

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES'  
RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2011 and 2010  
WATER AND POWER EMPLOYEES'  
RETIREE HEALTH BENEFITS FUND  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2011 and 2010**



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Financial Statements:	
Retirement Fund:	
Statement of Plan Net Assets .....	19
Statement of Changes in Plan Net Assets .....	20
Disability Fund:	
Statement of Plan Net Assets .....	21
Statement of Changes in Plan Net Assets .....	22
Death Benefit Fund:	
Statement of Plan Net Assets .....	23
Statement of Changes in Plan Net Assets .....	24
Retiree Health Benefits Fund:	
Statement of Plan Net Assets .....	25
Statement of Changes in Plan Net Assets .....	26
Notes to the Financial Statements .....	27
Required Supplementary Information	
Exhibit I:	
Retirement Fund	
Schedule of Funding Progress.....	52
Exhibit II:	
Retirement Fund	
Schedule of Employer Contributions .....	53
Exhibit III:	
Death Benefit Fund (Insured Lives)	
Schedule of Funding Progress.....	54
Exhibit IV:	
Retiree Health Benefits Fund	
Schedule of Funding Progress.....	55

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**TABLE OF CONTENTS (Continued)**

**Exhibit V:**

**Retiree Health Benefits Fund**

Schedule of Employer Contributions.....	56
---	----

**Supplementary Information**

**Exhibit VI:**

**Retirement Fund – Schedule of Contribution Accounts and Estimated Liability**

for Retirement Allowances .....	57
---------------------------------	----

**Exhibit VII:**

**Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability**

for Family Allowances.....	58
----------------------------	----

**Exhibit VIII:**

Retirement Fund – Schedule of Revenues by Source and Expenses by Type .....	59
---	----



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

3600 WILSHIRE BOULEVARD, SUITE 1710  
LOS ANGELES, CA 90010  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Administration  
City of Los Angeles Water and Power  
Employees' Retirement, Disability and  
Death Benefit Insurance Plans

We have audited the accompanying statements of plan net assets of the City of Los Angeles Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (Retirement Plan) and the Retiree Health Benefits Fund (RHBF), collectively known as the Plan, as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of June 30, 2011 and 2010, and the changes in net assets available for benefits of the Plan for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 18, the Schedules of Funding Progress on pages 52, 54, and 55, and the Schedules of Employer Contributions on pages 53 and 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Plan's financial statements taken as a whole. The Retirement Fund Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, the Death Benefit Fund Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and the Retirement Fund Schedule of Revenues by Source and Expenses by Type on pages 57 through 59 (Schedules), are presented for purposes of additional analysis and are not a required part of the Plan's basic financial statements. The Schedules have been subjected to the auditing



procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the Plan's basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
December 12, 2011

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Department of Water and Power (Department) Employees' Retirement, Disability, and Death Benefit Insurance Plan (Plan) and the Retiree Health Benefits Fund (RHBF) for the years ended June 30, 2011 and 2010. The Retirement Plan and the RHBF are collectively known as the Plan.

**FINANCIAL HIGHLIGHTS**

- The net assets at the close of the fiscal year ending June 30, 2011 were \$7,410,336,922 \$47,059,728, \$22,441,743, and \$1,174,745,431 for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the nets assets were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total net assets increased by \$1,144,061,553 or 18.26%, \$533,882 or 2.44% and \$247,494,276 or 26.69% for the Retirement Fund, Death Benefit Fund, and Retiree Health Benefits Fund, respectively. Total net assets decreased by \$975,179 or 2.03% for Disability Fund.
- As of July 1, 2011 the date of the Retirement Fund's last actuarial valuation, the funding ratio of the fund was approximately 80.29%.
- As of June 30, 2011, the date of the Retiree Health Benefits Fund's latest actuarial valuation, the funding ratio was approximately 73.05 %.
- Additions to the Retirement Fund's Plan Net Assets increased from \$951,183,166 to \$1,546,472,688 over the prior year or approximately 62.58% due mostly to the increase in the employer's contributions and the increase in the net appreciation in the fair value of investments in 2011 over 2010.
- Deductions from Retirement Fund's Plan Net Assets increased from \$383,785,580 to \$402,411,135 over the prior year, or approximately 4.85% due mostly to the cost of living allowance increase granted to pension benefits effective July 2010.
- The assets of the Retiree Health Benefits Fund were invested under the oversight of the Retirement Board. The RHBF assets were up 26.69% from \$927,251,155 to \$1,174,745,431.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the financial statements of the Plan, which are:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

*The Statement of Plan Net Assets* is a snapshot of account balances at year end. It indicates the amount of assets available for payment to retirees, beneficiaries, and any current liabilities owed at this time.

*The Statement of Changes in Plan Net Assets* reports additions to and deductions from the plan net assets during the year.

The above statements are on a full accrual basis of accounting. Investment gains and losses are shown at trade date, and account balances are based on market values recognizing both realized and unrealized gains and losses on investments.

*Notes to the Financial Statements* provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 27 to 51 of this report.

*Required Supplementary Information:* This report presents certain required supplementary information concerning the Retirement Fund, the Retiree Health Benefits Fund, and the Death Benefit Fund's progress in funding to provide pension, health benefits, and insured life benefits to members. The report also provides summary information on employer contributions. The required Supplementary Information is on pages 52 to 56 of this report.

*Supplementary Information:* The supplementary information is also available in this report for a better understanding of the Plan's financial activities. The supplementary information is on pages 57 to 59 of this report.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**FINANCIAL ANALYSIS**

***Retirement Fund***

**Plan Net Assets**

A summary of the Retirement Plan's net assets is presented below:

Condensed Statement of Plan Net Assets (In Thousands)					
	2011	2010	2009	2010-11 % Change	2009-10 % Change
Cash	\$ 9,070	\$ 1,983	\$ 4,670	357.39%	-57.54%
Receivables	517,730	285,650	739,966	81.25%	-61.40%
Investments	8,241,771	7,343,906	6,719,374	12.23%	9.29%
Total assets	8,768,571	7,631,539	7,464,010	14.90%	2.24%
Liabilities	1,358,234	1,365,264	1,765,132	-0.51%	-22.65%
Total plan net assets	<u>\$ 7,410,337</u>	<u>\$ 6,266,275</u>	<u>\$ 5,698,878</u>	18.26%	9.96%

**Fiscal year ended June 30, 2011**

Net assets increased by \$1.1 billion, or 18.26% to \$7.4 billion over the prior fiscal year. Investments were up \$897.9 million, or 12.23% due mostly to the appreciation in the fair value of investments. Receivables were up \$232.1 million or 81.25% from fiscal year 2010 mainly because of an increase in pending trades at year-end.

**Fiscal year ended June 30, 2010**

Net assets increased by \$567.4 million, or 9.96% to \$6.3 billion over the prior fiscal year. Investments were up \$624.5 million, or 9.29% due to realized earnings from investing activities and appreciation in the fair value of investments. Liabilities were down \$400 million or 22.65% from fiscal year 2009 basically because of a decrease in pending trades at year-end.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retirement Fund (Continued)***

**Changes in Plan Net Assets**

Condensed Statement of Changes in Plan Net Assets (In Thousands)					
	2011	2010	2009	2010-11 % Change	2009-10 % Change
<b>Additions</b>					
Members' contributions	\$ 65,966	\$ 71,246	\$ 59,405	-7.41%	19.93%
Employer contributions	291,268	205,497	150,030	41.74%	36.97%
Net investment income (loss)	1,189,239	674,440	(1,063,520)	76.33%	163.42%
Total additions (deductions)	1,546,473	951,183	(854,085)	62.58%	211.37%
<b>Deductions</b>					
Benefit payment	396,136	377,052	363,692	5.06%	3.67%
Refund	2,382	3,007	3,952	-20.78%	-23.91%
Administrative expenses	3,893	3,727	3,324	4.45%	12.12%
Total deductions	402,411	383,786	370,968	4.85%	3.46%
Net increase (decrease) in plan net assets	1,144,062	567,397	(1,225,053)	101.63%	146.32%
Net assets beginning	6,266,275	5,698,878	6,923,931	9.96%	-17.69%
Net assets ending	\$ 7,410,337	\$ 6,266,275	\$ 5,698,878	18.26%	9.96%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retirement Fund (Continued)***

**Additions to Plan Net Assets**

Additions needed to fund benefit payments are accumulated through contributions from the employees and the employer, and from income generated from the Plan's investing activities.

**Fiscal year ended June 30, 2011**

Member contributions for fiscal year 2011 were \$66.0 million, down \$5.3 million or 7.41% over the prior fiscal year. The decrease in contributions was due primarily to the decrease in number of active contributing employees. Department contributions for fiscal year 2011 were \$291.3 million, up \$85.8 million or 41.74% over the prior fiscal year. The main cause of this increase was the 12.33% increase in the actuarial contribution rate of the Department from 26.12% of covered compensation a year ago to 38.45% of covered compensation in fiscal year 2011.

Net investment income amounted to \$1.19 billion, up 76.33% from fiscal year 2010. The increase in net investment income was attributable to the realized earnings from investing activities and net appreciation in the fair value of investments.

**Fiscal year ended June 30, 2010**

Member and Department contributions for fiscal year 2010 totaled \$276.7 million, up \$67.3 million or 32.14% over the prior fiscal year. The increase in contributions was due to: (a) increase in the Department's number of employees attributable to personnel transfers from the other City departments to DWP, and (b) the 5.84% increase in the actuarial contribution rate of the Department from 20.28% of covered compensation a year ago to 26.12% of covered compensation in fiscal year 2010.

Net investment income amounted to \$674.4 million, up 163.42% when compared with a loss of \$1,063.5 million from fiscal year 2009. The increase in net investment income was attributable to the realized earnings from investing activities and net appreciation in the fair value of investments.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retirement Fund (Continued)***

**Deductions from Plan Net Assets**

Costs associated with this Plan include benefit payments as designated by the Retirement Plan, refund of contributions due to terminations and member deaths, and administrative costs of operating the Plan.

**Fiscal year ended June 30, 2011**

Deductions for the fiscal year ended June 30, 2011 totaled \$402.4 million, up \$18.6 million or 4.85% over 2010. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 2010.

**Fiscal year ended June 30, 2010**

Deductions for the fiscal year ended June 30, 2010 totaled \$383.8 million, up approximately \$12.8 million or 3.46% over 2009. The increase was mostly due to the 3% cost-of-living adjustments granted pension benefits starting July 2009.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Disability Fund***

**Plan Net Assets**

The Disability Insurance Plan's net assets are summarized below:

Condensed Statement of Plan Net Assets (In Thousands)					
	2011	2010	2009	2010-11 % Change	2009-10 % Change
Cash	\$ 537	\$ 514	\$ 325	4.47%	58.15%
Receivables	6,804	5,700	6,540	19.37%	-12.84%
Investments	39,859	42,013	38,207	-5.13%	9.96%
Total assets	47,200	48,227	45,072	-2.13%	7.00%
Liabilities	141	192	200	-26.56%	-4.00%
Total plan net assets	<u>\$ 47,059</u>	<u>\$ 48,035</u>	<u>\$ 44,872</u>	-2.03%	7.05%

**Fiscal year ended June 30, 2011**

The Disability Insurance Plan's net assets decreased by approximately \$1.0 million, or 2.03%, in fiscal year 2011. Investments decreased by \$2.2 million or 5.13% from the prior fiscal year, as portions were used to provide plan benefits.

**Fiscal year ended June 30, 2010**

The Disability Insurance Plan's net assets increased by \$3.2 million or 7.05% in fiscal year 2010. Investments increased by \$3.8 million or 9.96% from the prior fiscal year, and this increase was brought about mainly by the increase in the market value of investments.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Disability Fund (continued)***

**Changes in Plan Net Assets**

	Condensed Statement of Changes in Plan Net Assets (In Thousands)			2010-11 % Change	2009-10 % Change
	2011	2010	2009		
<b>Additions</b>					
Members' contributions	\$ 466	\$ 461	\$ 435	1.08%	5.98%
Employer contributions	12,195	13,238	14,826	-7.88%	-10.71%
Net investment income	2,011	4,194	2,430	-52.05%	72.59%
Total additions	14,672	17,893	17,691	-18.00%	1.14%
<b>Deductions</b>					
Benefit payment	14,798	14,013	11,800	5.60%	18.75%
Administrative expenses	850	717	655	18.55%	9.47%
Total deductions	15,648	14,730	12,455	6.23%	18.27%
Net increase (decrease) in plan net assets	(976)	3,163	5,236	-130.86%	-39.59%
Net assets beginning	48,035	44,872	39,636	7.05%	13.21%
Net assets ending	\$ 47,059	\$ 48,035	\$ 44,872	-2.03%	7.05%

**Additions to Plan Net Assets**

Additions needed to fund benefits are accumulated through employer and employee contributions and investment income generated from the fund's investing activities.

**Fiscal year ended June 30, 2011**

Contributions for fiscal year 2011 totaled \$12.7 million, down by approximately \$1.0 million or 7.57% from a year ago. The decrease was due to the reduction in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2011 was \$1.29 per \$100.00 of covered compensation, while the rate was \$1.34 per \$100.00 of covered compensation in fiscal year 2010.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Disability Fund (continued)***

Net investment income totaled \$2.0 million, down 52.05% from fiscal year 2010. The difference is mainly attributed to smaller appreciation in the fair value of investments during fiscal year 2011 versus the appreciation in fiscal year 2010.

**Fiscal year ended June 30, 2010**

Contributions for fiscal year 2010 totaled \$13.7 million, down by approximately 10.23% or \$1.6 million from a year ago. The decrease was due to the reduction in the Department's actuarial contribution rate to the temporary disability benefits fund. The Department's actuarial contribution rate for fiscal year 2010 was \$1.34 per \$100.00 of covered compensation while in fiscal year 2009, the rate was \$1.70 per \$100.00 of covered compensation.

**Deductions from Plan Net Assets**

The costs associated with this Plan include disability benefit payments and administrative expenses incurred to operate the Plan.

**Fiscal year ended June 30, 2011**

Fiscal year 2011 deductions increased \$0.9 million, up 6.23% from a year ago. The increase was attributable to an increase in the temporary disability benefits paid and an increase in the number of members on permanent disability.

**Fiscal year ended June 30, 2010**

Fiscal year 2010 deductions increased to \$14.7 million, up 18.27% from a year ago. The increase was attributable to an increase in the number and amounts of temporary disability cases this fiscal year compared with the number and amounts of disability cases last fiscal year.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Death Benefit Insurance Fund***

The Death Benefit Plan's net assets are summarized below:

Condensed Statement of Plan Net Assets (In Thousands)					
	2011	2010	2009	2010-11 % Change	2009-10 % Change
Cash	\$ 1,282	\$ 495	\$ 255	158.99%	94.12%
Receivables	1,644	93	242	1667.74%	-61.57%
Investments	<u>22,981</u>	<u>24,195</u>	<u>23,028</u>	-5.02%	5.07%
 Total assets	 25,907	 24,783	 23,525	 4.54%	 5.35%
Liabilities	<u>3,465</u>	<u>2,875</u>	<u>2,072</u>	20.52%	38.75%
 Total plan net assets	 <u>\$ 22,442</u>	 <u>\$ 21,908</u>	 <u>\$ 21,453</u>	 2.44%	 2.12%

**Fiscal year ended June 30, 2011**

The Fund's net assets were slightly higher by \$0.5 million or 2.44% when compared with prior year's net assets of \$21.9 million. Investments at June 30, 2011 were down \$1.2 million, or 5.02% against last year. This is mostly attributable to the increase in net receivables at fiscal year end.

**Fiscal year ended June 30, 2010**

The Fund's net assets were slightly higher by \$0.4 million or 2.12% when compared with prior year's net assets of \$21.5 million. Investments at June 30, 2010 were \$24.2 million, or 5.07% higher than last year, and this is mostly attributable to the slight increase in the market value of the invested assets.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Death Benefit Insurance Fund (continued)***

**Changes in Plan Net Assets**

	Condensed Statement of Changes in Plan Net Assets (In Thousands)			2010-11 % Change	2009-10 % Change
	2011	2010	2009		
<b>Additions</b>					
Members' contributions	\$ 327	\$ 320	\$ 306	2.19%	4.58%
Employer contributions	8,003	6,080	5,326	31.63%	14.16%
Net investment income	1,056	2,272	1,462	-53.52%	55.40%
Total additions	9,386	8,672	7,094	8.23%	22.24%
<b>Deductions</b>					
Benefit payment	7,834	7,287	6,875	7.51%	5.99%
Administrative expenses	1,018	930	861	9.46%	8.01%
Total deductions	8,852	8,217	7,736	7.73%	6.22%
Net increase (decrease) in plan net assets	534	455	(642)	17.36%	170.87%
Net assets beginning	21,908	21,453	22,095	2.12%	-2.91%
Net assets ending	\$ 22,442	\$ 21,908	\$ 21,453	2.44%	2.12%

**Additions to Plan Net Assets**

Additions to fund the benefits are accumulated through contributions and investment income from invested funds.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Death Benefit Insurance Fund (continued)***

**Fiscal year ended June 30, 2011**

Employer contributions increased \$1.9 million, or 31.63% compared to fiscal year 2010. It is mainly because of the reinstatement of the Department's contribution toward the Insured Life Death Benefit of active employees, as recommended by the actuary. The adopted Department contribution rate for this benefit was \$0.29 per \$100 of covered payroll, effective December 2010.

Net investment income totaled \$1.1 million, down 53.52% from fiscal year 2010. The difference is mainly attributed to smaller appreciation in the fair value of investments during fiscal year 2011 versus the appreciation in fiscal year 2010.

**Fiscal year ended June 30, 2010**

Additions this fiscal year were higher than the year 2009 mainly because of: (a) an increase in the Department's actuarial contribution to the Insured Life Death Benefit Fund of retired employees. The contribution rate of the Department was increased by \$0.34 from \$1.30 to \$1.64 per \$100 of covered retirement benefits effective December 2008, (b) an increase in net investment income by \$0.8 million or 55.4% when compared with 2009. The increase was mostly attributable to the net appreciation in the value of investments in 2010.

**Deductions from Plan Net Assets**

The costs associated with this Plan include the benefits payments and administrative costs to operate the Plan.

**Fiscal year ended June 30, 2011**

Deductions were up \$0.6 million, or 7.73%. The increase was due to the increase in the number and amount of insured life death benefit cases processed and paid this fiscal year as compared with the previous fiscal year.

**Fiscal year ended June 30, 2010**

Deductions were up \$0.5 million, or 6.22%. The increase was due to the increase in the number and amount of insured life death benefit cases processed and paid this fiscal year as compared with the previous fiscal year.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retiree Health Benefits Fund***

The DWP Board of Water and Power commissioners approved the creation of the Retiree Health Benefits Fund in September 2006 to defray current and future retiree health benefit liabilities and related costs incurred by the fund. The Retirement Board has the fiduciary responsibility for investing the assets of the Health Fund and administering payments from it, while the DWP Board of Water and Power Commissioners continues to have the responsibility to set the funding policy and the funding levels of the RHBF.

Health Fund assets amounting to \$642.0 million were transferred to the Retirement Plan to establish the fund during fiscal year 2007. As of June 30, 2011 the net assets of the fund totaled \$1.175 billion and these assets included \$75 million in Department contributions received in June 2011. A condensed statement of the fund's plan net assets and a condensed statement of changes in plan net assets follow:

**Plan Net Assets**

	Condensed Statement of Plan Net Assets (In Thousands)			2010-11 % Change	2009-10 % Change
	2011	2010	2009		
Cash	\$ 509	\$ 377	\$ 26	35.01%	1350.00%
Receivables	86,414	40,087	129,043	115.57%	-68.94%
Investments	1,335,831	1,023,070	820,113	30.57%	24.75%
Total assets	1,422,754	1,063,534	949,182	33.78%	12.05%
Liabilities	248,009	136,283	208,618	81.98%	-34.67%
Total plan net assets	<u>\$ 1,174,745</u>	<u>\$ 927,251</u>	<u>\$ 740,564</u>	26.69%	25.21%

**Fiscal year ended June 30, 2011**

Total assets increased by \$247.5 million or 26.69% mainly because of the net appreciation in the fair value of investments in fiscal year 2011 over 2010 and additional contribution of \$75 million made by the Department towards the year end of 2011.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retiree Health Benefits Fund (continued)***

**Fiscal year ended June 30, 2010**

Total assets increased by \$186.7 million or 25.21 % mainly because of the net appreciation in the fair value of investments in fiscal year 2010 over 2009 and additional contribution of \$100 million made by the Department towards the year end of 2010.

**Changes in Plan Net Assets**

	Condensed Statement of Changes in Plan Net Assets (In Thousands)			2010-11 % Change	2009-10 % Change
	2011	2010	2009		
<b>Additions</b>					
Employer contributions	\$ 140,746	\$ 160,740	\$ 159,819	-12.44%	0.58%
Net investment income (loss)	172,299	86,505	(79,180)	99.18%	209.25%
Total additions	313,045	247,245	80,639	26.61%	206.61%
<b>Deductions</b>					
Benefit payment	65,132	60,196	59,413	8.20%	1.32%
Administrative expenses	419	362	299	15.75%	21.07%
Total deductions	65,551	60,558	59,712	8.24%	1.42%
Net increase (decrease) in plan net assets	247,494	186,687	20,927	32.57%	792.09%
Net assets beginning	927,251	740,564	719,637	25.21%	2.91%
Net assets ending	<u>\$ 1,174,745</u>	<u>\$ 927,251</u>	<u>\$ 740,564</u>	26.69%	25.21%

**Additions to Plan Net Assets**

Additions to fund the benefits are accumulated through contributions from the Department and investment income derived from invested funds.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

***Retiree Health Benefits Fund (continued)***

**Fiscal year ended June 30, 2011**

Total additions were up 26.61% to \$313 million. The increase in 2011 total additions was due mainly to the net appreciation in the value of investments and additional contribution of \$75 million by the Department.

**Fiscal year ended June 30, 2010**

Total additions were up 206.61% to \$247.2 million, while 2009's total additions stood at \$80.6 million. The increase in 2010 total additions was due mainly to the net appreciation in the value of investments and additional contribution of \$100 million by the Department, while 2009's total additions declined to \$80.6 million due mostly to the net depreciation in the fair value of investments.

**Deductions from Plan Net Assets**

Deductions represent medical and dental insurance premiums paid for the benefit of retirees and the cost associated with the operation of the fund.

**Fiscal year ended June 30, 2011**

Insurance premiums paid from the fund for the benefit of retirees increased \$4.94 million or 8.20% in 2011 when compared with 2010.

**Fiscal year ended June 30, 2010**

Insurance premiums paid from the fund for the benefit of retirees were slightly higher by \$0.8 million or 1.32% in 2010 when compared with 2009. Administrative expenses were also slightly higher this year because of hiring of additional investment managers to diversify the investment portfolio of the Fund. Administrative expenses rose 21.07% or approximately \$63 thousand in 2010 when compared with prior fiscal year.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Request for Information**

This financial report is designed to provide the Retirement Board, members, investment managers and creditors with a general overview of the Plan's finances. Questions concerning any of the information provided in this report or requests or requests for additional information should be addressed to:

Sangeeta Bhatia, Retirement Plan Manager  
Water and Power Employees' Retirement Plan  
111 N. Hope Street, Room 357  
Los Angeles, CA 90012

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND**  
**STATEMENT OF PLAN NET ASSETS**  
As of June 30

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Cash (Notes 2 and 3)	\$ 9,069,953	\$ 1,983,081
Receivables		
Accrued investment income	24,749,545	25,045,490
Department of Water and Power	54,721,001	37,179,178
Pending investment sales	436,993,137	222,813,141
Other	1,265,822	612,329
Total receivables	517,729,505	285,650,138
Investments, at fair value (Notes 2, 3, and 4)		
Fixed income (amortized cost \$2,277,439,103 in 2011 and \$2,607,272,107 in 2010)	2,312,043,683	2,678,046,188
Common stock (cost of \$3,586,766,765 in 2011 and \$3,060,604,439 in 2010)	4,222,928,006	3,002,736,601
Short-term investments (cost approximates fair value)	354,654,072	344,715,251
Alternative investments	433,334,246	252,494,193
Real estate	127,660,322	90,105,773
Securities lending - short-term collateral investment pool	791,150,970	975,807,835
Total investments	8,241,771,299	7,343,905,841
Total assets	8,768,570,757	7,631,539,060
<b>LIABILITIES</b>		
Payables		
Pending investment purchases	549,488,823	377,472,059
Other	17,594,042	11,983,797
Securities lending - collateral payable (Note 4)	791,150,970	975,807,835
Total liabilities	1,358,233,835	1,365,263,691
Net Assets held in trust for pension benefits	\$ 7,410,336,922	\$ 6,266,275,369

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For the Years Ended June 30**

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS</b>		
Members' contributions	\$ 65,954,329	\$ 71,240,553
Installment payment from early retired employees	11,278	5,500
Department of Water and Power contributions towards:		
Benefit (net of reversions)	286,699,384	201,033,238
Administrative expenses	<u>4,569,027</u>	<u>4,463,141</u>
Total contributions	<u>357,234,018</u>	<u>276,742,432</u>
Investment income		
Net appreciation in fair value of investments	1,007,966,088	509,797,037
Interest	121,745,341	117,506,242
Dividends	69,527,276	55,682,956
Income from real estate investments	5,626,762	4,597,110
Income from alternative investments	2,455,365	502,573
Securities lending (Note 4)	<u>2,579,206</u>	<u>2,712,273</u>
Total investment income	1,209,900,038	690,798,191
Less: securities lending expenses (Note 4)	(276,807)	(119,364)
Less: investment expenses	<u>(21,252,715)</u>	<u>(17,063,405)</u>
Net investment income	<u>1,188,370,516</u>	<u>673,615,422</u>
Other income	<u>868,154</u>	<u>825,312</u>
Total additions	1,546,472,688	951,183,166
<b>DEDUCTIONS</b>		
Retirement benefits paid	396,136,140	377,051,650
Refund of members' contributions	2,381,657	3,006,724
Administrative expenses	<u>3,893,338</u>	<u>3,727,206</u>
Total deductions	<u>402,411,135</u>	<u>383,785,580</u>
Net increase in plan net assets	1,144,061,553	567,397,586
Net assets held in trust for pension benefits		
Beginning of year	<u>6,266,275,369</u>	<u>5,698,877,783</u>
End of year	<u>\$ 7,410,336,922</u>	<u>\$ 6,266,275,369</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND  
STATEMENT OF PLAN NET ASSETS  
As of June 30**

ASSETS	<u>2011</u>	<u>2010</u>
Cash (Notes 2 and 3)	\$ 537,360	\$ 514,101
Receivables		
Accrued investment income	108,097	148,315
Department of Water and Power	2,650,576	1,836,934
Other	735,360	404,527
Contingent disability benefit advance	3,310,339	3,310,339
Total receivables	<u>6,804,372</u>	<u>5,700,115</u>
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$36,240,059 in 2011 and \$35,200,202 in 2010)	39,442,169	37,990,423
Short-term investments (cost approximates fair value)	416,795	4,022,232
Total investments	<u>39,858,964</u>	<u>42,012,655</u>
Total assets	<u>47,200,696</u>	<u>48,226,871</u>
LIABILITIES		
Payables		
Pending investment purchases	107,986	148,315
Other	32,982	43,649
Total Liabilities	<u>140,968</u>	<u>191,964</u>
Net assets held in trust for disability benefits	<u>\$ 47,059,728</u>	<u>\$ 48,034,907</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For the Years Ended June 30**

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Temporary disability benefits	\$ 10,279,898	\$ 11,121,929
Supplemental disability benefits	1,066,096	1,393,995
Administrative expenses	<u>849,597</u>	<u>722,483</u>
Total department contributions	<u>12,195,591</u>	<u>13,238,407</u>
Contributions from members for:		
Temporary disability benefits	233,982	231,814
Permanent total disability benefits	<u>231,642</u>	<u>229,478</u>
Total members' contributions	<u>465,624</u>	<u>461,292</u>
Net appreciation in fair value of investments	364,194	2,430,515
Investment income	1,692,226	1,817,651
Less: investment expenses	<u>(45,280)</u>	<u>(54,352)</u>
Net investment income	<u>2,011,140</u>	<u>4,193,814</u>
Total additions	<u>14,672,355</u>	<u>17,893,513</u>
<b>DEDUCTIONS</b>		
Benefits provided:		
Temporary disability	11,291,929	10,602,925
Extended temporary disability	428,496	344,847
Permanent total disability	2,012,392	1,671,993
Supplemental disability	<u>1,065,120</u>	<u>1,393,272</u>
Total benefits provided	14,797,937	14,013,037
Administrative expenses	<u>849,597</u>	<u>717,105</u>
Total deductions	<u>15,647,534</u>	<u>14,730,142</u>
Net increase in plan net assets	(975,179)	3,163,371
Net assets held in trust for disability benefits		
Beginning of year	<u>48,034,907</u>	<u>44,871,536</u>
End of year	<u>\$ 47,059,728</u>	<u>\$ 48,034,907</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND  
STATEMENT OF PLAN NET ASSETS  
As of June 30**

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Cash (Notes 2 and 3)	\$ 1,281,690	\$ 494,942
Receivables		
Department of Water and Power	1,171,939	-
Accrued investment income	60,178	73,143
Other	112,116	20,045
Pending investment sales	300,000	-
Total receivables	<u>1,644,233</u>	<u>93,188</u>
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$20,036,319 in 2011 and \$17,287,044 in 2010)	21,615,583	18,735,230
Short-term investments (cost approximates fair value)	1,365,382	5,459,864
Total investments	<u>22,980,965</u>	<u>24,195,094</u>
Total assets	<u>25,906,888</u>	<u>24,783,224</u>
 <b>LIABILITIES</b>		
Payables		
Department of Water and Power	-	15,207
Pending investment purchases	60,001	73,143
Other	357,618	400,368
Death claims in process - insured lives	3,047,526	2,386,645
Total liabilities	<u>3,465,145</u>	<u>2,875,363</u>
Net assets held in trust for death benefits	<u>\$ 22,441,743</u>	<u>\$ 21,907,861</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For the years ended June 30**

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Active members	\$ 1,336,786	\$ -
Retired members (non-contributing)	5,552,771	5,133,632
Administrative expenses	<u>1,113,493</u>	<u>945,907</u>
Total department contributions	<u>8,003,050</u>	<u>6,079,539</u>
Contributions from members for:		
Insured lives death benefit	231,648	229,658
Supplemental family death benefit	<u>95,952</u>	<u>90,804</u>
Total members' contributions	<u>327,600</u>	<u>320,462</u>
Net appreciation in fair value of investments	126,058	1,328,666
Investment income	959,989	986,362
Less: investment expenses	<u>(30,253)</u>	<u>(42,861)</u>
Net investment income	<u>1,055,794</u>	<u>2,272,167</u>
Total additions	<u>9,386,444</u>	<u>8,672,168</u>
<b>DEDUCTIONS</b>		
Benefits provided for:		
Death benefits (active/retired members)	7,146,080	6,588,967
Family allowances	<u>688,064</u>	<u>698,099</u>
Total benefits provided	7,834,144	7,287,066
Administrative expenses	<u>1,018,418</u>	<u>929,948</u>
Total deductions	<u>8,852,562</u>	<u>8,217,014</u>
Net increase in plan net assets	533,882	455,154
Net assets held in trust for death benefits		
Beginning of year	<u>21,907,861</u>	<u>21,452,707</u>
End of year	<u>\$ 22,441,743</u>	<u>\$ 21,907,861</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND**

**STATEMENT OF PLAN NET ASSETS**

As of June 30

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Cash (Notes 2 and 3)	\$ 508,717	\$ 377,126
Receivables		
Accrued investment income	4,447,758	3,249,253
Department of Water and Power	37,398	72,165
Other	-	76,969
Pending investment sales	81,929,545	36,688,357
Total receivables	86,414,701	40,086,744
Investments, at fair value (Notes 2, 3 and 4)		
Fixed income (amortized cost \$432,368,897 in 2011 and \$371,859,090 in 2010)	438,934,643	380,912,197
Common stock (cost of \$525,199,244 in 2011 and \$504,774,375 in 2010)	604,139,151	446,590,652
Short-term investments (cost approximates fair value)	94,516,853	122,412,450
Alternative Investments	74,777,200	16,178,232
Real Estate	1,014,694	136,982
Securities lending - short-term collateral investment pool	122,448,889	56,839,350
Total investments	1,335,831,430	1,023,069,863
Total assets	1,422,754,848	1,063,533,733
<b>LIABILITIES</b>		
Payables		
Accounts payable	1,934,888	1,258,737
Pending investment purchases	123,625,640	78,184,491
Security lending - collateral payable (Note 4)	122,448,889	56,839,350
Total liabilities	248,009,417	136,282,578
Net assets held in trust for retiree health benefits	\$ 1,174,745,431	\$ 927,251,155

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**For the Year Ended June 30**

	<u>2011</u>	<u>2010</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Retiree health benefits	\$ 75,000,000	\$ 100,000,000
Insurance premiums	65,132,520	60,236,897
Administrative expenses	<u>613,516</u>	<u>503,057</u>
Total department contributions	<u>140,746,036</u>	<u>160,739,954</u>
Investment income		
Net appreciation in fair value of investments	144,130,600	65,720,968
Interest and dividends	30,630,303	22,131,274
Gain from alternative investments	2,100	11,389
Real estate income	28,243	-
Securities lending (Note 4)	<u>303,748</u>	<u>229,921</u>
Total investment income	175,094,994	88,093,552
Less: securities lending expenses (Note 4)	(25,310)	26,558
Less: investment expenses	<u>(2,770,240)</u>	<u>(1,614,769)</u>
Net investment income	<u>172,299,444</u>	<u>86,505,341</u>
Total additions	<u>313,045,480</u>	<u>247,245,295</u>
<b>DEDUCTIONS</b>		
Retiree health benefits paid (insurance premiums)	65,132,520	60,195,926
Administrative expenses	<u>418,684</u>	<u>362,619</u>
Total deductions	<u>65,551,204</u>	<u>60,558,545</u>
Net increase in plan net assets	247,494,276	186,686,750
Net assets held in trust for retiree health benefits		
Beginning of year	<u>927,251,155</u>	<u>740,564,405</u>
End of year	<u><u>\$ 1,174,745,431</u></u>	<u><u>\$ 927,251,155</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

The Retirement Board of Administration (Retirement Board) is the administrator of the City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan). The Retirement Plan is comprised of three separate funds – retirement fund, disability fund, and death benefit fund. Also, the Retirement Board has investment oversight of the Retiree Health Benefits Fund (RHBF), and together with the Retirement Plan are collectively known as the Plan. Each fund under the Retirement Plan and the RHBF is considered an independent trust fund of the Department of Water and Power (Department), which is a proprietary department of the City of Los Angeles (City).

The Retirement Plan was established in 1938 and is subject to the provisions of the City Charter and the plan document. The Retirement Plan operates as a single-employer defined benefit plan to provide pension benefits, including death and disability benefits, to eligible Department employees.

In 1986, the Board of Water and Power Commissioners (DWP Board) adopted the Department Health Plans Board Resolution. This resolution established provisions for the health, dental and other medical plans of the Department and its subsidiaries. This resolution is updated annually to approve changes in health plan carriers and subsidy amounts. This resolution and subsequent amendments have created the Department's Postretirement Health Care Benefit Plan (Retiree Health Benefits Plan), a single-employer postemployment healthcare benefit plan. On September 6, 2006, the Retirement Board approved the creation and establishment of the RHBF for the purpose of funding the benefits provided under the Retiree Health Benefits Plan.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan)**

**Membership**

The Retirement Plan's membership consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Retirees, beneficiaries*	8,639	8,629
Terminated vested	712	675
Terminated non-vested	874	866
Inactive-non-contributing employees	133	142
Active-contributing employees:		
Vested	8,753	8,933
Non-vested	279	535
Total	<u>19,390</u>	<u>19,780</u>

\*Includes beneficiaries of the Survivorship account.

**Benefit Provisions**

*Retirement/Disability Fund*

The retirement fund consists of both defined contribution and defined benefit elements. The members vest in the defined contribution element (annuity) after one year of service. Members vest in the defined benefit element (pension) only after qualifying for retirement and meeting the criteria for the formula pension. Generally, new and returning employees of the Department become eligible for Plan membership on the first day of the payroll period following entry into Department service. New eligible employees must complete 26 weeks of continuous service before becoming entitled to disability and/or death benefits. The right to death benefits is effective upon an employees' date for membership. Qualification for disability benefits occurs one day after an employee's effective membership date and payment of premium.

Members are eligible for normal retirement at age 60 with at least five years of service. Early retirement at age 55 is generally available if the member has been with the Department for 10 of the last 12 years before retirement. Members with 30 or more years may retire at age 50 and receive unreduced benefits within a certain limited period (this option expired on October 31, 2005). Upon qualifying for retirement, members will also qualify for a formula pension if they

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

have been employed by the Department for at least five years before retirement and have been a contributing member of the Plan for at least four of five years immediately preceding retirement or while eligible to retire (or during any of those four years if they were receiving either disability benefits under the Plan or payments under any Workers' Compensation Law). Eligible members are entitled to an annual retirement benefit, payable monthly for life currently in an amount equal to a retirement factor of 2.1% of their highest average salary, for each year of credited service. Members who have at least 30 years of service credit and are at least 55 years of age (and represented by a bargaining unit that has negotiated this benefit) are entitled to a retirement factor of 2.3% in the calculation of their retirement allowance. "Highest average salary" is defined as the employee's average salary, excluding overtime, over the highest 26 consecutive payroll periods.

*Death Benefit Fund*

The Death Benefit Fund consists of the Insured Lives Death Benefit (IDB), Family Death Benefit (FDB), and Supplemental Family Death Benefit (SFDB).

- **Insured Lives Death Benefit**

For contributing active members, death benefit coverage begins after completion of 26 weeks of continuous Department service. If the death occurs while an active member of the Plan, the benefit includes a single lump sum distribution equal to fourteen times the member's monthly salary, and the retirement fund contributions plus accrued interest, payable to the beneficiary.

For retired members, the benefits include a single lump sum distribution equal to fourteen times the member's full retirement allowance not to exceed \$20,000, plus any unpaid retirement allowances due, and the unused portion of the retirement fund contributions upon death (if elected at retirement) payable to the beneficiary.

- **Family Death Benefit**

Coverage begins after completion of 26 weeks of continuous Department service. The Plan provides a monthly FDB allowance of \$416 to each qualified surviving child plus \$416 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum monthly FDB allowance cannot exceed \$1,170.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

- Supplemental Family Death Benefit

The SFDB program supplements the FDB. Coverage begins after enrollment and payment of premiums for 39 consecutive biweekly payroll deductions. The Plan provides for an additional monthly SFDB allowance of \$520 to each qualified surviving child plus \$520 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum SFDB allowance cannot exceed \$1,066.

**Contributions**

*Retirement/Disability Fund*

Covered employees are required to contribute 6% of their annual covered payroll upon becoming a Plan member on or after June 1, 1984. Employees entering the Plan before June 1, 1984 contribute an amount based upon an entry-age percentage rate. If an employee leaves or dies while employed, employee contribution plus credited interest is refundable. After one year of membership, the employee may leave his or her contribution on account with the Plan along with the Department's matching contributions and receive a money purchase allowance at retirement age. A surviving spouse of an employee who dies while eligible to retire or with at least 25 years of service may elect to receive a monthly allowance from the Retirement Fund for life rather than a refund of the employee's contributions and interest.

The Department contributes \$1.10 for each \$1.00 contributed by members, plus an actuarially determined percentage of covered payroll. Contribution provisions are established and amended by the Retirement Board upon the advice of the Plan actuary. Plan benefits are funded by earnings from investments and by contributions from the Department and members.

Each bi-weekly payroll period, eligible members contribute \$1.00 each for Temporary Disability and Permanent Total Disability.

*Death Benefit Fund*

- Insured Lives Death Benefit

Contributing active members contribute \$1.00 per bi-weekly payroll period. The Department contribution for the IDB for contributing active members was suspended since August 1, 1999. Effective in December 2010, the Department restarted contributions at the rate of \$0.29 per \$100 of payroll for contributing active members, as recommended by the Plan actuary. The Department currently contributes to the IDB for non-contributing members at \$1.48 per \$100 of retirement benefits paid.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

- **Family Death Benefit**

The Department contributions have been suspended since July 1, 1993. The Department contributions will continue to be suspended as recommended by the Plan's actuary.

- **Supplemental Family Death Benefit**

Active members contribute \$2.25 per bi-weekly payroll period, and retired members contribute \$4.90 per month. Member contributions plus earnings from investments are intended to cover the cost of the benefits.

**Retiree Health Benefits Plan**

**Membership**

The Retiree Health Benefits Plan's membership consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Current retirees and beneficiaries	7,702	7,701
Current active members	<u>9,056</u>	<u>9,118</u>
	<u>16,758</u>	<u>16,819</u>

**Benefit Provisions**

Retired members of the Plan are eligible to receive a medical and dental subsidy based on their age and years of service at retirement. The retirees pay any health and dental plan premiums in excess of Department subsidy limits that they are eligible for.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)**

**Contributions**

The DWP Board establishes the funding policy and funding levels of the RHBF. The Department retains the responsibility and obligation to fund the RHBF to the extent necessary and appropriate as recommended by the Department's actuary, based on funding parameters set by the Department on advice of the actuary. During fiscal years 2011 and 2010, the Department contributed \$140.7 million and \$160.7 million, respectively, to fund current and future retiree health benefits liabilities and related costs.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Reporting**

The Plan follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 50 for Retirement Fund and the Insured Lives portion of the Death Benefit Fund, and GASB Statement No. 43 for the RHBF. The financial statements are prepared using the accrual basis of accounting and reflect the overall financial operations of the Plan. Members' and Department's contributions are recognized as revenues in the period in which the employee services are performed and when due, and benefits and refunds are recognized when due and payable in accordance with the terms of each benefit fund.

Other expenses are recognized when incurred. The net appreciation (depreciation) in fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

The Plan's investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of securities is determined by the published market prices and quotations from major investment dealers. Securities traded on a national or international exchange are valued at the last reported sales price at current currency exchange rates in effect. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. Hedge funds are initially recorded at cost and subsequently valued at fair value, and these are reported as "Alternative Investments" on the statement of plan net assets. The Plan has investments in commingled real estate funds in which real property is its primary underlying investment. These are reported as "Real Estate" at fair value on the statement of plan net assets. Fair values of real estate investments are estimated by fund managers based upon property appraisal reports both internally and externally. Purchases and sales of securities are recorded on a trade-date basis. Unsettled investment trades as of year end are reported in the financial statements as receivable for pending sales or payable for pending purchases.

Cash

Cash consists primarily of cash on deposit with the Treasurer of the City of Los Angeles.

Derivatives

To the extent permitted by policy and individual agreements, investment managers are authorized to use derivatives for risk management purposes. Accordingly, derivatives held are not held for trading purposes. Derivative securities are instruments whose value is derived from an underlying security or index. They include options, futures, swaps, forwards, structured notes, and stripped securities. These instruments offer unique characteristics and risks that assist the investment managers with meeting their investment strategies.

Use of Estimates

The preparation financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 financial statements presentation.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING**

Investment authority is granted to the Plan by the Charter of the City of Los Angeles and is exercised in accordance with the Retirement Board's investment policy. The Charter authorizes the form and type of investment vehicles that may be purchased. The Retirement Board may invest in common and preferred stocks (including both domestic and international equities), convertible debt, fixed income, alternative investments, and real estate; and it may utilize stock covered call options and securities lending.

Cash

As of June 30, 2011 and 2010, the Plan's cash balances consist primarily of cash deposit with the Treasurer of the City of Los Angeles.

Investments

As of June 30, 2011 and 2010, the Plan had the following investments:

<u>Investment Type</u>	<u>June 30, 2011 Fair Value</u>	<u>June 30, 2010 Fair Value</u>
Domestic equities	\$ 3,095,072,415	\$ 2,301,583,890
International equities	1,731,994,742	1,147,743,362
U.S. Treasuries	519,911,700	1,016,699,266
U.S. Agency notes	1,179,248,247	876,835,137
Medium term notes	223,640	13,113,280
Preferred securities/convertible bonds/other	32,124,546	23,512,764
Mortgage and asset backed securities	379,058,811	415,488,068
Corporate debt - domestic	627,924,514	703,226,473
Corporate debt - international	12,486,869	10,083,398
Mutual funds	512,010,853	533,335,450
Hedge funds	508,111,446	268,672,425
Real estate	128,675,016	90,242,755
Securities lending short-term collateral investment pool	913,599,859	1,032,647,185
Total investments	<u>\$ 9,640,442,658</u>	<u>\$ 8,433,183,453</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

**Credit Risk**

The Plan's investment policy is to apply the "prudent person" standards. Investments are made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Plan's investment policy has been designed to produce the most favorable long-term total portfolio return consistent with reasonable levels of risks. Prudent risk-taking is warranted within the context of overall portfolio diversification.

According to the Plan's investment policy for fixed income, the Plan can invest in both investment grade and high yield fixed income securities. Investment grade fixed income securities that are rated by Moody's, Standard & Poor's, and Fitch, should have a minimum rating of BBB- or Baa3 by two or more rating agencies. Investment managers for investment grade fixed income securities will notify Plan management of subsequent declines in ratings and will develop an investment strategy for investments rated below Baa3 or BBB-. Active high yield fixed income investment is composed primarily of non-investment grade securities as rated by Moody's, Standard & Poor's or Fitch.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

The credit ratings of the Plan's investments at June 30, 2011 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 519,911,700	15.93%
U.S. Agency notes	AAA	3,126,087	0.10%
	A or better	14,009,256	0.43%
	B or better	779,202	0.02%
	Not rated	1,161,333,702 *	35.59%
Medium term notes	A or better	223,640	0.01%
Preferred securities/convertible bonds	A or better	3,595,964	0.11%
	B or better	21,158,590	0.65%
	C or better	3,734,933	0.11%
	Not rated	3,635,059	0.11%
Mortgage and asset backed securities	AAA	343,477,193	10.53%
	A or better	20,393,915	0.63%
	BB or better	6,682,669	0.20%
	C or better	850,692	0.03%
	Not rated	7,654,342	0.23%
Corporate debt - domestic	AAA	20,015,035	0.61%
	A or better	198,506,491	6.08%
	B or better	358,688,289	10.99%
	C or better	34,886,094	1.07%
	Not rated	15,828,605	0.49%
Corporate debt - international	AAA	2,368,020	0.07%
	A or better	4,809,565	0.15%
	B or better	4,841,813	0.15%
	C or better	467,470	0.01%
Mutual funds	Not rated	512,010,854 **	15.69%
Total		<u>\$ 3,262,989,180</u>	<u>100.00%</u>

\* Consist of U.S. government agency securities.

\*\* Consist of money market fund or short-term investment fund investing in the fixed income securities.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2010 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 1,016,699,266	28.30%
U.S. Agency notes	AAA	5,444,448	0.15%
	A or better	5,895,303	0.16%
	Not rated	865,495,386 *	24.09%
Medium term notes	A or better	7,380,307	0.21%
	B or better	5,732,973	0.16%
Preferred securities/convertible bonds	A or better	951,681	0.03%
	B or better	6,529,205	0.18%
	C or better	12,669,950	0.35%
	Not rated	3,361,928	0.09%
Mortgage and asset backed securities	AAA	384,124,966	10.69%
	A or better	5,794,714	0.16%
	BB or better	2,069,095	0.06%
	C or better	4,186,066	0.12%
	Not rated	19,313,227	0.54%
Corporate debt - domestic	AAA	16,239,108	0.45%
	A or better	198,374,799	5.52%
	B or better	418,017,299	11.64%
	C or better	46,995,635	1.31%
	Not rated	23,599,632	0.66%
Corporate debt - international	AAA	3,419,454	0.10%
	A or better	365,170	0.01%
	B or better	6,298,774	0.18%
Mutual funds	Not rated	533,335,450 **	14.85%
Total		<u>\$ 3,592,293,836</u>	<u>100.00%</u>

\* Guaranteed by U.S. government agencies.

\*\* Consist of money market fund or short-term investment fund investing in the fixed income securities.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Custodial Credit Risks

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. As of June 30, 2011 and 2010, the Plan's cash balances consist primarily of cash deposits with the Treasurer of the City of Los Angeles.

Collateral received in securities lending transactions are cash collateral and marketable securities. See Note 4 for further disclosure on securities lending transactions.

Concentration of Credit Risk

According to the Plan's investment policy, no more than 5% of investments shall be invested in any one issue, except for investment in the fixed income asset class where no more than 10% of investment shall be invested in any one issue. United States Treasury or United States Agency issues are exempted from this limitation. As of June 30, 2011 and 2010, there were no investments holdings of more than five (5) percent in any one issue of each fund's net assets or in the Plan aggregate, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

Interest Rate Risk

As of June 30, 2011, the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 519,911,700	7.73
U.S. Agency notes	1,179,248,247	22.00
Medium term notes	223,640	3.67
Preferred securities/convertible bonds	32,124,546	14.92
Mortgage and asset backed securities	379,058,811	20.69
Corporate debt - domestic	627,924,514	9.01
Corporate debt - international	12,486,868	7.50
Mutual funds	512,010,854	0.07
Total	<u>\$ 3,262,989,180</u>	13.51

As of June 30, 2010 the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 1,016,699,266	7.28
U.S. Agency notes	876,835,137	21.94
Medium term notes	13,113,280	10.03
Preferred securities/convertible bonds	23,512,764	13.53
Mortgage and asset backed securities	415,488,068	20.60
Corporate debt - domestic	703,226,473	8.81
Corporate debt - international	10,083,398	9.03
Mutual funds	533,335,450	0.07
Total	<u>\$ 3,592,293,836</u>	11.68

The Plan has a long-term investment horizon and it utilizes an asset allocation that encompasses a long-run perspective of capital markets. The Plan maintains an interest rate risk consistent with its long-term investment horizon.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

**Foreign Currency Risk**

As of June 30, 2011 and 2010, the Plan's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Investment Type</u>	<u>June 30, 2011</u> <u>Fair Value</u>	<u>June 30, 2010</u> <u>Fair Value</u>
Australian Dollar	Cash & cash equivalents	\$ 7,299,854	\$ 5,733,405
	Equities	99,529,037	65,856,983
	Corporate debt	4,754,586	2,787,878
Brazil Real	Corporate debt	1,948,741	1,504,943
British Pound Sterling	Cash & cash equivalents	15,349,299	1,388,158
	Equities	229,648,893	158,985,249
	Corporate debt	73,431,605	25,106,586
Canadian Dollar	Equities	129,539,880	94,867,039
	Corporate debt	10,172,325	2,495,033
	Cash & cash equivalents	20,036,664	6,908,785
Colombia Peso	Corporate debt	-	253,807
Danish Krone	Equities	14,077,611	5,557,082
	Cash & cash equivalents	38,542	415,679
Euro Currency Unit	Equities	405,692,595	262,236,630
	Cash & cash equivalents	53,419,485	12,878,865
	Corporate debt	143,335,976	29,543,074
Hong Kong Dollar	Equities	47,254,790	30,172,806
	Cash & cash equivalents	380,740	320,946
Indonesian Rupiah	Corporate debt	3,475,934	2,069,450
Japanese Yen	Equities	328,881,517	228,635,255
	Cash & cash equivalents	18,062,163	4,025,318
	Corporate debt	10,560,041	-
Mexican New Peso	Corporate debt	1,567,496	3,213,620
	Cash & cash equivalents	282,029	124,580
New Zealand Dollar	Equities	975,485	-
Norwegian Krone	Equities	21,908,412	7,871,611
	Cash & cash equivalents	336,406	569,993
Philippines Peso	Corporate debt	728,602	-
Singapore Dollar	Equities	18,415,427	14,668,233
	Cash & cash equivalents	111,378	194,875
South Korean Won	Corporate debt	1,771,846	1,082,027
	Equities	24,754,849	12,831,271
Swedish Krona	Cash & cash equivalents	9,341,544	353,659
	Corporate debt	18,633,081	5,696,484
	Equities	100,572,525	67,290,362
Swiss Franc	Cash & cash equivalents	2,763,757	2,162,198
	Corporate debt	893,636	448,543
Uruguayan Peso	Corporate debt	893,636	448,543
Total		<u>\$ 1,819,946,751</u>	<u>\$ 1,058,250,427</u>

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)**

The Plan's investment policy permits it to invest up to 20 percent of total investments of the Plan in non-U.S. investments. The Plan's position is 18.88 percent and 12.55 percent as of June 30, 2011 and 2010, respectively.

**Derivative Instruments**

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2011 and 2010, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2011 and 2010 financial statements are as follows:

Type	2011				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 1,720,525	Investment	\$ 2,864,545	\$ 405,538,891
Swap	Investment Income / (Loss)	\$ 5,240	Investment	\$ -	\$ -

Type	2010				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 1,144,020	Investment	\$ 1,144,020	\$ 93,800,375
Swap	Investment Income / (Loss)	\$ (5,240)	Investment	\$ (5,240)	\$ 7,220,492

At June 30, 2011 and 2010, the Plan had direct commitments to purchase and/or sell foreign currency in the forms of swap and forward contracts as part of the strategy of hedging its currency risk. The fair values of the swap and forward contracts were based on the market price.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 4 – SECURITIES LENDING PROGRAM**

The Plan is authorized by the Charter of the City of Los Angeles and the Retirement Board's investment policy to lend its investment securities to various brokers, without limit. The lending is managed by the Plan's custodial bank. The Plan or the borrowers can terminate the contract with advance notice. The lending arrangements are collateralized by cash and marketable securities (guaranteed by the full faith and credit of the U.S. Government) at (i) 102% with respect to U.S. Securities; (ii) 105% with respect to foreign securities; or (iii) a percentage mutually agreed of the underlying securities' market value. These arrangements provide for the return of the investments and a share of the interest earned on the collateral. The securities on loan to brokers remain the property of the Plan and continue to be included in their respective accounts on the Statement of Plan Net Assets. As of June 30, 2011 and 2010, the Plan has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan. Related borrower or lending agent default losses were recognized in the financial statements.

The Plan's custodian is the authorized agent to handle the Plan's securities lending activity. The Plan's custodian may invest the cash collateral received in connection with securities on loan in investments permitted by the Plan. The Plan bears sole risk of all losses of the invested collateral, including losses incurred in the event of liquidation of the permitted investments. The custodian bank is responsible for the return of loaned securities from borrowers. The Plan does not have the ability to pledge or sell collateral assets unless the borrower is in default of its obligation. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which has an average maturity of 32 days and 36 days as of June 30, 2011 and 2010, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2011 and 2010 are:

Securities on loan	2011	2010
Common stock	\$ 406,198,166	\$ 279,594,598
Corporate debt	89,557,189	95,822,766
U.S. Agency notes	-	5,506,198
U.S. Treasuries	394,802,839	627,390,937
Total	<u>\$ 890,558,194</u>	<u>\$ 1,008,314,499</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Retirement Fund**

The Plan engages an independent actuarial firm to conduct annual actuarial valuations to monitor the Plan's funding status for the retirement fund.

The annual valuation performed as of June 30, 2011 and 2010 determined the funding status to be 80.29% and 81.46%, respectively.

The funded status of the retirement fund as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 7,465,183,643	\$ 9,297,204,318	\$ 1,832,020,675	80.29%	\$ 870,203,423	210.53%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2004 Unfunded Actuarial Accrued Liability is amortized over the 15-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods effective with that valuation.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market returns and the expected returns on a market value basis, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	3.50%
Projected salary increases	5.35% to 10.50%, including inflation at 3.50%, “across the board” increases of 0.75% plus merit and promotional increases.
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

**Death Benefit Fund – Insured Lives**

The funded status of the death benefit fund – insured lives as of July 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 7,186,971	\$ 92,173,753	\$ 84,986,782	7.80%	\$ 856,089,559	9.93%

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2007 Unfunded Actuarial Accrued Liability is amortized over the 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods effective with that valuation.
Asset valuation method	The market value of the Death Benefit Fund at valuation date, less the General Reserves and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members.
Actuarial assumptions:	
Investment rate of return	5.00%
Inflation rate	3.50%
Projected salary increases	5.35% to 10.50%, including inflation at 3.50%, “across the board” increases of 0.75% plus merit and promotional increases.
Cost of living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum



**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Retiree Health Benefits Fund (RHBF)

The DWP Board of Water and Power Commissioners approved the creation of the RHBF to account for assets placed in an irrevocable trust for the provision of other post employment benefits (OPEB), in September 2006. The ARC of \$68.7 million and \$58.5 million for fiscal years 2010-11 and 2009-10 were determined by the actuarial valuation of OPEB as of June 30, 2010 and 2009, respectively. The Department contribution, excluding administrative expenses reimbursement, during the fiscal years 2010-11 and 2009-10, amounted to \$140.1 million and \$160.2 million, respectively. The June 30, 2011 actuarial valuation determines the annual required contribution (ARC) for the fiscal year 2011-12 to be \$53.7 million.

The funded status of the RHBF as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 1,132,928,966	\$ 1,550,895,584	\$ 417,966,618	73.05%	\$ 870,203,423	48.03%

The Patient Protection and Affordable Care Act (Act) was signed into law in March 2010. One key provision of the legislation is the assessment of a 40% excise tax on the cost of health plans for plans that exceed certain threshold. The impact of this potential excise tax imposed by the Act is reflected in the June 30, 2011 actuarial valuation. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are \$11,850 for single coverage and \$30,950 for family coverage. For all other retirees the thresholds in 2018 are \$10,200 for single coverage and \$27,500 for family coverage. Thresholds in 2019 are indexed and for the purpose of this valuation, they are assumed to increase by 4.5% over those in 2018. After 2019, the thresholds are assumed to increase by 3.5% (assumed CPI inflation) per year. Also in this valuation, the allocation of excise tax between the RHBF and retiree was based on the proportion of the health care cost expected to be paid by each party. The Department's share of the projected excise tax increased the ARC by about 0.24% of payroll. The increase in the UAAL is approximately \$30.5 million and the decrease in the funded ratio is approximately 1.5%. The impact of this potential excise tax is not reflected in the June 30, 2010 actuarial valuation. It was estimated that the Department's share of the projected excise tax would have increased the ARC for the fiscal year 2010-11 by about 0.30% of payroll, increased UAAL at June 30, 2010 by approximately \$38.1 million, and decreased the funded ratio to 59.13%.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30-year amortization closed, level percent of pay
Remaining amortization period	24 years remaining as of June 30, 2011
Asset valuation method	Before June 30, 2008, the actuarial value of assets was defined as the market value of assets. After June 30, 2008 valuation, any actual investment gains and losses that are above or below 8% annual return assumed in the valuations prior to July 1, 2010 are recognized over 5-year periods. After the June 30, 2010 valuation, any actual investment gains or losses that are above or below the 7.75% assumption are recognized over 5-year periods.
Actuarial assumptions:	
Discount rate	7.75%
Projected salary increases	4.25%
Inflation rate	3.50%
Healthcare cost trend rates:	
Medical	9.00%, graded down to an ultimate rate of 5.00% over 8 years
Dental and Medicare part B	5.00%

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 6 – ACTUARIAL VALUATION – DISABILITY AND DEATH BENEFIT FUNDS**

Actuarial studies are performed annually on the disability and death benefit funds to determine and recommend the appropriate contribution rates and the benefit reserves levels needed to fund the current and future benefit liabilities. The results of the most recent annual actuarial reviews (fiscal years ended June 30, 2010 and June 30, 2009) for the Death and Disability Funds found that both Funds' accumulated reserves had met the recommended reserve levels. The actuarial recommendations for the contribution rates, reserve levels, and general reserve transfers were approved by the Retirement Board.

**Disability fund**

For the Permanent Total Disability Fund, the Department's contribution rate remains at \$0 per \$100 of covered payroll. As for the Temporary Disability Fund, the Department's contribution rate was decreased from \$1.34 per \$100 of covered payroll to \$1.29 of covered payroll. The rate change was approved by the Board in December 2010 and it was implemented the same month.

**Death benefit fund**

For the Death Benefit Fund, effective December 2010, the Department restarted contribution at the rate of \$0.29 per \$100 of payroll for contributing active members. The Department's contribution rate for non-contributing members' death benefits was left unchanged at \$1.48 per \$100 of monthly retired payroll. The rate change was approved by the Board in December 2010 and it was implemented the same month.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 7 – RESERVES AND DESIGNATED BALANCES**

Reserve accounts are established to cover all deferred liabilities as they accrue. Reserves are established from members' and Department contributions and the accumulation of investment income after satisfying investment and administrative expenses. The Plan has four major classes of reserves and designated accounts.

Member contribution accounts represent the balance of member contributions. Additions include member contributions and interest. Deductions include refunds of member contributions and transfers to the reserve for retirement allowances, the reserve for death benefit and the members' account at the City Employees' Retirement System under the Plan's reciprocity provision.

Department contribution accounts represent the balance of department contributions for future retirement payments to current active members. Additions include contributions from the Department and related earnings. Deductions include transfers to the reserve for retirement allowances and reserve for death benefit.

Estimated benefit liabilities reserves represent the balance of transfers from member contribution and/or Department contribution accounts and related earnings less payments to retired members, members on disability and beneficiaries.

General reserves represent reserves accumulated for future earnings deficiencies, investment losses and other contingencies. Additions include investment income and other revenue. Deductions include investment expense, interest allocated to member and department contribution accounts, and interest allocated to the estimated benefits liabilities reserves accounts.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**NOTE 7 – RESERVES AND DESIGNATED BALANCES (Continued)**

The Retirement Plan reserves and designated balances at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 4,816,565,276	\$ 4,577,013,183
Contributions:		
Members' contributions	1,174,202,075	1,080,640,262
Department contributions	(1,195,535,211)	(1,169,873,646)
Total contributions	(21,333,136)	(89,233,384)
Reserve for investments gains/(losses)	318,079,083	5,480,618
General reserve	1,643,253,697	1,814,745,188
Total reserves and designated balances	6,756,564,920	6,308,005,605
Unrealized appreciation/(depreciation) in the fair value of investments	653,772,002	(41,730,236)
Total reserves and designated balances at fair value	<u>\$ 7,410,336,922</u>	<u>\$ 6,266,275,369</u>
 <u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary & permanent disability cases	\$ 15,083,837	\$ 15,125,263
General reserve	28,773,781	30,119,424
Total reserves and designated balances	43,857,618	45,244,687
Unrealized appreciation in the fair value of investments	3,202,110	2,790,220
Total reserves and designated balances at fair value	<u>\$ 47,059,728</u>	<u>\$ 48,034,907</u>
 <u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 4,406,825	\$ 590,218
Contribution account - family allowances	7,207,698	11,585,742
General reserve	9,247,957	8,283,715
Total reserves and designated balances	20,862,480	20,459,675
Unrealized appreciation in the fair value of investments	1,579,263	1,448,186
Total reserves and designated balances at fair value	<u>\$ 22,441,743</u>	<u>\$ 21,907,861</u>
 <u>Retiree Health Benefits Fund - Reserves and Designated Balances</u>		
Department contributions (net of insurance premiums payment)	\$ 1,000,104,927	\$ 925,104,927
General reserve	87,019,281	51,275,630
Total reserves and designated balances	1,087,124,208	976,380,557
Unrealized appreciation/(depreciation) in the fair value of investments	87,621,223	(49,129,402)
Total reserves and designated balances at fair value	<u>\$ 1,174,745,431</u>	<u>\$ 927,251,155</u>

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 8 – PLAN AMENDMENTS**

The Plan is periodically amended to meet changes in economic conditions and sound business practices. The following is a summary of the more significant Plan amendments approved during the fiscal years ended June 30, 2011 and 2010:

Fiscal year ended June 30, 2011

The Retirement Board approved a plan amendment on April 13, 2011 to reflect a current "Regular Interest" of 7.75%.

Fiscal year ended June 30, 2010

There were no significant Plan amendments for the fiscal year ended June 30, 2010.

**NOTE 9 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets. Department's contributions and actuarial valuations are reported based on certain assumptions pertaining to interest rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND – SCHEDULE OF FUNDING PROGRESS  
(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
July 1, 2011	\$ 7,465,183,643	\$ 9,297,204,318	\$ 1,832,020,675	80.29%	\$ 870,203,423	210.53%
July 1, 2010	7,244,429,689	8,893,618,433	1,649,188,744	81.46%	856,089,559	192.64%
July 1, 2009	7,248,721,252	8,057,060,950	808,339,698	89.97%	805,137,795	100.40%
July 1, 2008	7,247,853,233	7,619,102,935	371,249,702	95.13%	708,731,840	52.38%
July 1, 2007	6,864,084,006	7,467,285,349	603,201,343	91.92%	670,372,663	89.98%
July 1, 2006	6,447,763,436	7,046,571,241	598,807,805	91.50%	635,728,131	94.19%
July 1, 2005	6,331,047,528	6,763,079,839	432,032,311	93.61%	616,270,095	70.10%
July 1, 2004	6,251,421,125	6,421,813,922	170,392,797	97.35%	581,038,783	29.33%
July 1, 2003	6,128,375,723	6,042,086,785	(86,288,938)	101.43%	527,787,469	0.00%
July 1, 2002	5,790,262,948	5,714,524,649	(75,738,299)	101.33%	430,397,884	0.00%

\*Not less than zero

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS  
(Unaudited)**

<u>Plan Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Percentage of APC Contributed</u>
2011	\$ 304,431,910	\$ 309,794,712	\$ 286,699,384	94.2%	92.5%
2010	200,578,278	206,025,133	201,034,807	100.2%	97.6%
2009	141,291,589	146,768,606	145,941,276	103.3%	99.4%
2008	134,651,427	140,061,851	141,862,126	105.4%	101.3%
2007	134,504,482	140,328,366	129,154,539	96.0%	92.0%
2006	110,268,590	116,651,020	101,556,257	92.1%	87.1%
2005	80,784,677	87,615,788	75,490,143	93.4%	86.2%
2004	44,128,205	50,773,126	55,804,924	126.5%	109.9%
2003	40,910,999	47,823,973	40,560,882	99.1%	84.8%
2002	-	6,132,578	27,241,801	0.0%	444.2%

See accompanying independent auditor's report.



**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND (INSURED LIVES) – SCHEDULE OF FUNDING PROGRESS**  
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
July 1, 2010	\$ 7,186,971	\$ 92,173,753	\$ 84,986,782	7.80%	\$ 856,089,559	9.93%
July 1, 2009	5,261,536	95,302,626	90,041,090	5.52%	805,137,795	11.18%
July 1, 2008	4,732,078	94,445,113	89,713,035	5.01%	708,731,840	12.66%
July 1, 2007	6,528,962	79,024,241	72,495,279	8.26%	670,372,663	10.81%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND – SCHEDULE OF FUNDING PROGRESS**  
(Unaudited)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liabilities	(3) Unfunded Actuarial Accrued Liabilities UAAL/(Surplus) (2)-(1)	(4) Funded Ratio (1) divided by (2)	(5) Annual Covered Payroll	(6) UAAL/(Surplus) As a Percentage of Covered Payroll (3) divide by (5)
June 30, 2011	\$ 1,132,928,966	\$ 1,550,895,584	\$ 417,966,618	73.05%	\$ 870,203,423	48.03%
June 30, 2010	\$ 987,475,976	\$ 1,631,916,204	\$ 644,440,228	60.51%	\$ 856,089,559	75.28%
June 30, 2009	\$ 849,955,427	\$ 1,390,810,591	\$ 540,855,164	61.11%	\$ 805,137,795	67.18%
June 30, 2008	\$ 719,636,742	\$ 1,358,103,498	\$ 638,466,756	52.99%	\$ 708,732,000	90.09%

See accompanying independent auditor's report.

CITY OF LOS ANGELES  
 WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
 DEATH BENEFIT INSURANCE PLAN  
 INCLUDING RETIREE HEALTH BENEFITS FUND

RETIREE HEALTH BENEFITS FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 (Unaudited)

Year Ended June 30	Annual Required Contributions (ARC)	Actual Contributions	Percentage Contributed
2011	\$ 68,705,252	\$ 140,132,520 <sup>(1)(2)</sup>	203.96%
2010	\$ 58,502,789	\$ 160,236,897 <sup>(1)(2)</sup>	273.90%
2009	\$ 60,976,358	\$ 159,412,621 <sup>(1)(2)</sup>	261.43%
2008	\$ 40,144,629	\$ 157,359,628 <sup>(2)</sup>	391.98%

(1) The Actual Contributions do not include interest adjustment to the end of the Plan year.

(2) The Actual Contributions do not include administrative expense reimbursement.

**CITY OF LOS ANGELES**  
**WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND**  
**DEATH BENEFIT INSURANCE PLAN**  
**INCLUDING RETIREE HEALTH BENEFITS FUND**  
**SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND**  
**SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES**  
**For the Years Ended June 30, 2011 and 2010**

	Current Service	Minimum Pension	Cost of Living Adjustments	Continuance to Eligible Spouse	Department of Water and Power Total	Members' Total	Combined Total	Estimated Liabilities for Retirement Allowances
Balance at June 30, 2009	\$ 985,167,456	(1,308,438,838)	(757,194,421)	(1,447,350)	(1,081,913,153)	981,972,301	(99,940,852)	4,349,943,956
Contributions received	72,685,753	131,369,342	-	-	204,055,095	71,240,553	275,295,648	-
Contributions refunded	(3,021,859)	-	-	-	(3,021,859)	(3,006,724)	(6,028,583)	-
Net Contributions	69,663,894	131,369,342	-	-	201,033,236	68,233,829	269,267,065	-
Transfers from contribution accounts for retiring members	(45,370,675)	(85,790,080)	(62,406,604)	(8,927,783)	(202,495,142)	(48,876,099)	(251,371,241)	251,371,241
Installment payment from early retired employees								5,500
Retirement allowances paid								(377,051,650)
Interest at 8% per annum	79,785,129	(103,263,468)	(62,616,587)	(403,661)	(86,498,587)	79,310,231	(7,188,356)	352,744,136
Balance at June 30, 2010	1,089,245,804	(1,366,123,044)	(882,217,612)	(10,778,794)	(1,169,873,646)	1,080,640,262	(89,233,384)	4,577,013,183
Contributions received	63,049,332	225,693,511	-	-	288,742,843	65,954,329	354,697,172	-
Contributions refunded	(2,043,459)	-	-	-	(2,043,459)	(2,381,658)	(4,425,117)	-
Net Contributions	61,005,873	225,693,511	-	-	286,699,384	63,572,671	350,272,055	-
Transfers from contribution accounts for retiring members	(52,961,747)	(89,916,108)	(69,003,250)	(9,832,390)	(221,713,495)	(56,176,424)	(277,889,919)	277,889,919
Installment payment from early retired employees								11,278
Retirement allowances paid								(396,136,140)
Interest at 8% per annum	86,721,838	(104,030,606)	(72,188,902)	(1,149,783)	(90,647,454)	86,165,566	(4,481,888)	357,787,036
Balance at June 30, 2011	\$ 1,184,011,768	\$ (1,334,376,247)	\$ (1,023,409,764)	\$ (21,760,967)	\$ (1,195,535,211)	\$ 1,174,202,075	\$ (21,333,136)	\$ 4,816,565,276

See accompanying independent auditor's report.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
SUPPLEMENTARY INFORMATION**

**DEATH BENEFIT FUND  
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR  
FAMILY ALLOWANCES  
For the Years Ended June 30, 2011 and 2010**

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2009	\$ 5,382,067	\$ 5,980,109	\$ 11,362,176	\$ 825,220
Contributions received	90,804	-	90,804	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	-	(428,575)	(428,575)	428,575
Family allowances paid	-	-	-	(698,099)
Interest transferred from general reserve at 5% per annum	271,481	289,856	561,337	34,522
Balances at June 30, 2010	5,744,352	5,841,390	11,585,742	590,218
Contributions received	95,952	-	95,952	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	-	(28,599)	(28,599)	28,599
Family allowances paid	-	-	-	(688,064)
Adjusted estimated liability for family allowances for benefits outstanding as of June 30, 2011	(519,333)	(3,926,064)	(4,445,397)	4,445,397
Interest transferred from general reserve at 5% per annum	-	-	-	30,675
Balances at June 30, 2011	\$ 5,320,971	\$ 1,886,727	\$ 7,207,698	\$ 4,406,825

See accompanying independent auditor's report.

**CITY OF LOS ANGELES  
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND  
DEATH BENEFIT INSURANCE PLAN  
INCLUDING RETIREE HEALTH BENEFITS FUND  
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND  
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE  
June 30, 2011**

## Revenues by Source

<b>Fiscal Year</b>	<b>Members' Contributions</b>	<b>Department Contributions*</b>	<b>Investment Income**</b>	<b>Total</b>
2011	\$ 65,954,329	\$ 293,311,870	\$ 201,657,143	\$ 560,923,342
2010	\$ 71,240,553	\$ 208,518,237	\$ 180,881,790	\$ 460,640,580
2009	\$ 59,394,076	\$ 154,140,202	\$ 192,121,861	\$ 405,656,139
2008	\$ 48,683,048	\$ 148,295,728	\$ 206,722,244	\$ 403,701,020
2007	\$ 47,049,554	\$ 136,398,522	\$ 196,008,022	\$ 379,456,098
2006	\$ 41,324,895	\$ 108,020,866	\$ 159,450,534	\$ 308,796,295
2005	\$ 38,855,089	\$ 82,287,706	\$ 126,531,298	\$ 247,674,093
2004	\$ 38,045,999	\$ 61,926,829	\$ 130,311,380	\$ 230,284,208
2003	\$ 36,490,767	\$ 47,277,187	\$ 184,616,510	\$ 268,384,464
2002	\$ 30,002,271	\$ 33,837,427	\$ 208,529,336	\$ 272,369,034

## Expenses by Type

<b>Fiscal Year</b>	<b>Benefits</b>	<b>Administrative Expenses***</b>	<b>Refunds****</b>	<b>Total</b>
2011	\$ 396,136,140	\$ 25,146,053	\$ 4,425,116	\$ 425,707,309
2010	\$ 377,051,650	\$ 20,790,611	\$ 6,028,583	\$ 403,870,844
2009	\$ 363,691,635	\$ 17,842,282	\$ 8,062,235	\$ 389,596,152
2008	\$ 353,178,785	\$ 22,960,041	\$ 12,666,556	\$ 388,805,382
2007	\$ 338,340,501	\$ 20,136,513	\$ 7,202,784	\$ 365,679,798
2006	\$ 325,873,101	\$ 16,612,880	\$ 6,979,706	\$ 349,465,688
2005	\$ 311,551,053	\$ 12,268,060	\$ 8,241,859	\$ 332,060,972
2004	\$ 302,063,849	\$ 3,842,561	\$ 7,258,857	\$ 313,165,267
2003	\$ 295,587,105	\$ 2,612,142	\$ 8,072,065	\$ 306,271,312
2002	\$ 290,243,650	\$ 2,202,790	\$ 8,618,684	\$ 301,065,124

\* Represents Department contributions before reversions and includes contributions towards administrative expenses.

\*\* Represents "booked" investment income and excludes "net appreciation (depreciation) in fair value of investment."

\*\*\* Represents investment and administrative expenses.

\*\*\*\* Represents both refunds on members' contributions and reversions on Department contributions.

See accompanying independent auditor's report.