

**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, 2013 and 2012  
WATER AND POWER EMPLOYEES'  
RETIREE HEALTH BENEFITS FUND  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2013 and 2012**

**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 Position.....	19
Statement of Changes in Plan Net Position.....	20
Disability Fund:	
Statement of Plan Net Position.....	21
Statement of Changes in Plan Net Position.....	22
Death Benefit Fund:	
Statement of Plan Net Position.....	23
Statement of Changes in Plan Net Position.....	24
Retiree Health Benefits Fund:	
Statement of Plan Net Position.....	25
Statement of Changes in Plan Net Position.....	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:	
Death Benefit Fund (Insured Lives)	
Schedule of Employer Contributions .....	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 Funding Progress.....	56
-----------------------------------	----

Exhibit VI:

Retiree Health Benefits Fund

Schedule of Employer Contributions .....	57
--	----

Supplementary Information

Exhibit VII:

Retirement Fund – Schedule of Contribution Accounts and Estimated Liability

for Retirement Allowances.....	58
--------------------------------	----

Exhibit VIII:

Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability

for Family Allowances .....	59
-----------------------------	----

Exhibit IX:

Retirement Fund – Schedule of Revenues by Source and Expenses by Type .....	60
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying statements of plan net position 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, 2013 and 2012, and the related statements of changes in plan net position for the years then ended as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position available for benefits of the Retirement Plan and RHBF as of June 30, 2013 and 2012, and the changes in net position available for benefits of the Retirement Plan and RHBF for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the Plan's financial statements. The supplementary information as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Retirement Fund – Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund – Schedule of Revenues by Source and Expenses by Type are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Retirement Fund – Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund – Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund – Schedule of Revenues by Source and Expenses by Type are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Los Angeles, California  
November 20, 2013

**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, 2013 and 2012. The Retirement Plan and the RHBF are collectively known as the Plan.

**FINANCIAL HIGHLIGHTS**

- The net position at the close of the fiscal year ending June 30, 2013 were \$8,304,011,429, \$46,454,846, \$25,020,132, and \$1,377,819,588 for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the net positions were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total net position increased by \$919,867,553 or 12.46%, \$263,579 or 1.06% and \$152,039,719 or 12.40% for the Retirement Fund, Death Benefit Fund, and Retiree Health Benefits Fund, respectively. Total net position decreased by \$1,179,406 or 2.48% for Disability Fund.
- As of July 1, 2013 the date of the Retirement Fund's last actuarial valuation, the funding ratio of the fund was approximately 78.84%.
- As of June 30, 2013, the date of the Retiree Health Benefits Fund's latest actuarial valuation, the funding ratio was approximately 76.40%.
- Additions to the Retirement Fund's Plan net position increased from \$393,806,154 to \$1,362,131,790 over the prior year or approximately 245.89% due mostly to the increase in the fair value of investments in 2013 over 2012.
- Deductions from Retirement Fund's Plan net position increased from \$419,999,200 to \$442,264,237 over the prior year, or approximately 5.30% due mostly to the cost of living allowance increase granted to pension benefits effective July 2012.
- The assets of the Retiree Health Benefits Fund were invested under the oversight of the Retirement Board. The RHBF assets were up 12.40% from \$1,225,779,869 to \$1,377,819,588.

**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 Position
2. Statement of Changes in Plan Net Position
3. Notes to the Financial Statements

*The Statement of Plan Net Position* 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 Position* reports additions to and deductions from the plan net position 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 Position**

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

Condensed Statement of Plan Net Position (In Thousands)					
	2013	2012	2011	2012-13 % Change	2011-12 % Change
Cash	\$ 9,497	\$ 12,175	\$ 9,070	-22.00%	34.23%
Prepaid expense	3	3	-	0.00%	0.00%
Receivables	360,275	211,953	517,730	69.98%	-59.06%
Investments	8,637,738	7,875,126	8,241,771	9.68%	-4.45%
Total assets	9,007,513	8,099,257	8,768,571	11.21%	-7.63%
Liabilities	703,501	715,113	1,358,234	-1.62%	-47.35%
Total plan net position	<u>\$ 8,304,012</u>	<u>\$ 7,384,144</u>	<u>\$ 7,410,337</u>	12.46%	-0.35%

**Fiscal year ended June 30, 2013**

Net position increased by \$919.9 million, or 12.46% to \$8.3 billion over the prior fiscal year. Investments were up \$762.6 million or 9.68% due mostly to the appreciation in the fair value of investments. Receivables were up \$148.3 million or 69.98% from fiscal year 2012 mainly because of an increase in pending trades at year-end.

**Fiscal year ended June 30, 2012**

Net position decreased by \$26.2 million, or 0.35% to \$7.4 billion over the prior fiscal year. Investments were down \$366.6 million or 4.45% due mostly to the decrease in investments associated with securities lending activities and the depreciation in the fair value of investments. Receivables were down \$305.8 million or 59.06% from fiscal year 2011 mainly because of a decrease in pending sales at year-end. Liabilities were down \$643.1 million or 47.35% due mostly to a decrease in pending investment purchases at year-end and decrease in liabilities associated with securities lending transactions.



**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 Position**

Condensed Statement of Changes in Plan Net Position					
(In Thousands)					
	2013	2012	2011	2012-13 % Change	2011-12 % Change
<b>Additions</b>					
Members' contributions	\$ 69,634	\$ 60,089	\$ 65,955	15.88%	-8.89%
Employer contributions	372,819	325,997	291,268	14.36%	11.92%
Net investment income	919,679	7,720	1,189,239	11812.94%	-99.35%
Total additions	1,362,132	393,806	1,546,462	245.89%	-74.54%
<b>Deductions</b>					
Benefit payment	432,708	410,814	396,125	5.33%	3.71%
Refund	5,819	5,527	2,382	5.28%	132.03%
Administrative expenses	3,737	3,658	3,893	2.16%	-6.04%
Total deductions	442,264	419,999	402,400	5.30%	4.37%
Net increase (decrease) in plan net position	919,868	(26,193)	1,144,062	3611.88%	-102.29%
Net position beginning	7,384,144	7,410,337	6,266,275	-0.35%	18.26%
Net position ending	\$ 8,304,012	\$ 7,384,144	\$ 7,410,337	12.46%	-0.35%

**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 Position**

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, 2013**

Member contributions for fiscal year 2013 were \$69.6 million, up \$9.5 million or 15.88% over the prior fiscal year. The increase in contributions was due primarily to the increase in number of employees transferred from the other City departments to DWP. Department contributions for fiscal year 2013 were \$372.8 million, up \$46.8 million or 14.36% over the prior fiscal year. The main cause of this increase was the 4.26% increase in the actuarial contribution rate of the Department from 41.82% of covered compensation a year ago to 46.08% of covered compensation in fiscal year 2013.

Net investment income increased from \$7.7 million to \$919.7 million in fiscal year 2013. The increase in net investment income was attributable to the net appreciation in the fair value of investments.

**Fiscal year ended June 30, 2012**

Member contributions for fiscal year 2012 were \$60.1 million, down \$5.9 million or 8.89% over the prior fiscal year. The decrease in contributions was due primarily to the decrease in number of employees hired by DWP. Department contributions for fiscal year 2012 were \$326.0 million, up \$34.7 million or 11.92% over the prior fiscal year. The main cause of this increase was the 3.37% increase in the actuarial contribution rate of the Department from 38.45% of covered compensation a year ago to 41.82% of covered compensation in fiscal year 2012.

Net investment income amounted to \$7.7 million, down 99.35% from fiscal year 2011. The decrease in net investment income was attributable to the net depreciation 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 Position**

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, 2013**

Deductions for the fiscal year ended June 30, 2013 totaled \$442.3 million, up \$22.3 million or 5.30% over 2012. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 2012.

**Fiscal year ended June 30, 2012**

Deductions for the fiscal year ended June 30, 2012 totaled \$420.0 million, up \$17.6 million or 4.37% over 2011. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 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)**

***Disability Fund***

**Plan Net Position**

The Disability Insurance Plan's net position is summarized below:

Condensed Statement of Plan Net Position (In Thousands)					
	2013	2012	2011	2012-13 % Change	2011-12 % Change
Cash	\$ 2,558	\$ 1,750	\$ 537	46.17%	225.88%
Receivables	6,457	7,337	6,804	-11.99%	7.83%
Investments	37,711	38,681	39,859	-2.51%	-2.96%
Total assets	46,726	47,768	47,200	-2.18%	1.20%
Liabilities	271	134	141	102.24%	-4.96%
Total plan net position	<u>\$ 46,455</u>	<u>\$ 47,634</u>	<u>\$ 47,059</u>	-2.48%	1.22%

**Fiscal year ended June 30, 2013**

The Disability Insurance Plan's net position decreased by approximately \$1.2 million, or 2.48%, in fiscal year 2013. Cash increased by \$0.8 million or 46.17% from the prior fiscal year, to provide plan benefit payments.

**Fiscal year ended June 30, 2012**

The Disability Insurance Plan's net position increased by approximately \$0.6 million, or 1.22%, in fiscal year 2012. Cash increased by \$1.2 million or 225.88% from the prior fiscal year, to provide plan benefit payments.

**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 Position**

	Condensed Statement of Changes in Plan Net Position (In Thousands)			2012-13	2011-12
	2013	2012	2011	% Change	% Change
<b>Additions</b>					
Members' contributions	\$ 447	\$ 453	\$ 466	-1.32%	-2.79%
Employer contributions	14,524	13,584	12,195	6.92%	11.39%
Net investment income	182	3,375	2,011	-94.61%	67.83%
Total additions	15,153	17,412	14,672	-12.97%	18.68%
<b>Deductions</b>					
Benefit payment	15,577	16,005	14,798	-2.67%	8.16%
Administrative expenses	755	832	850	-9.25%	-2.12%
Total deductions	16,332	16,837	15,648	-3.00%	7.60%
Net increase (decrease) in plan net position	(1,179)	575	(976)	-305.04%	158.91%
Net position beginning	47,634	47,059	48,035	1.22%	-2.03%
Net position ending	<u>\$ 46,455</u>	<u>\$ 47,634</u>	<u>\$ 47,059</u>	-2.48%	1.22%

**Additions to Plan Net Position**

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, 2013**

Employer contributions for fiscal year 2013 totaled \$14.5 million, up approximately \$0.9 million or 6.92% from a year ago. The increase was due to the increase in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2013 was \$1.52 per \$100.00 of covered compensation, while the rate was \$1.43 per \$100.00 of covered compensation in fiscal year 2012.

**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 declined by \$3.2 million, or 94.61%, from fiscal year 2012. The difference is mainly attributed to the depreciation in the fair value of investments during fiscal year 2013.

**Fiscal year ended June 30, 2012**

Employer contributions for fiscal year 2012 totaled \$13.6 million, up approximately \$1.4 million or 11.39% from a year ago. The increase was due to the increase in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2012 was \$1.43 per \$100.00 of covered compensation, while the rate was \$1.29 per \$100.00 of covered compensation in fiscal year 2011.

Net investment income totaled \$3.4 million, up 67.83% from fiscal year 2011. The difference is mainly attributed to the appreciation in the fair value of investments during fiscal year 2012.

**Deductions from Plan Net Position**

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

**Fiscal year ended June 30, 2013**

Fiscal year 2013 benefit payments decreased by \$0.4 million, down 2.67% from a year ago. The decrease was primarily due to a decrease in the temporary disability benefits paid.

**Fiscal year ended June 30, 2012**

Fiscal year 2012 benefit payments increased \$1.2 million, up 8.16% from a year ago. The increase was attributable to an increase in the temporary disability benefits and industrial disability supplement paid.

**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 position is summarized below:

Condensed Statement of Plan Net Position (In Thousands)					
	2013	2012	2011	2012-13 % Change	2011-12 % Change
Cash	\$ 920	\$ 1,032	\$ 1,282	-10.85%	-19.50%
Receivables	880	985	1,644	-10.66%	-40.09%
Investments	26,927	25,736	22,981	4.63%	11.99%
Total assets	28,727	27,753	25,907	3.51%	7.13%
Liabilities	3,707	2,996	3,465	23.73%	-13.54%
Total plan net position	\$ 25,020	\$ 24,757	\$ 22,442	1.06%	10.32%

**Fiscal year ended June 30, 2013**

The Fund's net position increased slightly by \$0.3 million or 1.06% when compared with prior year's net position of \$24.8 million. Liabilities at June 30, 2013 were up \$0.7 million, or 23.73% against last year. This is mostly attributable to the higher death benefit claims outstanding at fiscal year end.

**Fiscal year ended June 30, 2012**

The Fund's net position increased by \$2.3 million or 10.32% when compared with prior year's net position of \$22.4 million. Correspondingly, investments at June 30, 2012 were up \$2.8 million, or 11.99% against last year. Receivables were down \$0.7 million or 40.09% versus fiscal year 2011. This is mainly because of a decrease in pending investment sales 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)**

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

**Changes in Plan Net Position**

	Condensed Statement of Changes in Plan Net Position (In Thousands)			2012-13	2011-12
	2013	2012	2011	% Change	% Change
<b>Additions</b>					
Members' contributions	\$ 318	\$ 322	\$ 327	-1.24%	-1.53%
Employer contributions	7,972	8,045	8,003	-0.91%	0.52%
Net investment income	57	2,075	1,056	-97.25%	96.50%
Total additions	8,347	10,442	9,386	-20.06%	11.25%
<b>Deductions</b>					
Benefit payment	7,179	7,235	7,834	-0.77%	-7.65%
Administrative expenses	905	892	1,018	1.46%	-12.38%
Total deductions	8,084	8,127	8,852	-0.53%	-8.19%
Net increase in plan net position	263	2,315	534	-88.64%	333.52%
Net position beginning	24,757	22,442	21,908	10.32%	2.44%
Net position ending	\$ 25,020	\$ 24,757	\$ 22,442	1.06%	10.32%

**Additions to Plan Net Position**

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, 2013**

Net investment income decreased by \$2.0 million, or 97.25%, from fiscal year 2012. The decrease is attributed to the decline in the fair value of investments during fiscal year 2013.

**Fiscal year ended June 30, 2012**

Net investment income totaled \$2.1 million, up 96.50% from fiscal year 2011. The increase is attributed to the appreciation in the fair value of investments during fiscal year 2012.

**Deductions from Plan Net Position**

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

**Fiscal year ended June 30, 2013**

Total deductions were consistent against prior fiscal year; it was only down 0.53% versus fiscal year 2012.

**Fiscal year ended June 30, 2012**

Benefit payments were down \$0.6 million, or 7.65%. The decrease was due to the decrease in the amount of insured life death benefit cases processed 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, 2013 the net position of the fund totaled approximately \$1.4 billion. A condensed statement of the fund's plan net position and a condensed statement of changes in plan net position, is as follow:

**Plan Net Position**

	Condensed Statement of Plan Net Position (In Thousands)			2012-13	2011-12
	2013	2012	2011	% Change	% Change
Cash	\$ 798	\$ 918	\$ 509	-13.07%	80.35%
Receivables	57,071	33,893	86,414	68.39%	-60.78%
Investments	1,451,419	1,317,756	1,335,831	10.14%	-1.35%
Total assets	1,509,288	1,352,567	1,422,754	11.59%	-4.93%
Liabilities	131,468	126,787	248,009	3.69%	-48.88%
Total plan net position	<u>\$ 1,377,820</u>	<u>\$ 1,225,780</u>	<u>\$ 1,174,745</u>	12.40%	4.34%

**Fiscal year ended June 30, 2013**

Net position increased by \$152.0 million or 12.40% to \$1.4 billion over the prior fiscal year. Investments were up \$133.7 million or 10.14% due mostly to the appreciation in the fair value of investments. Receivables were up \$23.2 million or 68.39% from fiscal year 2012 mainly because of an increase 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)**

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

**Fiscal year ended June 30, 2012**

Total receivables decreased by \$52.5 million or 60.78% mainly because of the decrease in pending investment sales at fiscal year end. Total liabilities decreased by \$121.2 million or 48.88%. This is due to a decrease in pending investment purchases at year-end and decrease in liabilities associated with securities lending transactions.

**Changes in Plan Net Position**

	Condensed Statement of Changes in Plan Net Position (In Thousands)			2012-13	2011-12
	2013	2012	2011	% Change	% Change
<b>Additions</b>					
Employer contributions	\$ 68,180	\$ 102,326	\$ 140,746	-33.37%	-27.30%
Net investment income	151,941	13,341	172,299	1038.90%	-92.26%
Total additions	220,121	115,667	313,045	90.31%	-63.05%
<b>Deductions</b>					
Benefit payment	67,563	64,221	65,132	5.20%	-1.40%
Administrative expenses	517	412	419	25.49%	-1.67%
Total deductions	68,080	64,633	65,551	5.33%	-1.40%
Net increase					
in plan net position	152,041	51,034	247,494	197.92%	-79.38%
Net position beginning	1,225,779	1,174,745	927,251	4.34%	26.69%
Net position ending	<u>\$ 1,377,820</u>	<u>\$ 1,225,779</u>	<u>\$ 1,174,745</u>	12.40%	4.34%

**Additions to Plan Net Position**

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, 2013**

Employer contributions were down \$34.1 million or 33.37% due to a reduction in funding above the Annual Required Contribution in fiscal year 2013. Net investment income increased \$138.6 million to \$151.9 million. This is attributed to the net appreciation in fair value of investments.

**Fiscal year ended June 30, 2012**

Employer contributions were down \$38.4 million or 27.30% due to a reduction in funding above the Annual Required Contribution in fiscal year 2012. Net investment income declined by \$159.0 million or 92.26%. This is attributed to the net depreciation in fair value of investments.

**Deductions from Plan Net Position**

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, 2013**

Insurance premiums paid from the fund for the benefit of retirees increased \$3.3 million or 5.20% in 2013 when compared with 2012.

**Fiscal year ended June 30, 2012**

Total deductions in fiscal year 2012 were fairly consistent compared to the prior 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 POSITION  
As of June 30

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Cash (Notes 2 and 3)	\$ 9,496,666	\$ 12,174,358
Prepaid Expense	3,310	3,310
Receivables		
Accrued investment income	19,076,213	21,919,418
Department of Water and Power	51,374,267	43,142,660
Pending investment sales	285,172,317	144,617,256
Other	4,652,052	2,273,310
Total receivables	360,274,849	211,952,644
Investments, at fair value (Notes 2, 3, and 4)		
Fixed income (amortized cost \$2,021,799,390 in 2013 and \$1,972,298,738 in 2012)	2,015,837,548	2,030,007,946
Common stock (cost of \$4,229,927,905 in 2013 and \$4,039,450,036 in 2012)	5,189,194,044	4,433,727,723
Short-term investments (cost approximates fair value)	297,515,895	240,293,599
Alternative investments	580,295,599	481,078,845
Real estate	241,802,050	199,990,468
Securities lending - short-term collateral investment pool	313,092,487	490,027,647
Total investments	8,637,737,623	7,875,126,228
Total assets	9,007,512,448	8,099,256,540
<b>LIABILITIES</b>		
Payables		
Pending investment purchases	377,554,033	213,476,355
Other	12,854,499	11,608,662
Securities lending - collateral payable (Note 4)	313,092,487	490,027,647
Total liabilities	703,501,019	715,112,664
Net position held in trust for pension benefits	\$ 8,304,011,429	\$ 7,384,143,876

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 POSITION**  
**For the Years Ended June 30**

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS</b>		
Members' contributions	\$ 69,633,449	\$ 60,088,614
Department of Water and Power contributions towards:		
Benefit (net of reversions)	368,426,348	321,688,919
Administrative expenses	<u>4,392,846</u>	<u>4,308,437</u>
Total contributions	<u>442,452,643</u>	<u>386,085,970</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	748,924,297	(166,352,568)
Interest	88,458,815	111,719,555
Dividends	86,760,743	72,539,059
Income from real estate investments	14,190,284	7,844,394
Income (loss) from alternative investments	836,711	(998,576)
Securities lending (Note 4)	<u>1,597,698</u>	<u>3,398,752</u>
Total investment income	940,768,548	28,150,616
Less: securities lending expenses (Note 4)	(282,446)	(575,204)
Less: investment expenses	<u>(23,496,492)</u>	<u>(20,488,839)</u>
Net investment income	<u>916,989,610</u>	<u>7,086,573</u>
Other income	<u>2,689,537</u>	<u>633,611</u>
Total additions	<u>1,362,131,790</u>	<u>393,806,154</u>
<b>DEDUCTIONS</b>		
Retirement benefits paid	432,708,113	410,814,067
Refund of members' contributions	5,819,253	5,526,896
Administrative expenses	<u>3,736,871</u>	<u>3,658,237</u>
Total deductions	<u>442,264,237</u>	<u>419,999,200</u>
Net increase (decrease) in plan net position	919,867,553	(26,193,046)
Net position held in trust for pension benefits		
Beginning of year	<u>7,384,143,876</u>	<u>7,410,336,922</u>
End of year	<u>\$ 8,304,011,429</u>	<u>\$ 7,384,143,876</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 POSITION  
As of June 30

ASSETS	<u>2013</u>	<u>2012</u>
Cash (Notes 2 and 3)	\$ 2,557,613	\$ 1,749,930
Receivables		
Accrued investment income	72,851	97,593
Department of Water and Power	2,412,467	2,612,733
Other	660,949	1,315,872
Contingent disability benefit advance	<u>3,310,339</u>	<u>3,310,339</u>
Total receivables	<u>6,456,606</u>	<u>7,336,537</u>
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$32,576,401 in 2013 and \$33,080,525 in 2012)	36,692,449	38,063,938
Short-term investments (cost approximates fair value)	<u>1,018,733</u>	<u>617,372</u>
Total investments	<u>37,711,182</u>	<u>38,681,310</u>
Total assets	<u>46,725,401</u>	<u>47,767,777</u>
LIABILITIES		
Payables		
Pending investment purchases	72,739	97,510
Other	<u>197,816</u>	<u>36,015</u>
Total Liabilities	<u>270,555</u>	<u>133,525</u>
Net position held in trust for disability benefits	<u>\$ 46,454,846</u>	<u>\$ 47,634,252</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 POSITION  
For the Years Ended June 30

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Temporary disability benefits	\$ 12,173,356	\$ 11,050,295
Supplemental disability benefits	1,593,124	1,697,905
Administrative expenses	<u>757,910</u>	<u>835,317</u>
Total department contributions	<u>14,524,390</u>	<u>13,583,517</u>
Contributions from members for:		
Temporary disability benefits	224,649	227,353
Permanent total disability benefits	<u>222,040</u>	<u>225,892</u>
Total members' contributions	<u>446,689</u>	<u>453,245</u>
Net appreciation (depreciation) in fair value of investments	(733,753)	2,033,714
Investment income	963,654	1,388,604
Less: investment expenses	<u>(48,319)</u>	<u>(47,676)</u>
Net investment income	<u>181,582</u>	<u>3,374,642</u>
Total additions	<u>15,152,661</u>	<u>17,411,404</u>
<b>DEDUCTIONS</b>		
Benefits provided:		
Temporary disability	11,735,737	12,106,184
Extended temporary disability	394,778	363,648
Permanent total disability	1,853,493	1,837,781
Supplemental disability	<u>1,593,124</u>	<u>1,697,355</u>
Total benefits provided	15,577,132	16,004,968
Administrative expenses	<u>754,935</u>	<u>831,912</u>
Total deductions	<u>16,332,067</u>	<u>16,836,880</u>
Net increase (decrease) in plan net position	(1,179,406)	574,524
Net position held in trust for disability benefits		
Beginning of year	<u>47,634,252</u>	<u>47,059,728</u>
End of year	<u>\$ 46,454,846</u>	<u>\$ 47,634,252</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 POSITION  
As of June 30

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Cash (Notes 2 and 3)	\$ 919,762	\$ 1,031,942
Receivables		
Department of Water and Power	807,853	901,230
Accrued investment income	52,035	63,446
Other	<u>20,587</u>	<u>20,044</u>
Total receivables	<u>880,475</u>	<u>984,720</u>
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$23,988,712 in 2013 and \$22,021,150 in 2012)	26,208,830	24,719,737
Short-term investments (cost approximates fair value)	<u>717,742</u>	<u>1,016,499</u>
Total investments	<u>26,926,572</u>	<u>25,736,236</u>
Total assets	<u>28,726,809</u>	<u>27,752,898</u>
<b>LIABILITIES</b>		
Payables		
Pending investment purchases	51,956	63,326
Other	745,578	455,570
Death claims in process - insured lives	<u>2,909,143</u>	<u>2,477,449</u>
Total liabilities	<u>3,706,677</u>	<u>2,996,345</u>
Net position held in trust for death benefits	<u>\$ 25,020,132</u>	<u>\$ 24,756,553</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 POSITION**  
**For the years ended June 30**

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Active members	\$ 2,043,553	\$ 2,148,545
Retired members (non-contributing)	5,021,181	5,001,416
Administrative expenses	<u>907,307</u>	<u>894,757</u>
Total department contributions	<u>7,972,041</u>	<u>8,044,718</u>
Contributions from members for:		
Insured lives death benefit	222,040	225,880
Supplemental family death benefit	<u>96,809</u>	<u>96,631</u>
Total members' contributions	<u>318,849</u>	<u>322,511</u>
Net appreciation (depreciation) in fair value of investments	(569,713)	1,228,991
Investment income	660,008	876,223
Less: investment expenses	<u>(33,232)</u>	<u>(30,306)</u>
Net investment income	<u>57,063</u>	<u>2,074,908</u>
Total additions	<u>8,347,953</u>	<u>10,442,137</u>
<b>DEDUCTIONS</b>		
Benefits provided for:		
Death benefits (active/retired members)	6,643,747	6,647,365
Family allowances	<u>535,444</u>	<u>587,470</u>
Total benefits provided	7,179,191	7,234,835
Administrative expenses	<u>905,183</u>	<u>892,492</u>
Total deductions	<u>8,084,374</u>	<u>8,127,327</u>
Net increase in plan net position	263,579	2,314,810
Net position held in trust for death benefits		
Beginning of year	<u>24,756,553</u>	<u>22,441,743</u>
End of year	<u><u>\$ 25,020,132</u></u>	<u><u>\$ 24,756,553</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**

**RETIREE HEALTH BENEFITS FUND**  
**STATEMENT OF PLAN NET POSITION**

As of June 30

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents (Notes 2 and 3)	\$ 797,696	\$ 918,273
Receivables		
Accrued investment income	3,278,342	3,656,063
Department of Water and Power	1,318	13,201
Pending investment sales	<u>53,791,251</u>	<u>30,223,292</u>
Total receivables	<u>57,070,911</u>	<u>33,892,556</u>
Investments, at fair value (Notes 2, 3 and 4)		
Fixed income (amortized cost \$376,026,674 in 2013 and \$363,133,218 in 2012)	374,845,086	374,656,408
Common stock (cost of \$713,075,846 in 2013 and \$675,387,702 in 2012)	882,859,586	726,702,077
Short-term investments (cost approximates fair value)	40,996,180	67,425,083
Alternative investments	79,875,069	67,767,651
Real estate	19,158,536	11,145,758
Securities lending - short-term collateral investment pool	<u>53,684,636</u>	<u>70,058,948</u>
Total investments	<u>1,451,419,093</u>	<u>1,317,755,925</u>
Total assets	<u>1,509,287,700</u>	<u>1,352,566,754</u>
<b>LIABILITIES</b>		
Payables		
Accounts payable	4,396,442	2,084,608
Pending investment purchases	73,387,034	54,643,329
Security lending - collateral payable (Note 4)	<u>53,684,636</u>	<u>70,058,948</u>
Total liabilities	<u>131,468,112</u>	<u>126,786,885</u>
Net position held in trust for retiree health benefits	<u>\$ 1,377,819,588</u>	<u>\$ 1,225,779,869</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 CHANGES IN PLAN NET POSITION**  
**For the Year Ended June 30**

	<u>2013</u>	<u>2012</u>
<b>ADDITIONS</b>		
Department of Water and Power contributions towards:		
Retiree health benefits	\$ -	\$ 37,500,000
Insurance premiums	67,562,881	64,220,586
Administrative expenses	<u>616,670</u>	<u>605,265</u>
Total department contributions	<u>68,179,551</u>	<u>102,325,851</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	123,583,536	(15,807,543)
Interest and dividends	30,516,202	31,289,123
Gain (loss) from alternative investments	161,955	(26,560)
Real estate income	1,026,738	290,768
Securities lending (Note 4)	<u>216,757</u>	<u>502,167</u>
Total investment income	155,505,188	16,247,955
Less: securities lending expenses (Note 4)	(38,758)	(86,768)
Less: investment expenses	<u>(3,525,813)</u>	<u>(2,820,164)</u>
Net investment income	<u>151,940,617</u>	<u>13,341,023</u>
Total additions	<u>220,120,168</u>	<u>115,666,874</u>
<b>DEDUCTIONS</b>		
Retiree health benefits paid (insurance premiums)	67,562,881	64,220,586
Administrative expenses	<u>517,568</u>	<u>411,850</u>
Total deductions	<u>68,080,449</u>	<u>64,632,436</u>
Net increase in plan net position	152,039,719	51,034,438
Net position held in trust for retiree health benefits		
Beginning of year	<u>1,225,779,869</u>	<u>1,174,745,431</u>
End of year	<u><u>\$ 1,377,819,588</u></u>	<u><u>\$ 1,225,779,869</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, 2013 and 2012**

**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, 2013 and 2012**

**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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Retirees, beneficiaries*	8,859	8,709
Terminated vested	853	697
Terminated non-vested	1,098	971
Inactive-non-contributing employees	110	117
Active-contributing employees:		
Vested	8,589	8,777
Non-vested	<u>412</u>	<u>319</u>
Total	<u><u>19,921</u></u>	<u><u>19,590</u></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, 2013 and 2012**

**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, 2013 and 2012**

**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 maintained at \$0.25 per \$100 of payroll for fiscal years 2012 and 2013. In addition, the Department currently contributes to the IDB for non-contributing members at \$1.35 and \$1.44 per \$100 of retirement benefits paid for fiscal years 2013 and 2012, respectively.

**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, 2013 and 2012**

**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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current retirees and beneficiaries	7,326	7,485
Current active members	<u>8,831</u>	<u>8,855</u>
Total	<u>16,157</u>	<u>16,340</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, 2013 and 2012**

**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 2013 and 2012, the Department contributed \$68.2 million and \$102.3 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, 2013 and 2012**

**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 position. 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 position. 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 deposits in the City Treasury under the City's general and special investment pool program.

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.

**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, 2013 and 2012**

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

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.

Adoption of New GASB Pronouncements

The Plan adopted the Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the fiscal year 2012-2013. Issued in June 2011, this statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position. This statement requires reporting of net position, rather than net assets, as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

**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, 2013 and 2012, the Plan's cash balances consist primarily of cash deposits in the City Treasury. The Plan's participation in the program is less than 1% at June 30, 2013 and 2012. The cash balance in the Retiree Health Benefit Fund is in the City's general investment pool program for the purpose of maximizing interest earnings through pooled investment activities. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period.

**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, 2013 and 2012**

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

Investments

As of June 30, 2013 and 2012, the Plan had the following investments:

<u>Investment Type</u>	<u>June 30, 2013 Fair Value</u>	<u>June 30, 2012 Fair Value</u>
Domestic equities	\$ 4,012,632,462	\$ 3,822,964,743
International equities	2,040,420,231	1,315,935,365
U.S. Treasuries	493,009,348	550,921,728
U.S. Agency notes	780,819,458	836,248,316
Medium term notes	-	218,528
Preferred securities/convertible bonds/other	47,810,849	40,793,943
Mortgage and asset backed securities	394,012,708	315,625,081
Corporate debt - domestic	681,756,147	674,468,710
Corporate debt - international	12,275,059	7,917,740
Mutual funds	403,149,831	372,136,228
Hedge funds	660,170,668	548,846,496
Real estate	260,960,586	211,136,226
Securities lending short-term collateral investment pool	366,777,123	560,086,595
Total investments	<u>\$ 10,153,794,470</u>	<u>\$ 9,257,299,699</u>

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

**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, 2013 and 2012**

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

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.

The credit ratings of the Plan's investments at June 30, 2013 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 493,009,348	17.53%
U.S. Agency notes	AAA	714,630,335	25.41%
	A or better	13,790,654	0.49%
	Not rated	52,398,469 *	1.86%
Preferred securities/convertible bonds/other	A or better	2,089,376	0.07%
	B or better	20,284,936	0.72%
	C or better	4,567,803	0.16%
	Not rated	20,868,734	0.74%
Mortgage and asset backed securities	AAA	318,333,669	11.32%
	A or better	16,593,219	0.59%
	B or better	51,377,702	1.83%
	C or better	2,146,669	0.08%
	D or better	364,396	0.01%
	Not rated	5,197,053	0.18%
Corporate debt - domestic	AAA	2,648,311	0.09%
	A or better	187,632,281	6.67%
	B or better	437,608,306	15.55%
	C or better	43,747,320	1.56%
	Not rated	10,119,929	0.36%
Corporate debt - international	AAA	705,945	0.03%
	A or better	1,860,825	0.07%
	B or better	9,708,289	0.35%
Mutual funds	Not rated	403,149,831 **	14.33%
Total		<u>\$ 2,812,833,400</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, 2013 and 2012**

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

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2012 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 549,427,805	19.63%
	Not rated	1,493,923	0.05%
U.S. Agency notes	AAA	777,779,972	27.79%
	A or better	12,312,996	0.44%
	Not rated	46,155,348 *	1.65%
Medium term notes	B or better	218,528	0.01%
Preferred securities/convertible bonds/other	A or better	1,881,684	0.07%
	B or better	13,881,273	0.50%
	C or better	3,809,480	0.14%
	Not rated	21,221,506	0.76%
Mortgage and asset backed securities	AAA	211,100,159	7.54%
	A or better	33,656,720	1.20%
	B or better	62,181,943	2.22%
	C or better	2,373,700	0.08%
	Not rated	6,312,559	0.23%
Corporate debt - domestic	AAA	8,702,969	0.31%
	A or better	197,735,637	7.07%
	B or better	416,581,038	14.89%
	C or better	42,137,069	1.51%
	Not rated	9,311,997	0.33%
Corporate debt - international	AAA	347,425	0.01%
	A or better	1,653,569	0.06%
	B or better	5,916,746	0.21%
Mutual funds	Not rated	372,136,228 **	13.30%
Total		<u>\$ 2,798,330,274</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, 2013 and 2012**

**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, 2013 and 2012, the Plan's cash balances consist primarily of cash deposits in the City Treasury.

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, 2013 and 2012, there were no investments holdings of more than 5% in any one issue of each fund's net position 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, 2013 and 2012**

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

**Interest Rate Risk**

As of June 30, 2013, 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	\$ 493,009,348	5.72
U.S. Agency notes	780,819,458	22.18
Preferred securities/convertible bonds	47,810,849	5.41
Mortgage and asset backed securities	394,012,708	12.69
Corporate debt - domestic	681,756,147	9.45
Corporate debt - international	12,275,059	11.97
Mutual funds	403,149,831	0.00
Total	<u>\$ 2,812,833,400</u>	11.37

As of June 30, 2012 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	\$ 550,921,728	7.75
U.S. Agency notes	836,248,316	21.36
Medium term notes	218,528	2.67
Preferred securities/convertible bonds	40,793,943	5.48
Mortgage and asset backed securities	315,625,081	14.50
Corporate debt - domestic	674,468,710	9.52
Corporate debt - international	7,917,740	9.10
Mutual funds	372,136,228	0.06
Total	<u>\$ 2,798,330,274</u>	11.95

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, 2013 and 2012**

Foreign Currency Risk

As of June 30, 2013 and 2012, the Plan's exposure to foreign currency risk is as follows:

Currency	Investment Type	June 30, 2013	June 30, 2012
		Fair Value	Fair Value
Australian Dollar	Cash & cash equivalents	\$ 46,288	\$ 694,946
	Equities	45,103,378	73,205,420
	Corporate debt	3,862,187	674,008
Brazil Real	Cash & cash equivalents	3,560	-
	Equities	14,867,408	-
	Corporate debt	2,191,220	2,330,705
Canadian Dollar	Cash & cash equivalents	406,329	1,026,149
	Equities	49,215,797	94,953,969
	Corporate debt	11,645,711	10,849,474
Chilean Peso	Corporate debt	198,186	-
Danish Krone	Cash & cash equivalents	-	33,804
	Equities	15,865,001	15,051,948
Euro Currency Unit	Cash & cash equivalents	25,482,234	17,124,137
	Equities	269,953,541	286,009,681
	Corporate debt	93,705,341	88,958,842
Hong Kong Dollar	Cash & cash equivalents	71,013	208,337
	Equities	42,300,355	30,089,348
Indonesian Rupiah	Cash & cash equivalents	3,006	-
	Equities	6,870,603	-
Israeli Shekel	Cash & cash equivalents	-	11,044
	Equities	1	1,965,633
Japanese Yen	Cash & cash equivalents	2,413,706	3,141,888
	Equities	292,342,200	316,796,078
	Corporate debt	8,528,696	10,539,660
Malaysian Ringgit	Equities	14,508,287	-
Mexican New Peso	Cash & cash equivalents	115,766	65,698
	Equities	11,414,773	-
	Corporate debt	3,145,531	1,865,818
New Turkish Lira	Equities	1,083,535	-
New Zealand Dollar	Cash & cash equivalents	3,092	-
	Equities	504,188	694,603
Norwegian Krone	Cash & cash equivalents	-	205,967
	Equities	9,466,920	12,825,632
South African Rand	Cash & cash equivalents	-	-
Philippines Peso	Equities	2,257,898	-
	Corporate debt	1,372,025	782,190
Pound Sterling	Cash & cash equivalents	619,087	1,854,934
	Equities	252,262,474	304,356,623
	Corporate debt	100,056,211	83,553,933
S. African Comm Rand	Cash & cash equivalents	8,486	-
	Equities	29,704,719	-
Singapore Dollar	Cash & cash equivalents	59,804	1,255,461
	Equities	11,871,340	12,051,582
South Korean Won	Equities	7,281,187	-
Swedish Krona	Cash & cash equivalents	45,695	380,151
	Equities	22,881,088	27,946,793
	Corporate debt	17,591,960	10,642,081
Swiss Franc	Cash & cash equivalents	1,143,453	2,943,399
	Equities	115,337,495	124,636,539
Thailand Baht	Equities	9,247,683	-
Uruguayan Peso	Corporate debt	474,515	381,721
Total		<u>\$ 1,497,532,973</u>	<u>\$ 1,540,108,196</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, 2013 and 2012**

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

The Plan's investment policy permits it to invest up to 21 percent of total investments of the Plan in non-U.S. investments. The Plan's position is 14.75 percent and 16.64 percent as of June 30, 2013 and 2012, respectively.

**Derivative Instruments**

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2013 and 2012, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2013 and 2012 financial statements are as follows:

2013					
Type	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ (1,253,278)	Investment	\$ 5,271,600	\$ 418,163,095
Call Options	Investment Income / (Loss)	\$ (661,055)	Investment	\$ 9,207,240	\$ 494,734,240
2012					
Type	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 3,660,333	Investment	\$ 6,524,878	\$ 365,297,632
Call Options	Investment Income / (Loss)	\$ (1,788,942)	Investment	\$ 12,003,620	\$ 466,402,994

At June 30, 2013 and 2012, the Plan had direct commitments to purchase and/or sell foreign currency in the forms of forward contracts as part of the strategy of hedging its currency risk. The fair values of forward contracts were based on the market price. At June 30, 2013, the Plan also had written S&P 500 call options as part of its asset allocation strategy. The fair value of the call options is based on market prices.

**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, 2013 and 2012**

**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 Position. As of June 30, 2013 and 2012, 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 28 days and 34 days as of June 30, 2013 and 2012, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2013 and 2012 are:

Securities on loan	2013	2012
Common stock	\$ 88,674,729	\$ 104,535,382
Corporate debt	17,026,385	20,018,206
U.S. Treasuries	251,257,332	421,866,810
Total	<u>\$ 356,958,446</u>	<u>\$ 546,420,398</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, 2013 and 2012**

**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, 2013 and 2012 determined the funding status to be 78.84% and 78.14% respectively.

The funded status of the retirement fund as of June 30, 2013, 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)
\$ 7,958,487,587	\$10,094,867,871	\$ 2,136,380,284	78.84%	\$ 900,254,454	237.31%

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization

**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, 2013 and 2012**

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

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%, includes 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
Mortality rate:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

**Death Benefit Fund – Insured Lives**

The funded status of the death benefit fund – insured lives as of July 1, 2012, 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)
\$ 10,358,504	\$ 95,907,085	\$ 85,548,581	10.80%	\$ 886,539,366	9.65%

**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, 2013 and 2012**

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
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 a closed 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate closed 15-year periods effective with that valuation.
Asset valuation method	The market value of the Death Benefit Fund at valuation date, less the Reserves for Benefits Granted and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members (Mean Funds).
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
Mortality rate:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.



**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, 2013 and 2012**

**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 \$49.5 million and \$53.7 million for fiscal years 2012-13 and 2011-12 were determined by the actuarial valuation of OPEB as of June 30, 2012 and 2011, respectively. The Department contribution, excluding administrative expenses reimbursement, during the fiscal years 2012-13 and 2011-12, amounted to \$67.6 million and \$101.7 million, respectively. The June 30, 2013 actuarial valuation determines the annual required contribution (ARC) for the fiscal year 2013-14 to be \$60.7 million.

The funded status of the RHBF as of June 30, 2013, 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)
\$ 1,332,135,662	\$ 1,743,726,715	\$ 411,591,053	76.40%	\$ 900,254,454	45.72%

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 was reflected in the June 30, 2013 and 2012 actuarial valuations. 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 to the RHBF and retirees was based on the proportion of the health care cost expected to be paid by each party. The allocation is subject to future change based on composition of participant data. The estimated impact of any potential excise tax imposed by the Act is continually reflected in the actuarial valuation.

**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, 2013 and 2012**

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30-year amortization closed, level percent of pay
Remaining amortization period	22 years remaining as of June 30, 2013
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	8.00%, graded down to an ultimate rate of 5.00% over 6 years
Dental and Medicare part B	5.00%
Mortality rate:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

**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, 2013 and 2012**

**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 (as of July 1, 2012 and July 1, 2011) 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 increased from \$1.43 per \$100 of covered payroll to \$1.52 of covered payroll. The rate change was approved by the Board in December 2012 and it was implemented the same month.

Death benefit fund

For fiscal year 2013, the Department's contribution rate for contributing active members' Insured Life Death Benefit was maintained at the prior year rate of \$0.25 per \$100 of payroll. Furthermore, the Department's contribution rate for non-contributing members' Insured Life Death Benefit was lowered from \$1.44 to \$1.35 per \$100 of monthly retired payroll. The rate change was approved by the Board in December 2012 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, 2013 and 2012**

**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, 2013 and 2012**

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

The Retirement Plan reserves and designated balances at June 30, 2013 and 2012 are as follows:

	2013	2012
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 5,374,580,442	\$ 5,064,085,844
Contributions:		
Members' contributions	1,344,895,376	1,258,944,366
Department contributions	(1,194,768,340)	(1,193,305,313)
Total contributions	150,127,036	65,639,053
Reserve for investments gains	5,484,082	5,484,082
General reserve	1,830,298,150	1,791,501,931
Total reserves and designated balances	7,360,489,710	6,926,710,910
Unrealized appreciation in the fair value of investments	943,521,719	457,432,966
Total reserves and designated balances at fair value	<u>\$ 8,304,011,429</u>	<u>\$ 7,384,143,876</u>
 <u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary & permanent disability cases	\$ 13,473,287	\$ 14,234,311
General reserve	28,865,511	28,416,527
Total reserves and designated balances	42,338,798	42,650,838
Unrealized appreciation in the fair value of investments	4,116,048	4,983,414
Total reserves and designated balances at fair value	<u>\$ 46,454,846</u>	<u>\$ 47,634,252</u>
 <u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 4,303,031	\$ 4,244,926
Contribution account - family allowances	6,816,833	7,095,718
General reserve	11,680,192	10,717,323
Total reserves and designated balances	22,800,056	22,057,967
Unrealized appreciation in the fair value of investments	2,220,076	2,698,586
Total reserves and designated balances at fair value	<u>\$ 25,020,132</u>	<u>\$ 24,756,553</u>
 <u>Retiree Health Benefits Fund - Reserves and Designated Balances</u>		
Department contributions (net of insurance premiums payment)	\$ 1,037,604,927	\$ 1,037,604,927
General reserve	169,707,743	120,856,957
Total reserves and designated balances	1,207,312,670	1,158,461,884
Unrealized appreciation in the fair value of investments	170,506,918	67,317,985
Total reserves and designated balances at fair value	<u>\$ 1,377,819,588</u>	<u>\$ 1,225,779,869</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, 2013 and 2012**

**NOTE 8 – PLAN AMENDMENTS**

The Plan is periodically amended to meet changes in economic conditions and sound business practices. There were no significant Plan amendments for the fiscal year ended June 30, 2013 and 2012.

**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 position. 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

**NOTE 10 – SUBSEQUENT EVENTS**

The Plan has evaluated subsequent events through November 20, 2013, the date the financial statements were available to be issued, and has determined that no other significant subsequent events have occurred through that date.

**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, 2013	\$ 7,958,487,587	\$ 10,094,867,871	\$ 2,136,380,284	78.84%	\$ 900,254,454	237.31%
July 1, 2012	7,573,885,754	9,692,602,852	2,118,717,098	78.14%	886,539,366	238.99%
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%

\*Not less than zero

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**

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>
2013	\$ 376,667,610	\$ 380,417,306	\$ 368,426,348	97.8%	96.8%
2012	336,874,865	341,366,670	321,688,919	95.5%	94.2%
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%

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, 2012	\$ 10,358,504	\$ 95,907,085	\$ 85,548,581	10.80%	\$ 886,539,366	9.65%
July 1, 2011	8,273,263	94,627,428	86,354,165	8.74%	870,203,423	9.92%
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**

DEATH BENEFIT FUND (INSURED LIVES) – 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>
2013	\$ 11,862,188	\$ 10,679,472	\$ 5,021,181	42.3%	47.0%
2012	11,379,225	10,449,289	5,001,416	44.0%	47.9%
2011	10,717,090	9,993,189	5,552,771	51.8%	55.6%
2010	10,708,915	10,221,070	5,133,632	47.9%	50.2%
2009	10,084,010	9,846,797	4,445,208	44.1%	45.1%
2008	8,937,748	8,937,748	3,825,394	42.8%	42.8%

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	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities UAAL/(Surplus) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL/(Surplus) As a Percentage of Covered Payroll [(b) - (a)] / (c)
June 30, 2013	\$1,332,135,662	\$ 1,743,726,715	\$ 411,591,053	76.40%	\$ 900,254,454	45.72%
June 30, 2012	1,244,039,107	1,566,059,276	322,020,169	79.44%	886,539,366	36.32%
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%
June 30, 2007	649,115,755	1,041,721,989	392,606,234	62.31%	670,400,000	58.56%

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
2013	\$ 49,496,185	\$ 67,562,881 <sup>(1)(2)</sup>	136.50%
2012	53,691,399	101,720,586 <sup>(1)(2)</sup>	189.45%
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	391.98%
2007	78,040,857	641,989,342	822.63%

(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, 2013 and 2012**

	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, 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
Contributions received	54,244,321	272,723,289	-	-	326,967,610	60,088,614	387,056,224	-
Contributions refunded	(5,278,691)	-	-	-	(5,278,691)	(5,526,896)	(10,805,587)	-
Net Contributions	48,965,630	272,723,289	-	-	321,688,919	54,561,718	376,250,637	-
Transfers from contribution accounts for retiring members	(57,678,643)	(90,890,436)	(72,052,993)	(10,194,894)	(230,816,966)	(60,572,844)	(291,389,810)	291,389,810
Retirement allowances paid								(410,814,067)
Interest at 7.75% per annum	91,274,437	(96,616,504)	(81,340,054)	(1,959,934)	(88,642,055)	90,753,417	2,111,362	366,944,825
Balance at June 30, 2012	1,266,573,192	(1,249,159,898)	(1,176,802,811)	(33,915,795)	(1,193,305,313)	1,258,944,366	65,639,053	5,064,085,844
Contributions received	61,764,192	311,958,537	-	-	373,722,729	69,633,449	443,356,178	-
Contributions refunded	(5,296,382)	-	-	-	(5,296,382)	(5,819,253)	(11,115,635)	-
Net Contributions	56,467,810	311,958,537	-	-	368,426,347	63,814,196	432,240,543	-
Transfers from contribution accounts for retiring members	(70,060,980)	(111,656,020)	(87,286,291)	(12,087,292)	(281,090,583)	(74,548,361)	(355,638,944)	355,638,944
Retirement allowances paid								(432,708,113)
Interest at 7.75% per annum	97,009,941	(89,079,570)	(93,739,980)	(2,989,182)	(88,798,791)	96,685,175	7,886,384	387,563,767
Balance at June 30, 2013	\$ 1,349,989,963	\$ (1,137,936,951)	\$ (1,357,829,082)	\$ (48,992,269)	\$ (1,194,768,340)	\$ 1,344,895,376	\$ 150,127,036	\$ 5,374,580,442

See accompanying independent auditor's report.

**EXHIBIT VIII**

**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, 2013 and 2012**

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2011	<u>\$ 5,320,971</u>	<u>\$ 1,886,727</u>	<u>\$ 7,207,698</u>	<u>\$ 4,406,825</u>
Contributions received	96,631	-	96,631	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	-	(208,611)	(208,611)	208,611
Family allowances paid	-	-	-	(587,470)
Interest transferred from general reserve at 5% per annum	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,960</u>
Balances at June 30, 2012	<u>5,417,602</u>	<u>1,678,116</u>	<u>7,095,718</u>	<u>4,244,926</u>
Contributions received	96,809	-	96,809	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	(109,043)	(266,651)	(375,694)	375,694
Family allowances paid	-	-	-	(535,444)
Interest transferred from general reserve at 5% per annum	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,855</u>
Balances at June 30, 2013	<u><u>\$ 5,405,368</u></u>	<u><u>\$ 1,411,465</u></u>	<u><u>\$ 6,816,833</u></u>	<u><u>\$ 4,303,031</u></u>

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, 2013**

## Revenues by Source

<b>Fiscal Year</b>	<b>Members' Contributions</b>	<b>Department Contributions*</b>	<b>Investment Income**</b>	<b>Total</b>
2013	\$ 69,633,449	\$ 378,115,576	\$ 191,561,805	\$ 639,310,830
2012	\$ 60,088,614	\$ 331,276,047	\$ 193,927,979	\$ 585,292,640
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

## Expenses by Type

<b>Fiscal Year</b>	<b>Benefits</b>	<b>Administrative Expenses***</b>	<b>Refunds****</b>	<b>Total</b>
2013	\$ 432,708,113	\$ 27,233,363	\$ 11,115,635	\$ 471,057,111
2012	\$ 410,814,067	\$ 24,147,076	\$ 10,805,587	\$ 445,766,730
2011	\$ 396,124,862	\$ 25,146,053	\$ 4,425,116	\$ 425,696,031
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

\* 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.