t

City of Los Angeles Department of Water and Power

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024

This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

December 23, 2024

Ms. Ann Santilli
Chief Financial Officer
City of Los Angeles Department of Water and Power
111 N. Hope Street, Room 450
Los Angeles, CA 90012

Dear Ann:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024. The report summarizes the actuarial data used in the valuation, establishes the Actuarially Determined Contribution (ADC) for the coming year, and analyzes the preceding year's experience.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Department of Water and Power (DWP), based upon information provided by DWP.

Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. To the extent we can, however, Segal does review the data for reasonableness and consistency. Based on our review of the data, we have no reason to doubt the substantial accuracy of the information on which we have based this report and we have no reason to believe there are facts or circumstances that would affect the validity of these results.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Mehdi Riazi, FSA, MAAA, FCA, EA and Andy Yeung, ASA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by DWP based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the Plan and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. DWP is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

Todd Tauzer

Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

Mehdi Riazi

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

Mary Kirby

Mary Kirby, FSA, MAAA, FCA
Senior Vice President and Chief Health Actuary

TTT/jl

Table of Contents

Section 1: Executive Summary

Purpose

This report presents the results of our actuarial valuation of the City of Los Angeles Water and Power (DWP) postretirement medical and dental benefits plan as of June 30, 2024 for funding purposes. The results of the valuation for financial reporting purposes consistent with Governmental Accounting Standards Board (GASB) Statement No. 74 are provided in a separate report.

Valuation highlights

1. The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability decreased from 114.16% to 100.90%. On a market value of assets basis, the funded ratio decreased from 113.17% to 102.38%. The negative unfunded actuarial accrued liability (a surplus of assets over liability) measured using AVA increased from $(371.7) million to $(28.8) million. The increase to the UAAL was primarily due to (i) updates to the future healthcare trend rates and (ii) higher than expected increases to the 2024/2025 premiums and subsidy levels, offset to some degree by (iii) actual investment return on actuarial value (i.e., after asset smoothing) of 7.46% which is higher than the 6.50% expected return assumption from the June 30, 2023 valuation. The updates to the future healthcare trend rates reflect higher trend expectations for prescription drugs, the anticipated impact of the Inflation Reduction Act on the plan's 2025/2026 Medicare plan premiums, and higher trend expectations for the Part B premium reimbursements. A complete reconciliation of the Plan's unfunded actuarial accrued liability is provided in Section 2B.
2. The Actuarially Determined Contribution (ADC) rate has increased from 3.32% of payroll to 5.53% of payroll for the 2024/2025 fiscal year. The increase to the ADC was due to the same factors that affected the change in the negative UAAL. In particular, there is a reduction in the rate credit from surplus amortization of 1.24% of payroll. Contribution rates are shown separately for Tier 1 and Tier 2 in Section 2D.
3. The employer has not adopted a formal funding policy. For paying off the unfunded actuarial accrued liability (UAAL), the employer has chosen a single closed (decreasing) amortization period of 30 years beginning June 30, 2005. However, as of the June 30, 2024 valuation the OPEB Plan is fully funded (i.e., the OPEB Plan has a surplus rather than a UAAL). Absent any statutory requirements to the contrary, we believe this surplus condition calls for a single open (non-decreasing) surplus amortization period of 30 years.[1] We will be strongly recommending the 30-year open surplus amortization period as part of our

[1] A 30-year amortization period will only provide a small amount of the surplus to reduce the Department's contribution to a level below the ongoing Normal Cost contributions. This will provide some safeguard to the Department's budgeting process if a new UAAL were to reemerge in the future due to unfavorable actuarial experience. For instance, this could happen if future market returns were to come in less than anticipated by the investment return assumption or if future premium and subsidy levels were to increase by more than anticipated.

formal funding policy review and so have prepared this valuation report assuming that policy will be adopted by the employer. Note this is the same surplus amortization as was used in the June 30, 2023 valuation of the OPEB Plan.

4. Per discussions with LADWP staff, Segal has learned that the change in benefit terms for Tier 2 employees retiring on or after October 1, 2022, is different than how the benefit change was described and valued by Segal in the June 30, 2023 valuation. It is now our understanding that Tier 2 retirees will have a maximum medical subsidy based on the greater of:
   - For members retiring on or after October 1, 2022, the Single + 1 non-Medicare premiums (the same maximum medical subsidy used for Tier 1) based on LADWP service only, or
   - The single-only non-Medicare premium based on combined LADWP and City of LA service.

   This change has an impact of increasing the AAL by $4.3 million.
5. As noted above, the Governmental Accounting Standards Board (GASB) 74 report with a measurement date of June 30, 2024 for financial reporting purposes for the Plan was provided as a separate report.
6. The GASB 75 report with a measurement date of June 30, 2024 for financial reporting purposes for the employer (with a reporting date of June 30, 2025) will be provided in the next few months.
7. The actuarial valuation report as of June 30, 2024 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

Summary of Valuation Results

Results	June 30, 2024	June 30, 2023
Actuarial Accrued Liability (AAL)	$3,192,082,979	$2,625,289,929
Actuarial Value of Assets (AVA)	3,220,907,868	2,997,001,431
Unfunded Actuarial Accrued Liability (Surplus) on AVA Basis	(28,824,889)	(371,711,502)
Funded Ratio on AVA Basis	100.90%	114.16%
Market Value of Assets (MVA)[1]	$3,268,193,924	$2,971,066,587
Unfunded Actuarial Accrued Liability (Surplus) on MVA Basis	(76,110,945)	(345,776,658)
Funded Ratio on MVA Basis	102.38%	113.17%
Total Participants	20,123	19,591
Actuarially Determined Contribution (ADC) for Fiscal Year Ending:	**June 30, 2025**	**June 30, 2024**
Normal cost (beginning of year)	$85,446,417	$65,785,214
Amortization of the unfunded actuarial accrued liability	(1,496,444)	(19,297,407)
Adjustment for timing	2,685,423	1,487,069
Total Actuarially Determined Contribution (payable throughout the year)	$86,635,396	$47,974,876
Projected total compensation	1,565,869,644	1,443,732,069
ADC as a percentage of pay	5.53%	3.32%

[1] Based on preliminary unaudited financial statements. Subsequent to the completion of the June 30, 2023 valuation, the June 30, 2023 MVA had been revised to $2,971,055,088.

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of an OPEB plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for DWP to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by DWP. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the valuation date, as provided by DWP. For funding purposes, DWP uses an “Actuarial Value of Assets” that differs from the market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discount to a present value based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Input Item	Description
Models	Segal results are based on proprietary actuarial modeling software. The valuation models generate a comprehensive set of liability and cost calculations that are presented to meet actuarial standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by DWP. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If DWP is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. DWP should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by DWP upon delivery and review. DWP should notify Segal immediately of any questions or concerns about the final content.

Actuarial Certification

December 23, 2024

This is to certify that Segal, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of City of Los Angeles Department of Water and Power's other postemployment benefits program as of June 30, 2024, in accordance with generally accepted actuarial principles and practices.

The actuarial valuation is based on the plan of benefits verified by the Employer and reliance on participant, premium, claims and expense data provided by the Employer or from vendors employed by the Employer with exceptions noted for membership data adjustments in Exhibit II. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of funding the plan. Determinations for purposes other than funding may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to fund the Plan with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Mary Kirby

Mary Kirby, FSA, MAAA, FCA
Senior Vice President and Chief Health Actuary

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

Mehdi Riazi

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

Section 2: Valuation Results

A. Actuarial Present Value of Total Projected Benefits and Actuarial Balance Sheet

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

Actuarial Present Value of Total Projected Benefits

Participant Category	June 30, 2024	June 30, 2023
Current retirees, beneficiaries, and dependents	$1,685,346,365	$1,403,741,745
Current active members	2,577,491,133	2,020,728,731
Total	**$4,262,837,498**	**$3,424,470,476**

Actuarial Balance Sheet

Type	June 30, 2024	June 30, 2023
Assets:		
1. Valuation value of assets	$3,220,907,868	$2,997,001,431
2. Present value of future normal costs	1,070,754,519	799,180,547
3. Unfunded actuarial accrued liability	(28,824,889)	(371,711,502)
4. Present value of current and future assets	**$4,262,837,498**	**$3,424,470,476**
Liabilities:		
5. Actuarial present value of total projected benefits	$4,262,837,498	$3,424,470,476

B. Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

The actuarial accrued liability shows that portion of the actuarial present value of total projected benefits allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members, and reconciles the unfunded actuarial accrued liability from last year to this year.

Unfunded Actuarial Accrued Liability

Items	June 30, 2024	June 30, 2023
Participant Category		
Current retirees, beneficiaries, and dependents	$1,685,346,365	$1,403,741,745
Current active members	1,506,736,614	1,221,548,184
Total actuarial accrued liability	**$3,192,082,979**	**$2,625,289,929**
Actuarial value of assets	3,220,907,868	2,997,001,431
Unfunded actuarial accrued liability (Surplus)	**$(28,824,889)**	**$(371,711,502)**
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2024		
1. Unfunded actuarial accrued liability (Surplus) as of June 30, 2023		**$(371,711,502)**
2. Employer normal cost at beginning of year		65,785,214
3. Administrative expenses and audit adjustments		921,671
4. Total employer contributions		(115,661,042)
5. Interest on 1, 2, 3, and 4		(23,567,493)
6. Expected unfunded actuarial accrued liability (sum of 1 – 5)		($444,233,152)
7. Change due to investment experience gains (after asset smoothing)		(28,914,656)
8. Change due to non-investment and non-health-related experience losses		6,325,409
9. Change due to clarification of Tier 2 benefit terms		4,327,259
10. Change due to updating health trend assumptions		233,494,825
11. Change due to premiums and subsidies, on average, increasing more than expected		200,175,427
12. Subtotal of 7 – 11		$415,408,263
13. Unfunded actuarial accrued liability (Surplus) as of June 30, 2024		**($28,824,889)**

C. Table of Amortization Bases

DWP is currently working with Segal to develop a formal written funding policy. To date, the employer has chosen a single closed (decreasing) UAAL amortization period of 30 years from June 30, 2005, with 11 years remaining as of June 30, 2024. However, when the Plan has a surplus (UAAL is negative or assets are in excess of the actuarial accrued liability), model practice is to amortize the surplus over a single open (non-decreasing) period of 30 years. Accordingly, as part of the June 30, 2024 valuation we are recommending surplus amortization using a single open 30-year period. Note the same recommendation was made for the June 30, 2023 valuation.

Normal cost less amortization of the negative UAAL (Surplus) using the following basis:

1. 30-year amortization beginning June 30, 2024 and
2. UAAL (Surplus) amortized as a level percent of payroll.

Type	Date Established	Initial Balance	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Total UAAL (Surplus)	06/30/2024	$(28,824,889)	30	$(28,824,889)	30	$(1,496,444)

[1] Level percentage of payroll.

D. Determination of Actuarially Determined Contribution (ADC)

As described on the previous page, the calculation of the ADC consists of adding the Normal Cost of the plan to an amortization payment. The resulting sum is then adjusted with interest assuming that the annual cost will be contributed throughout the fiscal year.

The primary reasons behind the increase in the ADC from the prior valuation were the updates to the trend assumptions and higher than expected 2024/2025 premiums and subsidy levels.

Total Plan – ADC Determined as of June 30

Items	2024 Amount	2024 % of Payroll	2023 Amount	2023 % of Payroll
1. Normal Cost	$85,446,417	5.46%	$65,785,214	4.56%
2. Amortization of the UAAL (Surplus)	(1,496,444)	(0.10%)	(19,297,407)	(1.34%)
3. Adjustment for timing	2,685,423	0.17%	1,487,069	0.10%
4. Total Actuarially Determined Contribution (payable throughout the year)	**$86,635,396**	**5.53%**	**$47,974,876**	**3.32%**
5. Total Projected Compensation	$1,565,869,644		$1,443,732,069	

Tier 1 – ADC Determined as of June 30

Items	2024 Amount	2024 % of Payroll	2023 Amount	2023 % of Payroll
1. Normal Cost	$37,447,246	5.04%	$32,838,192	4.36%
2. Amortization of the UAAL (Surplus)	(673,347)	(0.10%)	(10,035,241)	(1.34%)
3. Adjustment for timing	1,176,337	0.17%	729,429	0.11%
4. Total Actuarially Determined Contribution (payable throughout the year)	**$37,950,236**	**5.11%**	**$23,532,380**	**3.13%**
5. Total Projected Compensation	$742,772,701		$752,525,664	

Tier 2 – ADC Determined as of June 30

Items	2024 Amount	2024 % of Payroll	2023 Amount	2023 % of Payroll
1. Normal Cost[1]	$47,999,171	5.83%	$32,947,022	4.77%
2. Amortization of the UAAL (Surplus)	(823,097)	(0.10%)	(9,262,166)	(1.34%)
3. Adjustment for timing	1,509,086	0.18%	757,640	0.11%
4. Total Actuarially Determined Contribution (payable throughout the year)	**$48,685,160**	**5.91%**	**$24,442,496**	**3.54%**
5. Total Projected Compensation	$823,096,943		$691,206,405	

[1] On average, Tier 2 members enter the plan at higher ages, which tends to produce a higher normal cost compared to the remaining Tier 1 members whose benefit was accrued over longer service periods.

E. Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contributions[1]	Actual Contributions[1,2]	Percentage Contributed
2020	$95,375,489	$110,444,724	115.80%
2021	63,164,899	110,261,019	174.56%
2022	49,687,613	113,094,077	227.61%
2023	55,584,893	114,618,126	206.20%
2024	47,974,876	115,661,042	241.09%
2025	86,635,396	Not Made Yet	N/A

[1] Payable throughout the year.
[2] Contributions were:

Fiscal Year	Contribution towards insurance premiums (A)	Contributions towards administrative expenses (might be different from actual expense paid by Plan) (B)	Total Department contributions (A) + (B)
2019-2020	$109,401,181	$1,043,543	$110,444,724
2020-2021	109,282,435	978,584	110,261,019
2021-2022	112,081,130	1,012,947	113,094,077
2022-2023	113,571,109	1,047,017	114,618,126
2023-2024	114,570,059	1,090,983	115,661,042

F. Schedule of Funding Progress

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2015	$1,637,578,438	$1,956,230,463	$318,652,025	83.71%	$920,781,074	34.61%
06/30/2016	1,752,195,162	2,334,042,813	581,847,651	75.07%	928,888,680	62.64%
06/30/2017	1,898,136,791	2,347,483,631	449,346,840	80.86%	991,814,994	45.31%
06/30/2018	2,055,373,577	2,469,304,377	413,930,800	83.24%	1,073,554,608	38.56%
06/30/2019	2,196,487,396	2,683,446,018	486,958,622	81.85%	1,141,875,615	42.65%
06/30/2020	2,338,427,041	2,490,223,378	151,796,337	93.90%	1,211,798,340	12.53%
06/30/2021	2,598,916,515	2,569,281,814	(29,634,701)	101.15%	1,233,265,179	(2.40%)
06/30/2022	2,810,870,137	2,630,841,629	(180,028,508)	106.84%	1,309,850,320	(13.74%)
06/30/2023	2,997,001,431	2,625,289,929	(371,711,502)	114.16%	1,443,732,069	(25.75%)
06/30/2024	3,220,907,868	3,192,082,979	(28,824,889)	100.90%	1,565,869,644	(1.84%)

Section 3: Supplemental Information

Exhibit A: Summary of Participant Data

Total Plan

Participants	June 30, 2024	June 30, 2023
Retirees:		
• Number[1]	7,367	7,250
• Average age of retirees	73.0	72.8
• Number of spouses	3,981	3,921
• Average age of spouses[2]	69.7	68.1
Surviving Spouses:		
• Number[1]	1,271	1,302
• Average age	80.7	80.7
Active Participants		
• Number	11,485	11,039
• Average age	46.1	46.5
• Average years of qualifying service[3]	13.9	14.5
• Average expected retirement age	63.6	63.5

1 A retiree or surviving spouse is only counted if receiving a medical and/or dental benefit.
2 The average spouse ages shown are based on records provided with actual spouse date of birth.
3 Qualifying Service from OPEB data differs from the service type shown (Service Credit) in the Retirement Plan valuation.

Tier 1

Participants	June 30, 2024	June 30, 2023
Retirees:		
• Number[1]	7,344	7,235
• Average age of retirees	73.0	72.8
• Number of spouses	3,978	3,919
• Average age of spouses[2]	69.7	68.1
Surviving Spouses:		
• Number[1]	1,271	1,302
• Average age	80.7	80.7
Active Participants		
• Number	4,809	5,182
• Average age	53.7	53.4
• Average years of qualifying service[3]	23.5	23.1
• Average expected retirement age	63.0	63.0

[1] A retiree or surviving spouse is only counted if receiving a medical and/or dental benefit.
[2] The average spouse ages shown are based on records provided with actual spouse date of birth.
[3] Qualifying Service from OPEB data differs from the service type shown (Service Credit) in the Retirement Plan valuation.

Tier 2

Participants	June 30, 2024	June 30, 2023
Retirees:		
• Number[1]	23	15
• Average age of retirees	66.1	64.9
• Number of spouses	3	2
• Average age of spouses[2]	65.1	68.0
Surviving Spouses:		
• Number[1]	0	0
• Average age	N/A	N/A
Active Participants		
• Number	6,676	5,857
• Average age	40.6	40.4
• Average years of qualifying service[3]	7.0	6.8
• Average expected retirement age	64.0	63.9

[1] A retiree or surviving spouse is only counted if receiving a medical and/or dental benefit.
[2] The average spouse ages shown are based on records provided with actual spouse date of birth.
[3] Qualifying Service from OPEB data differs from the service type shown (Service Credit) in the Retirement Plan valuation.

Exhibit B: Cash Flow Projections

Initially, the ADC generally exceeds the current pay-as-you-go (“paygo”) cost of an OPEB plan. Over time the paygo cost will tend to grow and becomes close to and may exceed the ADC, which is expected in a well-funded and more mature plan such as this one. The following table projects the paygo cost over the next ten years.

Year Ending June 30	Projected Number of Retirees[1] Current	Projected Number of Retirees[1] Future	Projected Number of Retirees[1] Total	Projected Benefit Payments Current	Projected Benefit Payments Future	Projected Benefit Payments Total
2025	12,619	618	13,237	$114,545,144	$7,056,786	$121,601,930
2026	12,227	1,165	13,392	118,440,309	14,156,585	132,596,894
2027	11,831	1,685	13,516	120,684,886	21,499,226	142,184,112
2028	11,438	2,175	13,613	122,070,091	28,882,082	150,952,173
2029	11,042	2,651	13,693	123,425,383	36,517,832	159,943,215
2030	10,644	3,140	13,784	124,795,948	44,815,830	169,611,778
2031	10,242	3,641	13,883	125,552,816	53,934,764	179,487,580
2032	9,840	4,140	13,980	127,155,563	63,588,751	190,744,314
2033	9,436	4,631	14,067	128,507,413	74,261,781	202,769,194
2034	9,029	5,119	14,148	129,313,870	85,340,402	214,654,272

[1] Includes spouses of retirees.

Exhibit C: Determination of Actuarial Value of Assets

To minimize volatility in the calculation of the Actuarially Determined Contribution, the Employer may choose to smooth out short-term changes in the market value of plan assets by use of an actuarial value of assets method. City of Los Angeles Department of Water and Power adopted the following method that smooths such changes over a five-year period.

	Items	Original Amount	Percent Deferred	Unrecognized Amount	Amount
1.	Market value of assets				$3,268,193,924
2.	Calculation of unrecognized return[1]				
	a. Year ended June 30, 2024	$103,833,568	80%	83,066,854	
	b. Year ended June 30, 2023	30,384,419	60%	18,230,651	
	c. Year ended June 30, 2022	(361,499,108)	40%	(144,599,643)	
	d. Year ended June 30, 2021	452,940,969	20%	90,588,194	
	e. Year ended June 30, 2020	(72,596,502)	0%	0	
3.	Total unrecognized return[2]				$47,286,056
4.	Actuarial value: (1) - (3)				$3,220,907,868
5.	Actuarial value as a percentage of market value: (4) ÷ (1)				98.55%

[1] Total return minus expected return on a market value basis.

[2] Deferred return as of June 30, 2024 recognized in each of the next 4 years:

	Fiscal Year	Amount
a)	Amount recognized during 2024-2025	$45,131,969
b)	Amount recognized during 2025-2026	(45,456,222)
c)	Amount recognized during 2026-2027	26,843,597
d)	Amount recognized during 2027-2028	20,766,712
e)	**Total**	**$47,286,056**

Section 4: Actuarial Valuation Basis

Exhibit I: Summary of Supplementary Information

Valuation date:

June 30, 2024

Actuarial cost method:

Entry age, level percent of pay

Amortization method:

- **When the Plan has a UAAL**: Single, closed amortization period; level percent of pay; 11 years remaining as of June 30, 2024.
- **When the Plan has a Surplus**: Single, open amortization period; level percent of pay; 30 years remaining as of June 30, 2024.

Actuarial value of assets:

Market Value of Assets (MVA) less unrecognized returns. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized over a five-year period.

Actuarial assumptions:

- Investment rate of return: 6.50%
- Inflation rate: 2.50%
- Across-the-board pay increase: 0.50%
- Projected salary increases: 4.25% to 10.00%, varying by service, including inflation and real across-the-board salary increase
- Non-Medicare cost trend rate: 7.50%, graded down to an ultimate of 4.50% over 12 years
- Medicare cost trend rate: 10.00%, then 6.50%, graded down to an ultimate of 4.50% over 8 years
- Dental trend rate: 3.00%
- Medicare Part B subsidy costs trend rate: 6.20% for 9 years, then 5.75%, graded down to an ultimate of 4.50% over 5 years

Plan Membership - Excluding retirees and beneficiaries not receiving subsidy:

Membership	June 30, 2024	June 30, 2023
Current retirees[1] and beneficiaries receiving dental and/or medical subsidy	8,638	8,552
Current active participants	11,485	11,039
Total	**20,123**	**19,591**

[1] Excludes 3,981 and 3,921 spouses from the June 30, 2024 and 2023 valuations, respectively.

Exhibit II: Actuarial Assumptions and Actuarial Cost Method

Rationale for assumptions:

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2018 through June 30, 2021 Actuarial Experience Study dated May 20, 2022. Following the most recent experience study, the Retirement Board adopted amount-weighted tables for the Retirement Plan. For the OPEB Plan, we will continue to use headcount-weighted mortality tables, as benefits do not vary by salary as in the Retirement Plan. The information and analysis used in selecting health-related assumptions is shown in our assumptions letter dated September 18, 2024. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 2 employees.

Net investment return:

6.50%, net of investment expenses.

Administration expenses:

No administrative expenses were valued separately from the claim costs.

Salary increases:

The annual rate of compensation Increase includes inflation at 2.50%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotional increases:

Merit and Promotion Increases (%)

Years of Service	All Members
Less than 1	7.00
1–2	7.00
2–3	6.50
3–4	5.00
4–5	3.75
5–6	2.75
6–7	2.25
7–8	2.00
8–9	1.90
9–10	1.80
10–11	1.70
11–12	1.45
12–13	1.40
13–14	1.35
14–17	1.30
17 & Over	1.25

Post-retirement mortality rates:

The Pub-2010 mortality tables and adjustments as shown below reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

- **Service Retirement, Disability Retirement, and Beneficiaries not Currently in Pay Status:**
  - Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
- **Beneficiaries in Pay Status:**
  - Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Pre-retirement mortality:

Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Pre-Retirement Mortality Rates (%)

Age	Male	Female
25	0.032	0.014
30	0.049	0.022
35	0.069	0.033
40	0.084	0.043
45	0.098	0.052
50	0.129	0.075
55	0.195	0.119
60	0.301	0.184
65	0.425	0.263

Note that generational projections beyond the base year (2010) are not reflected in the above mortality rates.

Disability incidence:

Disability Incidence Rates (%)

Age	Male	Female
25	0.006	0.000
30	0.012	0.006
35	0.012	0.036
40	0.018	0.072
45	0.030	0.102
50	0.054	0.138
55	0.126	0.168

Termination:

Total Termination Rates (%)

Years of Service	All Members
Less than 1	9.25
1 – 2	4.25
2 – 3	3.25
3 – 4	3.25
4 – 5	2.25
5 – 6	1.75
6 – 7	1.50
7 – 8	1.50
8 – 9	1.50
9 – 10	1.25
10 – 15	0.75
15 – 20	0.70
20 & over	0.50

Retirement:

Retirement Rates (%)

Age	Tier 1 Under 30 Years of Service	Tier 1 30 or More Years of Service	Tier 2 Under 30 Years of Service	Tier 2 30 or More Years of Service
50	0.00	1.50	0.00	0.00
51	0.00	1.00	0.00	0.00
52	0.00	0.00	0.00	0.00
53	0.00	0.00	0.00	0.00
54	0.00	0.00	0.00	0.00
55	4.50	30.00	0.00	26.00
56	2.50	20.00	0.00	14.00
57	3.00	18.00	0.00	13.50
58	3.50	18.00	0.00	13.50
59	3.50	18.00	0.00	13.50
60	5.25	22.00	5.25	17.50
61	6.75	22.00	3.75	12.00
62	7.00	24.00	2.75	12.00
63	8.50	25.00	20.00	25.00
64	9.50	27.00	11.00	25.00
65	11.50	28.00	11.00	27.00
66	13.50	28.00	12.00	27.00
67	13.50	28.00	12.50	27.00
68	13.50	28.00	12.50	27.00
69	19.00	30.00	16.50	28.00
70	22.00	30.00	40.00	40.00
71	22.00	30.00	40.00	40.00
72	22.00	30.00	40.00	40.00
73	22.00	30.00	40.00	40.00
74	22.00	30.00	40.00	40.00
75 & Over	100.00	100.00	100.00	100.00

Unknown data for members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Data adjustments:

Data as of March 31 has been adjusted to June 30 by adding three months of age and, for active employees, three months of service.

Spousal assumptions:

Current Active Spousal Assumptions

Member Gender	% with Spouse at Retirement or Pre-Retirement Death	Spouse Age	Spouse Gender
Male	75%	2 years younger than member	Female
Female	50%	2 years older than member	Male

The assumption is also applied for current retirees missing dates of birth for their spouses.

Future benefit accruals:

1.0 year of service per year.

Additional service accrual:

- Tier 1 members are assumed to purchase an additional 0.04 years of service per year.
- Tier 2 members are assumed to purchase an additional 0.02 years of service per year.

These service purchases exclude those priced at full actuarial cost.

Participation:

100% of the current actives are assumed to enroll in medical coverage at retirement.

100% of the current actives are assumed to enroll in dental coverage at retirement.

Plan design:

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

Implicit subsidy:

None. Premiums paid by the retirees reflect rates underwritten for retirees only.

Per capita cost development:

Per capita costs were based on the premiums for the valuation year. Actuarial factors were applied to the premiums to estimate individual retiree and spouse costs by age and by agender in accordance with ASOP 6.

- **Dental Annual Subsidy:** Where known, actual subsidies provided in the data were used. For periods where subsidy is unknown, the average monthly retiree subsidies effective July 1, 2024 were assumed as shown below:

Dental Premium Subsidy (For Single and Multi-Party, Tiers 1 and 2)

Carrier	Election Percent (%)	Single Party Premium
United Concordia DHMO	12.5	$16.99
United Concordia PPO	58.0	37.71
IBEW Local 18 (PPO)	27.0	135.86
IBEW Local 18 (DHMO)	2.5	112.97

The maximum monthly dental subsidy is $37.71, except for Local 18 with a maximum of $135.86.

Eligible spouses and survivors are not eligible for DWP dental subsidy.

- **Retiree Health Insurance Premiums:** For retirees in pay status, we use the relevant premiums provided on participant records. In cases where the carrier elections are unknown, we will assume the participant elects a carrier in the same proportion as current retirees in that group. The table below shows the assumed distribution of medical insurance carriers for retirees and the monthly premiums as of July 1, 2024.

Under Age 65

Carrier	Assumed Election Percent	Single Party Premium	Participant +1 Both Under 65
Kaiser	43.0	$1,182.44	$2,364.88
United Health Care Option A	6.0	1,777.22	3,554.55
Blue Cross HMO	31.0	1,900.28	2,224.57
United Health Care HMO	2.5	2,247.07	4,637.19
United Health Care Option B	2.0	1,542.44	3,084.96
Health Plan of Nevada	1.0	1,461.25	2,928.11
Blue Cross PPO	9.0	2,131.08	2,481.39
United Health Care Option C	4.5	1,200.51	2,401.03
Blue Cross Owens Valley	1.0	2,237.53	4,674.93

Age 65 and Older

Carrier	Assumed Election Percent	Single Party Premium	Participant +1 Both Under 65
Kaiser Senior Advantage	53.0	$316.32	$632.64
United Health Care Option A	23.0	482.13	964.26
United Health Care Medicare Advantage	6.0	448.22	896.44
Senior Dimensions	1.5	233.75	467.50
United Health Care Option B	2.5	411.30	822.60
Blue Cross HMO	9.5	1,248.09	1,942.63
Blue Cross PPO	3.0	1,931.45	2,269.97
United Health Care Option C	1.5	267.67	535.34
Projected average monthly Medicare Part B premium for plan year 2024-2025	100.0	180.12	360.23

Health care cost subsidy trend rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the premiums and the stated subsidies into the future. For example, the expected maximum monthly medical subsidy for a Tier 1 retiree with 30 years of service in the year July 1, 2025 through June 30, 2026 (set equal to the two-party, under-65 Kaiser premium) would be determined with the following formula: [$2,364.88 x (1 + 7.50%)] = $2,542.25

Year Ending June 30	Medical Non-Medicare Rate (%)	Medical Medicare Rate (%)	Dental Rate (%)	Medicare Part B Rate (%)
2025	7.50	10.00	3.00	6.20
2026	7.25	6.50	3.00	6.20
2027	7.00	6.25	3.00	6.20
2028	6.75	6.00	3.00	6.20
2029	6.50	5.75	3.00	6.20
2030	6.25	5.50	3.00	6.20
2031	6.00	5.25	3.00	6.20
2032	5.75	5.00	3.00	6.20
2033	5.50	4.75	3.00	6.20
2034	5.25	4.50	3.00	5.75
2035	5.00	4.50	3.00	5.50
2036	4.75	4.50	3.00	5.25
2037	4.50	4.50	3.00	5.00
2038	4.50	4.50	3.00	4.75
2039 and later	4.50	4.50	3.00	4.50

Assumption changes:

Updates were made to the valuation year starting costs and future trend rates. These changes increased the Actuarial Accrued Liability.

Exhibit III: Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

A retiree who was an employee of DWP immediately prior to retirement and is receiving a monthly allowance under DWP's retirement plan is eligible for the subsidy.

Membership Tier	Plan Provision
Tier 1	All members hired before January 1, 2014.
Tier 2	All members hired on or after January 1, 2014.

Age and service requirement:

Eligible for minimum pension from the Retirement Plan as follows:

Provision by Tier	Retirement Benefit Plan Provision
Tier 1	• Age 60 with 5 years of Department service; or • Age 55 with 10 years of Department service in the last 12 years; or • Any age with 30 years of Department service; or • Receiving permanent total disability benefits from the Plan. **Note**: To be eligible, the employee must have worked or been paid disability four of the last five years immediately preceding eligibility to retire, or while eligible to retire.
Tier 2	• Age 60 with 5 years of continuous Department Service with the Plan immediately prior to reaching eligibility; or Age 60 with 10 years of Qualifying service; or • Any age with 30 years of Qualifying service; or • Receiving permanent total disability benefits from the Plan.

Benefit types:

The maximum monthly dental subsidy (for Tiers 1 and 2) is $37.71, except for Local 18 with a maximum of $135.86.

The DWP medical premium subsidy is computed by a formula related to years of qualifying service and attained age at retirement. The actual years of qualifying service are rounded either up or down to the nearest integer value. The subsidy limit is applied to the combined medical carrier and Medicare Part B premium, but not the dental premium.

Tier 1

Age at Retirement	10 Years of Service	15 Years of Service	20 Years of Service	25 Years of Service	30 Years of Service
55	$473	$946	$1,419	$1,892	$2,365
56	481	963	1,445	1,926	2,365
57	490	980	1,470	1,961	2,365
58	499	998	1,496	1,995	2,365
59	507	1,015	1,522	2,030	2,365
60	516	1,032	1,548	2,064	2,365
61	525	1,049	1,574	2,098	2,365
62	533	1,066	1,600	2,133	2,365
63	542	1,084	1,625	2,167	2,365
64	550	1,101	1,651	2,201	2,365
65	559	1,118	1,677	2,236	2,365

Tier 2 - Combined LADWP and City of LA Service

Age at Retirement	10 Years of Service	15 Years of Service	20 Years of Service	25 Years of Service	30 Years of Service
55	$236	$473	$709	$946	$1,182
56	241	482	722	963	1,182
57	245	490	735	980	1,182
58	249	499	748	998	1,182
59	254	507	761	1,015	1,182
60	258	516	774	1,032	1,182
61	262	525	787	1,049	1,182
62	267	533	800	1,066	1,182
63	271	542	813	1,084	1,182
64	275	550	826	1,101	1,182
65	280	559	838	1,118	1,182

Tier 2 - LADWP Service Only (For Employees Who Retired On Or After October 1, 2022)

Age at Retirement	10 Years of Service	15 Years of Service	20 Years of Service	25 Years of Service	30 Years of Service
55	$473	$946	$1,419	$1,892	$2,365
56	481	963	1,445	1,926	2,365
57	490	980	1,470	1,961	2,365
58	499	998	1,496	1,995	2,365
59	507	1,015	1,522	2,030	2,365
60	516	1,032	1,548	2,064	2,365
61	525	1,049	1,574	2,098	2,365
62	533	1,066	1,600	2,133	2,365
63	542	1,084	1,625	2,167	2,365
64	550	1,101	1,651	2,201	2,365
65	559	1,118	1,677	2,236	2,365

As shown, the maximum possible subsidy is $2,365 for all Tier 1 and for those Tier 2 employees who retire on or after October 1, 2022 with large enough LADWP service. The maximum possible subsidy is $1,182 for all other Tier 2. Subsidies may increase until age at retirement reaches 80.

Dependent coverage:

Dependent spouses are eligible for the DWP medical subsidy coverage. Surviving spouses are eligible to receive the DWP medical subsidy that would have been given to the deceased employee or retiree if still living, and only if the surviving spouse was enrolled in the deceased members' plan at the time of the members' death. Surviving spouses and dependent spouses are not eligible for the dental subsidy.

Retiree contributions:

To the extent the DWP subsidies are less than the medical or dental premiums, the retiree contributes the cost difference.

Changes in plan provisions:

Since prior valuation: None.

Exhibit IV: Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Term	Definition
Assumptions or Actuarial Assumptions	The estimates on which the cost of the Plan is calculated including: • **Investment return**: the rate of investment yield that the Plan will earn over the long-term future; • **Mortality rates**: the death rates of employees and pensioners; life expectancy is based on these rates; • **Retirement rates**: the rate or probability of retirement at a given age; • **Turnover rates**: the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Actuarial Present Value of Total Projected Benefits	Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.
Normal Cost	The amount of contributions required to fund the benefit allocated to the current year of service.
Actuarial Accrued Liability for Actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Retirees	The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Value of Assets (AVA)	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Section 4: Actuarial Valuation Basis

Term	Definition
Investment Return (discount rate)	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll	Annual reported salaries for all active participants on the valuation date.
ADC as a Percentage of Covered Payroll	The ratio of the actuarially determined contribution to covered payroll.
Health Care Cost Trend Rates	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Actuarially Determined Contribution (ADC)	The ADC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.
Employer Contributions	An employer has contributed to an OPEB plan if the employer has (a) provided benefits directly to retired plan members or their beneficiaries, (b) paid insurance premiums to insure the payment of benefits, or (c) irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator

5910330v1/04994.012