048	326,799	2.33	2.20	910,910
1984	350,000	257,921	110,795	0.79	2.10	1,087,934
1985	363,125	238,901	-25,809	-0.18	1.96	1,311,244
1986	370,348	234,734	41,907	0.28	1.86	1,716,681
1987	308,185	256,954	158,680	1.29	1.77	2,095,779
1988	315,468	240,469	208,955	1.66	1.76	2,453,938
1989	314,648	237,469	37,952	0.30	2.25	3,026,436

\* Provided by the Retirement Office. Benefits paid in 2003 included retroactive payments.

\*\* Experience for earlier years has been adjusted to reflect the benefit payable at the end of the corresponding plan year. For example, the 2002 cumulative monthly cost reflects the 2002 benefit level for all earlier experience, while the 2003 cost reflects the 2003 benefit level for all earlier experience.



## Section 2 — Family Death Benefit Allowance Fund and Supplemental Death Benefit Allowance Fund

**CHART 2 (continued)**  
**Family Death Benefit Allowance Fund Costs Since 1970**

Year Ending June 30	Department Contribution	Benefits Paid*	Incurred Claims*	Monthly Cost Per Covered Member	Cumulative Monthly Cost Per Covered Member Since 1970**	General Reserve Plus Contribution Account**
1990	\$310,323	\$319,285	\$226,394	\$1.82	\$2.23	\$3,444,701
1991	303,370	307,277	144,080	1.19	2.19	3,942,195
1992	314,800	327,945	213,107	1.69	2.17	4,450,836
1993	138,610	305,640	247,740	2.23	2.17	4,781,241
1994	0	303,760	249,738	2.03	2.17	4,943,478
1995	0	289,345	172,190	1.57	2.15	5,193,160
1996	0	275,635	87,162	0.80	2.12	5,484,570
1997	0	270,250	174,119	1.67	2.10	5,749,544
1998	0	255,710	144,186	1.44	2.13	5,173,823
1999	0	240,510	81,436	1.04	2.11	5,477,863
2000	0	251,304	232,032	2.84	2.13	5,609,914
2001	0	252,315	108,792	1.25	2.11	5,910,787
2002	0	271,890	235,495	2.65	2.12	6,052,048
2003	0	1,081,801	62,037	0.67	5.40	6,423,011
2004	0	672,819	385,532	4.07	5.37	6,359,890
2005	0	669,108	356,271	3.73	5.33	6,368,082
2006	0	626,379	399,459	4.20	5.31	6,052,843
2007	0	609,538	356,271	3.71	5.27	5,654,198

\* Provided by the Retirement Office. Benefits paid in 2003 included retroactive payments.

\*\* Experience for earlier years has been adjusted to reflect the benefit payable at the end of the corresponding plan year. For example, the 2002 cumulative monthly cost reflects the 2002 benefit level for all earlier experience, while the 2003 cost reflects the 2003 benefit level for all earlier experience.

## Section 2 — Family Death Benefit Allowance Fund and Supplemental Death Benefit Allowance Fund

### CHART 3

#### Supplemental Family Death Benefit Allowance Fund Costs Since 1981

Year Ending June 30	Department Contribution*	Benefits Paid*	Incurred Claims*	Monthly Cost Per Covered Member	Cumulative Monthly Cost Per Covered Member Since 1970**	General Reserve Plus Contribution Account**
1981	\$0	\$ 0	\$ 0	\$0.00	\$0.00	\$ 0
1982	5,101	0	0	0.00	0.00	18,772
1983	7,920	0	0	0.00	0.00	50,126
1984	48,410	2,000	24,723	5.74	1.43	100,057
1985	0	4,800	0	0.00	1.15	137,476
1986	0	4,800	0	0.00	0.96	198,659
1987	0	4,800	0	0.00	0.82	271,350
1988	0	7,820	39,179	2.97	1.09	318,969
1989	0	19,680	397	0.00	0.97	417,710
1990	0	17,010	0	0.00	0.87	530,857
1991	0	14,013	51,651	3.05	1.07	640,671
1992	0	24,250	0	0.00	0.98	778,171
1993	0	27,813	34,148	1.93	1.05	896,213
1994	0	43,460	0	0.00	0.98	1,060,428
1995	0	55,450	0	0.00	0.91	1,241,074
1996	0	55,033	18,189	0.97	0.92	1,436,538
1997	0	60,990	10,690	0.54	0.89	1,653,015
1998	0	52,870	13,638	0.70	0.87	1,877,926
1999	0	47,840	25,523	1.51	0.92	2,114,501
2000	0	49,450	63,652	3.66	1.11	2,369,023
2001	0	52,590	33,835	2.05	1.16	2,645,265
2002	0	58,280	82,257	4.95	1.38	2,943,731
2003	0	271,238	46,674	2.79	3.80	3,267,363
2004	0	165,929	162,149	9.50	4.10	3,614,809
2005	0	170,436	116,371	6.69	4.23	3,995,966
2006		153,510	294,903	16.56	5.73	4,337,758
2007		164,092	51,780	2.87	5.78	4,426,540

\* Provided by the Retirement Office. Benefits paid in 2003 included retroactive payments.

\*\* Experience for earlier years has been adjusted to reflect the benefit payable at the end of the corresponding plan year. For example, the 2002 cumulative monthly cost reflects the 2002 benefit level for all earlier experience, while the 2003 cost reflects the 2003 benefit level for all earlier experience.

# SECTION 3 — Insured Lives Portion of the Death Benefit Fund

## A. Introduction

The funding of the Insured Lives Portion of the Death Benefit is similar to that of the Family Death Benefit allowances, with the following two exceptions:

1. Unlike the Family Death Benefit payments, which may extend over future years, lump sum death benefits are settled promptly. Thus for lump sum death benefits there is little need for claim reserves, and the incurred claims for a year are taken to be the amount of paid claims.
2. Only retirees are covered for noncontributing death benefits, so the cost is paid by the Department as a monthly dollar charge per retiree per \$100 of retirement benefits.

As with the Family Death Benefit allowances, costs do not include any amounts to build up reserves for future claims; hence, if contributions were terminated in the future, the fund would not be sufficient to cover all future claims. A small claim reserve is needed to account for potential lag time in processing current benefit payouts.

## B. Insured Lives Death Benefit For Contributing Active Members

Upon the death of an active member before retirement, the beneficiary receives the deceased member's accumulated contribution from the Retirement Fund, plus a benefit payable from this Death Benefit Fund in an amount equal to 14 times the member's monthly salary (or \$1,000, if greater).

Currently Department contributions are suspended. Please see Section 4, Exhibit I for a history of contribution rates.

In Chart 4 that follows, we summarize the cost of the salary-related death benefit before retirement for the last 10 fiscal years.

The average annual rate of total cost of 31 cents per \$100 of covered compensation in Chart 4 does not take into account the amount of interest earnings on the Death Benefit Fund general reserve. The expected interest earnings credited to the Contributing Members' Reserve for the next fiscal year amounts to approximately \$323,270, or 5 cents per \$100 of covered compensation (assuming a 5% investment return). After taking the interest credit into account, the net average cost of the past 10 years equals 26 cents per \$100 of covered compensation as compared with the total contribution of zero cents per \$100 of covered compensation currently paid into the fund.

## Section 3 — Insured Lives Portion of the Death Benefit Fund

A general reserve target equal to the average of the benefits paid for the last five years, or \$1,651,944 is reasonable, and recommended. The actual reserve as of June 30, 2007 was \$6,465,410, which is well above the target reserve.

Also, we recommend that the total Department contribution to the Contributory Death Benefit Fund continue to be suspended until the general reserve is reduced to the target level in about 2010.

**CHART 4**  
**Family Death Benefit Allowance Fund Costs Since 1970**

Year Ending June 30	Estimated Covered Payroll	Benefits Paid During Year	Total Cost Per \$100 of Covered Payroll	General Reserve
1998	\$435,766,000	\$1,503,939	\$0.35	\$12,729,216
1999	355,148,948	1,006,165	0.28	12,843,609
2000	369,509,203	1,010,489	0.27	12,825,466
2001	403,265,472	1,290,690	0.32	12,509,998
2002	430,397,884	1,413,855	0.33	11,901,706
2003	472,432,803	889,407	0.19	11,747,118
2004	522,227,280	2,317,761	0.44	10,099,606
2005	554,839,816	1,585,477	0.29	9,086,936
2006	574,315,572	2,053,469	0.36	7,538,864
2007	604,514,525	1,658,206	0.27	\$6,465,410
Average	\$472,241,750	\$1,472,946	\$0.31	

### C. Insured Lives Death Benefit for Noncontributing (Retired and Disabled) Members

In September 26, 1963, the Plan began providing for a benefit payable on the death of a retired member equal to 14 times the retired member's unmodified retirement allowance, with a minimum death benefit of \$2,000 (subsequently changed to \$3,000 if eligible for the minimum pension) and a maximum death benefit of \$10,000. Note that only retired members are covered, not spouses and beneficiaries. Contributions were increased as of July 1, 1973 to cover the entire cost of the benefits, and \$2,598,912 was transferred from the General Reserve — Contributing Members to the General Reserve — Noncontributing Members. The Plan was amended in December 1980 to provide a maximum death benefit of \$20,000. A history of contribution rates is given in Section 4, Exhibit I.

In Chart 5 that follows, we summarize recent costs of the retirees' death benefit. The monthly experience rate for 2007 was \$1.43. The monthly experience rates do not take into account the amount of interest earned on the Death Benefit Fund. Interest

### Section 3 — Insured Lives Portion of the Death Benefit Fund

expected to be earned on the Noncontributing Members' Reserve for the next year is \$306,837 (assuming a 5% investment return). This is equal to 9 cents per \$100 of retired member payroll. After taking the interest credit into account, the net rate for 2007 amounts to \$1.34 per \$100 of retired payroll.

We support the recommendation contained in the report that preceded the last report. The recommendation was to maintain a reserve equal to the average death benefits for the last five years, which is \$5,148,996. The reserve amount is currently \$6,136,259.

We recommend that the Department contributions to the Noncontributing Death Benefits be maintained at the rate of \$1.30. This contribution rate is 4 cents lower than the monthly experience rate for 2007, after netting out the interest credit. By contributing at this lower rate, we expect the surplus reserve to decrease to the target reserve near the end of fiscal year 2008.

#### CHART 5

#### Summary of Cost of Death Benefits for Noncontributing Members

Year Ending June 30	Retirement Benefits Paid During Year	Death Benefits Paid During Year	Cost Per \$100 of Retirement Benefits	General Reserve
1998	\$198,929,447	\$4,715,657	\$2.37	\$11,213,387
1999	254,253,462	5,143,447	2.02	11,590,172
2000	271,559,094	5,280,248	1.94	13,205,949
2001	275,870,558	4,804,093	1.74	13,202,859
2002	290,243,650	4,916,570	1.69	12,648,289
2003	295,587,105	4,964,155	1.68	11,565,556
2004	302,063,849	5,185,276	1.72	10,132,894
2005	311,551,053	5,445,314	1.75	8,434,473
2006	325,873,101	5,322,196	1.63	6,934,297
2007	338,340,551	4,828,038	1.43	6,136,759
Average	\$286,427,187	\$5,060,499	\$1.77	

## SECTION 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

### EXHIBIT I

#### History of Contribution Rates

Date	Department Contribution to Family Death Benefit Allowance Fund	Members' Contribution to Insured Lives Portion of the Death Benefit Fund (Contributing Active Members)	Department Contribution to Insured Lives Portion of the Death Benefit Fund (Contributing Active Members)	Department Contribution to Insured Lives Portion of the Death Benefit Fund (Noncontributing Retired and Disabled Members)
1942		\$0.48/\$100 of compensation	\$0.32/\$100 of compensation	
September 26, 1963				\$23.88/retired member each year
December 19, 1963	\$1.25/month			
July 1, 1969	\$2.50/month	\$0.36/\$100	\$0.24/\$100	
July 1, 1973	\$3.00/month			
Fiscal Year 1979-1980				\$23.06/retired member each year
July 1, 1980		\$1.00/month	Balance of \$0.60/\$100	\$27.39/retired member each year
September 1, 1981	\$2.50/month			
January 9, 1984		\$1.00/pay period		
March 1, 1984				\$3.36/\$100 of retired member payroll
July 1, 1988			Balance of \$0.50/\$100	
July 1, 1993	Suspended		Balance of \$0.15/\$100	
July 1, 1994			Balance of \$0.05/\$100	\$2.86/\$100
March 1, 1996				\$2.35/\$100
August 1, 1999			Suspended	\$2.00/\$100
July 1, 2000				\$1.50/\$100
July 1, 2001				\$1.30/\$100

Note: Supplemental Family Death Benefit Allowance plan is subject to member contributions. The initial member contribution was \$3.35 per biweekly period or \$7.28 per month if retired. This rate was decreased to \$2.25 per biweekly period or \$4.90 per month if retired.

**Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds**

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**EXHIBIT II  
Combined Assets and Changes in Assets**

<b>Statement of Death Benefit Fund Assets</b>	<b>Year Ended June 30, 2007</b>	<b>Year Ended June 30, 2006</b>
Cash	\$153,013	\$187,173
Accounts receivable	128,406	633,203
Investment in bonds and mortgage-backed securities at fair value*	25,268,474	25,935,575
Short-term commercial paper, amortized cost which approximates market	1,285,573	1,112,408
<b>Total assets</b>	<b>26,835,466</b>	<b>27,868,359</b>
Accounts payable	(452,208)	(291,156)
Death claims in process - insured lives	(1,717,891)	(1,317,791)
<b>Net assets</b>	<b>\$24,665,367</b>	<b>\$26,259,412</b>

\* Approximate amortized cost is \$25,957,867.28 in 2007 and \$26,938,460.62 in 2006.

**Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds**

**EXHIBIT II**

**Combined Assets and Changes in Assets (continued)**

<b>Statement of Changes in Plan Net Assets for the Years Ended June 30 (Unaudited)</b>	<b>2007</b>	<b>2006</b>
<b>ADDITIONS</b>		
Department of Water & Power contributions towards:		
Retired members (non-contributing)	\$ 3,671,046	\$ 3,537,698
Administrative expenses	666,340	656,498
Total Department contributions	4,337,386	4,194,196
Contributions from members for:		
Insured lives' death benefit	199,634	197,820
Supplemental family death benefit	88,782	88,784
Total members' contributions	288,416	286,604
Net appreciation (decline) in fair value of investments	269,991	(1,508,917)
Investment income	1,467,730	1,432,191
Less: investment expense	(36,861)	(26,823)
Net investment income and market appreciation	1,700,860	(103,549)
Total additions	6,326,662	4,377,251
<b>DEDUCTIONS</b>		
Benefits provided for:		
Death benefit (active/retired members)	6,486,244	7,375,665
Family allowances	773,630	779,888
Total benefits provided	7,259,874	8,155,553
Administrative expense	660,831	637,638
Total deductions	7,920,706	8,793,191
Net increase (decrease)	(1,594,044)	(4,415,940)
Net assets - beginning of year	26,259,412	30,675,352
Net assets - end of year	\$ 24,665,368	\$ 26,259,412



**Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds**

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**EXHIBIT III**

**Reserves for the Years Ended June 30**

	<b>2007</b>	<b>2006</b>
<b>Family Death Benefits</b>		
General Reserve		
Reserve for Benefits Granted	\$1,952,727	\$1,690,054
Family Death Benefits	12,516	(99,796)
Supplemental Family Death Benefits	1,965,243	1,590,258
Total for Benefits Granted		
Contribution Accounts		
Family Death Benefits	6,052,843	5,654,198
Supplemental Family Death Benefits	4,337,758	4,426,540
Total for Contribution Accounts	10,390,601	10,080,738
Total Family Death Benefit	12,355,844	11,670,996
<b>Insured Life (Mean Funds)</b>		
Contributing Members	8,312,900	7,190,685
Non - contributing Members	7,684,385	6,711,511
Total - Insured Life	15,997,285	13,902,196
<b>Grand Total</b>	<b>\$28,353,129</b>	<b>\$25,573,192</b>

## Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

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### EXHIBIT IV

#### Assumptions and Plan Summary for Family Death Benefit Fund

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<b>Plan Year</b>	July 1 through June 30.
<b>Definition of Active Employee</b>	First day of biweekly payroll period following employment for new Department employees. Immediately following transfer from other City departments.
<b>Net Investment Return</b>	5.00%.
<b>Member Contribution Rate</b>	None.
<b>Department Contribution Rate</b>	Currently suspended.
<b>Funding Method</b>	Annual contributions equal the expected incurred claims for the coming year subject to modification by the Department's funding policy.
<b>Funding Policy</b>	Recommend a contribution rate to have 20% of the reserve for allowances granted in the contribution account and general reserve.
<b>Incurred Claims</b>	Provided by the Retirement Office.
<b>Age Requirement</b>	Upon the death of an active member at any age.
<b>Service Requirement</b>	Six months of continuous service.
<b>Other Requirements</b>	Provides a monthly benefit for each surviving child who is: <ul style="list-style-type: none"><li>• The natural or legally adopted child of the member</li><li>• Is under 18 and unmarried, or</li><li>• Disabled and over age 18 (only if the disability occurred before age 18) and unmarried.</li></ul>

## Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

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### EXHIBIT IV

#### Assumptions and Plan Summary for Family Death Benefit Fund (continued)

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##### Monthly Benefit

The monthly benefit is the sum of:

- \$416 per month to each surviving child, plus
- \$416 per month to the spouse (if the member's spouse has care of one or more of the member's eligible children).

limited so that the total amount payable cannot exceed \$1,170 per month. In addition, the spouse's portion will not be paid if the spouse is receiving a Survivor's Optional Death Benefit Allowance or an Eligible Spouse Allowance. The benefit is no longer payable when the member's children no longer satisfy the eligibility requirements noted above.

## Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

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### EXHIBIT V

#### Assumptions and Plan Summary for Supplemental Family Death Benefit Fund

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<b>Plan Year</b>	July 1 through June 30.
<b>Definition of Active Employee</b>	First day of biweekly payroll period following employment for new Department employees. Immediately following transfer from other City departments.
<b>Net Investment Return</b>	5.00%.
<b>Member Contribution Rate</b>	\$2.25 per biweekly period (or \$4.90 per month if retired).
<b>Department Contribution Rate</b>	The Department will provide any additional funds necessary to fund the benefits.
<b>Funding Method</b>	Annual contributions equal the expected incurred claims for the upcoming year subject to modification by the Department's funding policy.
<b>Funding Policy</b>	To be established once stable annual costs are achieved.
<b>Incurred Claims</b>	Provided by the Retirement Office.
<b>Age Requirement</b>	Upon the death of an active member at any age.
<b>Service Requirement</b>	Must be enrolled and make contributions by payroll deductions for 39 successive biweekly payroll periods (approximately 18 months) before coverage becomes effective.

## Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

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### EXHIBIT V

#### Assumptions and Plan Summary for Supplemental Family Death Benefit Fund (continued)

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##### Other Requirements

Provides a monthly benefit for each surviving child who is:

- The natural or legally adopted child of the member
- Is under 18 and unmarried, or
- Disabled and over age 18 (only if the disability occurred before age 18) and unmarried.

##### Monthly Benefit

The monthly benefit is the sum of:

- \$520 per month to each surviving child, plus
- \$520 per month to the spouse (if the member's spouse has care of one or more of the member's eligible children).

limited so that the total amount payable cannot exceed \$1,066 per month. In addition, the spouse's portion will not be paid if the spouse is receiving a Survivor's Optional Death Benefit Allowance or an Eligible Spouse Allowance. The benefit is no longer payable when the member's children no longer satisfy the eligibility requirements noted above.

## Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds

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### EXHIBIT VI

#### Assumptions and Plan Summary for Insured Lives Death Benefit Fund (Contributing Active Members)

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<b>Plan Year</b>	July 1 through June 30.
<b>Definition of Active Employee</b>	First day of biweekly payroll period following employment for new Department employees. Immediately following transfer from other City departments.
<b>Covered Payroll</b>	\$604.5 million for 2006-2007 and \$574.3 million for 2005-2006 plan years, respectively.
<b>Net Investment Return</b>	5.00%.
<b>Member Contribution Rate</b>	Employees contribute \$1.00 per biweekly payroll period.
<b>Department Contribution Rate</b>	Currently suspended.
<b>Funding Method</b>	Pay as you go subject to modification by the Department's funding policy.
<b>Funding Policy</b>	Recommend a contribution rate that maintains the general reserve at a target level equal to the average of the benefits paid for the last five years.
<b>Incurred Claims</b>	Provided by the Retirement Office.
<b>Age Requirement:</b>	Any age.
<b>Service Requirement</b>	Six months of continuous service.
<b>Additional Requirements</b>	Death must occur while an active member of the Plan.
<b>Benefit</b>	A single sum distribution equal to fourteen times monthly salary and Retirement Fund contributions plus accrued interest payable to beneficiary.

**Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds**

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**EXHIBIT VII**

**Assumptions and Plan Summary for Insured Lives Death Benefit Fund (Noncontributing Retired and Disabled Members)**

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<b>Plan Year</b>	July 1 through June 30.
<b>Definition of Active Employee</b>	First day of biweekly payroll period following employment for new Department employees. Immediately following transfer from other City departments.
<b>Covered Payroll</b>	\$338.3 million for 2006-2007 and \$325.8 million for 2005-2006 plan years, respectively.
<b>Net Investment Return</b>	5.00%.
<b>Member Contribution Rate</b>	None.
<b>Department Contribution Rate</b>	Rate recommended by Board's Actuary as an amount per \$100 of retirement benefits paid during the year.
<b>Funding Method</b>	Pay as you go subject to modification by the Department's funding policy.
<b>Funding Policy</b>	Recommend a contribution rate that maintains the general reserve at a target level equal to the average of the benefits paid for the last five years.
<b>Incurred Claims</b>	Provided by the Retirement Office.
<b>Age Requirement:</b>	Any age.
<b>Service Requirement</b>	None.
<b>Additional Requirements</b>	Death must occur after retirement.

**Section 4 — History of Contribution Rates, Combined Assets, Summary of Assumptions, Funding Methods and Plan Provisions for the Water and Power Employees Death Benefit Funds**

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**EXHIBIT VII**

**Assumptions and Plan Summary for Insured Lives Death Benefit Fund (Noncontributing Retired and Disabled Members) (continued)**

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**Benefit**

A single sum distribution equal to fourteen times the member's Full Retirement Allowance (to a maximum of \$20,000), provided member was employed by the Department for at least five years, plus any unpaid retirement allowances due, and balance of contributions remaining in the Retirement Fund if Option A was the member's selected method of pension payment all of which is payable to beneficiary.