

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES'
RETIREMENT PLAN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2021 and 2020**

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Administration
City of Los Angeles
Water and Power Employees' Retirement Plan
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund (individually referred to as the Funds), administered by the City of Los Angeles Water and Power Employees' Retirement Plan (WPERP), which comprise the statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements for each fund.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the respective financial statements for each fund mentioned in the first paragraph, 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 circums



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 fiduciary net position of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund as of June 30, 2021 and 2020, and the respective changes in fiduciary net position 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 4 through 18; the Schedule of Changes in Net Pension Liability and Related Ratios on page 57; the Schedule of Changes in Net Other Postemployment Benefit and Related Ratios on pages 61 and 65; the Schedule of Employer Contributions and related notes on pages 58, 59, 62, 63, 66, and 67; and the Schedule of Investment Returns on pages 60, 64, and 68 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 statements 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 opinions on the financial statements of the Retirement Fund, Disability Fund, Death Benefit Fund, and Retiree Health Benefits Fund. 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 that reads "Simpson & Simpson".

Los Angeles, California

November 12, 2021

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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 Plan (WPERP) for the years ended June 30, 2021 and 2020.

FINANCIAL HIGHLIGHTS

- At June 30, 2021, the fiduciary net position was \$16.7 billion, \$51.2 million, \$40.7 million, and \$2.9 billion for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the fiduciary net positions were available to meet the obligations to participants and their beneficiaries.
- Total fiduciary net position increased by \$3.3 billion or 24.82%, \$1.3 million, or 2.58%, \$3.4 million, or 9.03%, and \$614.4 million or 26.67% for the Retirement, Disability, Death Benefit and Retiree Health Benefits Fund respectively.
- Additions to the Retirement Fund's fiduciary net position increased by \$3.0 billion in the current year, while additions to the Retiree Health Benefit Fund's fiduciary net position rose by \$531.0 million. The increase were due mainly to significantly higher investment returns.
- Deductions from the Retirement Fund's fiduciary net position increased \$42.5 million from \$640.4 million to \$682.8 million over the prior year or approximately 6.63%, due to the rise in the total number of retirees and the cost of living adjustment granted.
- At June 30, 2021, the fiduciary net position as a percentage of total pension liability of the Retirement Fund was 111.05%.
- At June 30, 2021, the Department's net pension surplus under the Retirement Fund was \$1.7 billion.
- At June 30, 2021, the fiduciary net position as a percentage of total other postemployment benefits liability of the Retiree Health Benefits Fund and Death Benefit Fund was 113.58% and 30.39%, respectively.
- At June 30, 2021, the Department's net other postemployment benefits surplus under the Retiree Health Benefits Fund was \$348.8 million. The Department's net other postemployment benefits liability under the Death Benefit Fund was \$93.3 million.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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 WPERP, which are:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The Statements of Fiduciary 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 Statements of Changes in Fiduciary Net Position reports additions to and deductions from the fiduciary 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 22 to 56 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 57 to 68 of this report.

Supplementary Information: The supplementary information is also available in this report for a better understanding of the WPERP's financial activities. The supplementary information is on pages 69 to 71 of this report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS

Retirement Fund

Fiduciary Net Position

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

	Condensed Statements of Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Cash	\$ 77,081	\$ 85,024	\$ 59,960	-9.34%	41.80%
Prepaid expense	27	26	3	3.85%	766.67%
Receivables	276,728	331,753	164,798	-16.59%	101.31%
Investments	17,410,499	13,794,404	13,519,694	26.21%	2.03%
 Total assets	 17,764,335	 14,211,207	 13,744,455	 25.00%	 3.40%
 Liabilities	 1,096,871	 857,499	 757,368	 27.92%	 13.22%
 Fiduciary net position	 <u>\$ 16,667,464</u>	 <u>\$ 13,353,708</u>	 <u>\$ 12,987,087</u>	 24.82%	 2.82%

Fiscal year ended June 30, 2021

Fiduciary net position increased by \$3.3 billion or 24.82% over the prior fiscal year to \$16.7 billion. Investments were up \$3.6 billion or 26.21% due to stellar market performance. Total receivables decreased by \$55.0 million or 16.59% due to the lower pending investment sales at fiscal year-end. Total liabilities increased by \$239.4 million or 27.92% due to higher pending investment purchases and larger securities lending collateral held at fiscal year-end.

Fiscal year ended June 30, 2020

Fiduciary net position increased by \$366.6 million or 2.82% over the prior fiscal year to \$13.4 billion. Investments were up \$274.7 million or 2.03%, which reflected the economic slowdown from the Covid-19 pandemic. Total receivables increased by \$167.0 million or 101.31% due primarily to the higher pending investment sales at fiscal year-end. Total liabilities increased by \$100.1 million or 13.22% due to higher pending investment purchases at fiscal year-end.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Retirement Fund (Continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2020-21 % Change	2019-20 % Change
	2021	2020	2019		
Additions					
Members' contributions	\$ 122,316	\$ 120,300	\$ 104,742	1.68%	14.85%
Employer contributions	385,072	427,655	416,180	-9.96%	2.76%
Net investment income	3,489,200	459,024	791,832	660.13%	-42.03%
Total additions	3,996,588	1,006,979	1,312,754	296.89%	-23.29%
Deductions					
Benefit payments	671,278	628,852	591,461	6.75%	6.32%
Refund	6,439	6,801	6,102	-5.32%	11.46%
Administrative expenses	5,115	4,705	5,189	8.71%	-9.33%
Total deductions	682,832	640,358	602,752	6.63%	6.24%
Net increase					
in fiduciary net position	3,313,756	366,621	710,002	803.86%	-48.36%
Fiduciary net position beginning	13,353,708	12,987,087	12,277,085	2.82%	5.78%
Fiduciary net position ending	\$ 16,667,464	\$ 13,353,708	\$ 12,987,087	24.82%	2.82%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Additions to Fiduciary Net Position

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

Fiscal year ended June 30, 2021

Employer contributions decreased by 9.96% over the prior fiscal year, due to the lower required contribution rate versus the prior year. Net investment income totaled \$3.5 billion in fiscal year 2021, an increase of 660.13%. The increase was attributed to immense appreciation in the fair value of investments relative to prior year.

Fiscal year ended June 30, 2020

Member contributions for fiscal year 2020 were up 14.85% over the prior fiscal year. The increase in contributions was due primarily to the increase in covered payroll. Net investment income decreased by \$332.8 million, or 42.03%, to \$459.0 million in fiscal year 2020. The decrease was attributed to the decline in the fair value of investments relative to prior year.

Deductions from Fiduciary Net Position

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

Fiscal year ended June 30, 2021

Deductions for the fiscal year ended June 30, 2021 totaled \$682.8 million, up \$42.5 million or 6.63% over the prior fiscal year. Benefit payments increased by 6.75% over the prior fiscal year. The increase was due to the rise in the total number of retirees and the cost of living adjustment granted.

Fiscal year ended June 30, 2020

Deductions for the fiscal year ended June 30, 2020 totaled \$640.4 million, up \$37.6 million or 6.24% over the prior fiscal year. Benefit payments increased by \$37.4 million or 6.32% over the prior fiscal year. The increase was due to the rise in the total number of retirees and the cost of living adjustment granted.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund

Fiduciary Net Position

The Disability Fund's fiduciary net position is summarized below:

	Condensed Statements of Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Cash	\$ 2,363	\$ 2,487	\$ 2,212	-4.99%	12.43%
Receivables	8,839	8,875	8,019	-0.41%	10.67%
Investments	40,546	39,651	38,730	2.26%	2.38%
Total assets	51,748	51,013	48,961	1.44%	4.19%
Liabilities	534	1,085	678	-50.78%	60.03%
Fiduciary net position	<u>\$ 51,214</u>	<u>\$ 49,928</u>	<u>\$ 48,283</u>	2.58%	3.41%

Fiscal year ended June 30, 2021

The Disability Fund's fiduciary net position increased by \$1.3 million, or 2.58% in fiscal year 2021. Total liabilities decreased by \$0.6 million or 50.78% from prior year, mainly driven by lower outstanding checks payable at fiscal year-end.

Fiscal year ended June 30, 2020

The Disability Fund's fiduciary net position increased by \$1.6 million, or 3.41% in fiscal year 2020. Total liabilities increased by \$0.4 million or 60.03% from prior year. It resulted from higher outstanding checks payable at fiscal year-end.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (Continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Additions					
Members' contributions	\$ 529	\$ 541	\$ 504	-2.22%	7.34%
Employer contributions	16,794	17,451	16,504	-3.76%	5.74%
Net investment income (loss)	349	3,276	2,761	-89.35%	18.65%
Total additions	17,672	21,268	19,769	-16.91%	7.58%
Deductions					
Benefit payments	15,167	18,489	16,881	-17.97%	9.53%
Administrative expenses	1,219	1,134	1,019	7.50%	11.29%
Total deductions	16,386	19,623	17,900	-16.50%	9.63%
Net increase (decrease) in fiduciary net position	1,286	1,645	1,869	21.82%	11.99%
Fiduciary net position beginning	49,928	48,283	46,414	3.41%	4.03%
Fiduciary net position ending	\$ 51,214	\$ 49,928	\$ 48,283	2.58%	3.41%

Additions to Fiduciary Net Position

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (Continued)

Fiscal year ended June 30, 2021

Net investment income decreased by \$2.9 million compared to fiscal year 2020. The decrease is attributed to the underperformance of fixed income investments during fiscal year 2021.

Fiscal year ended June 30, 2020

Employer contributions increased by \$0.9 million, or 5.74%, as attributed to a higher covered payroll. Net investment income rose 18.65% due to the continued strong performance of fixed income investments.

Deductions from Fiduciary Net Position

The costs associated with the Disability Fund include disability benefit payments and administrative expenses.

Fiscal year ended June 30, 2021

Fiscal year 2021 benefit payments decreased by \$3.3 million or 17.97% from a year ago. The decrease was primarily due to decreases in the temporary disability benefits paid.

Fiscal year ended June 30, 2020

Fiscal year 2020 benefit payments increased by \$1.6 million or 9.53% from a year ago. The increase was primarily due to increases in the temporary disability benefits paid.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund

The Death Benefit Fund's fiduciary net position is summarized below:

	Condensed Statements of Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Cash	\$ 1,839	\$ 2,161	\$ 1,498	-14.90%	44.26%
Receivables	3,273	3,361	1,612	-2.62%	108.50%
Investments	42,172	37,283	31,150	13.11%	19.69%
Total assets	47,284	42,805	34,260	10.46%	24.94%
Liabilities	6,546	5,440	5,453	20.33%	-0.24%
Fiduciary net position	<u>\$ 40,738</u>	<u>\$ 37,365</u>	<u>\$ 28,807</u>	9.03%	29.71%

Fiscal year ended June 30, 2021

The Fund's fiduciary net position increased by \$3.4 million, or 9.03% when compared to prior year's fiduciary net position. Investments were up \$4.9 million, or 13.11% against last year. This is mostly attributable to the change in funding policy and thus employer contributions. Total liabilities increased by \$1.1 million, or 20.33%, due to higher death benefit claims outstanding at fiscal year end.

Fiscal year ended June 30, 2020

The Fund's fiduciary net position increase by \$8.6 million or 29.71%. Receivables and Investments were up 108.50% and 19.69% respectively against last year. The increase was attributed mainly to the change in funding policy and thus employer contributions. Cash increased by 44.26% from prior year based on projected liquidity needs.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund (Continued)

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Additions					
Members' contributions	\$ 374	\$ 385	\$ 358	-2.86%	7.54%
Employer contributions	14,523	14,909	8,778	-2.59%	69.85%
Net investment income (loss)	343	2,793	2,293	-87.72%	21.81%
Total additions	15,240	18,087	11,429	-15.74%	58.26%
Deductions					
Benefit payments	10,245	7,923	8,232	29.31%	-3.75%
Administrative expenses	1,622	1,606	1,600	1.00%	0.38%
Total deductions	11,867	9,529	9,832	24.54%	-3.08%
Net increase (decrease) in fiduciary net position	3,373	8,558	1,597	-60.59%	435.88%
Fiduciary net position beginning	37,365	28,807	27,210	29.71%	5.87%
Fiduciary net position ending	<u>\$ 40,738</u>	<u>\$ 37,365</u>	<u>\$ 28,807</u>	9.03%	29.71%

Additions to Fiduciary 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 PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund (Continued)

Fiscal year ended June 30, 2021

Net investment income decreased by \$2.5 million, or 87.72% during fiscal year 2021. The decrease is attributed to the underperformance of fixed income investments.

Fiscal year ended June 30, 2020

Employer contributions increased by \$6.1 million, or 69.85%, due to the change in funding policy effective starting in fiscal year 2020. Net investment income increased 21.81% from the prior year due to the continued strong performance of fixed income investments.

Deductions from Fiduciary Net Position

The costs associated with the Death Benefit Fund include the benefits payments and administrative expenses.

Fiscal year ended June 30, 2021

Fiscal year 2021 benefit payments increased by \$2.3 million, up 29.31% from prior year. The increase was due to the rise in the number of death benefits claimed.

Fiscal year ended June 30, 2020

Total deductions were consistent with prior fiscal year; it was only down \$0.3 million or 3.08% versus fiscal year 2019.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund

The DWP Board of Water and Power commissioners (DWP Board) approved the creation of the Retiree Health Benefits Fund in September 2006 to defray current and future retiree health benefit liabilities and related costs. The Retirement Board has the fiduciary responsibility for investing the assets of the RHBF and administering payments from it, while the DWP Board continues to have the responsibility to set the funding policy and the funding levels of the RHBF. The RHBF assets amounting to \$642.0 million were transferred to the WPERP to establish the fund during fiscal year 2007.

As of June 30, 2021 the fiduciary net position of the fund totaled approximately \$2.9 billion. A condensed statements of the fund's fiduciary net position and a condensed statements of changes in fiduciary net position are as follow:

Fiduciary Net Position

	Condensed Statements of Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Cash	\$ 697	\$ 1,090	\$ 2,090	-36.06%	-47.85%
Receivables	35,745	44,257	16,515	-19.23%	167.98%
Investments	3,079,112	2,432,684	2,353,913	26.57%	3.35%
Total assets	3,115,554	2,478,031	2,372,518	25.73%	4.45%
Liabilities	197,433	174,302	151,967	13.27%	14.70%
Fiduciary net position	<u>\$ 2,918,121</u>	<u>\$ 2,303,729</u>	<u>\$ 2,220,551</u>	26.67%	3.75%

Fiscal year ended June 30, 2021

Fiduciary net position increased \$614.4 million or 26.67% over the prior fiscal year. Investments increased by \$646.4 million in the same period due to superior capital market performance. Total receivables decreased by \$8.5 million or 19.23% due to lower pending investment sales at fiscal year-end. Total liabilities increased by \$23.1 million or 13.27% due mainly to greater pending investment purchases at fiscal year-end.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund (continued)

Fiscal year ended June 30, 2020

Investments were up \$78.8 million or 3.35% due to the challenging economic environment from the Covid-19 pandemic. Cash decreased by \$1.0 million from prior fiscal year based on the reduction of outstanding checks at fiscal year end. Total receivables rose by \$27.7 million or 167.98% due to the higher pending investment sales at fiscal year-end. Total liabilities also increased by \$22.3 million or 14.70% due to greater pending investment purchases at fiscal year-end.

Changes in Fiduciary Net Position

	Condensed Statements of Changes in Fiduciary Net Position (In Thousands)			2020-21	2019-20
	2021	2020	2019	% Change	% Change
Additions					
Employer contributions	\$ 110,261	\$ 110,445	\$ 102,631	-0.17%	7.61%
Net investment income	614,234	83,021	134,707	639.85%	-38.37%
Total additions	724,495	193,466	237,338	274.48%	-18.49%
Deductions					
Benefit payments	109,282	109,401	101,595	-0.11%	7.68%
Administrative expenses	821	887	883	-7.44%	0.45%
Total deductions	110,103	110,288	102,478	-0.17%	7.62%
Net increase					
in fiduciary net position	614,392	83,178	134,860	638.65%	-38.32%
Fiduciary net position beginning	2,303,729	2,220,551	2,085,691	3.75%	6.47%
Fiduciary net position ending	<u>\$ 2,918,121</u>	<u>\$ 2,303,729</u>	<u>\$ 2,220,551</u>	26.67%	3.75%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund (Continued)

Additions to Fiduciary Net Position

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

Fiscal year ended June 30, 2021

Net investment income increased by \$531.2 million or 639.85% in fiscal year 2021. The increase was attributed to tremendous appreciation in the fair value of investments relative to prior year.

Fiscal year ended June 30, 2020

Net investment income decreased \$51.7 million or 38.37% compared to fiscal year 2019. The decrease was attributed to the challenging economic environment from the Covid-19 pandemic.

Deductions from Fiduciary Net Position

Deductions represent medical and dental insurance premiums paid for the benefit of retirees and operating costs.

Fiscal year ended June 30, 2021

Insurance premium payments in fiscal year 2021 were comparable to the prior year with a net decrease of 0.11%.

Fiscal year ended June 30, 2020

Insurance premiums paid for the benefit of retirees experienced a similar increase of \$7.8 million or 7.68% in fiscal year 2020 when compared to fiscal year 2019.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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 WPERP's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Linda P. Le, 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 PLAN
STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2021 AND 2020

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Cash (Notes 2 and 3)	\$ 77,081,537	\$ 85,024,396	\$ 2,363,069	\$ 2,486,951	\$ 1,838,712	\$ 2,160,551	\$ 696,887	\$ 1,089,395
Prepaid expense	27,075	25,761	-	-	-	-	-	-
Receivables								
Accrued investment income	34,804,188	32,794,721	58,705	83,817	61,507	77,712	5,581,486	5,203,846
Department of Water and Power	60,754,851	69,274,029	3,423,561	3,573,922	3,191,871	3,263,520	157,110	246,594
Pending investment sales	172,892,128	225,775,217	-	-	-	-	30,006,684	38,806,798
Other	8,276,550	3,909,151	2,046,714	1,907,268	20,044	20,044	-	-
Contingent disability benefit advance	-	-	3,310,339	3,310,339	-	-	-	-
Total receivables	276,727,717	331,753,118	8,839,319	8,875,346	3,273,422	3,361,276	35,745,280	44,257,238
Investments, at fair value (Notes 2, 3, and 4)								
Fixed income	3,579,967,645	3,138,728,044	39,986,933	39,093,353	41,912,907	37,023,700	623,068,050	535,032,426
Equity	8,852,563,474	6,912,052,303	-	-	-	-	1,574,853,620	1,213,429,996
Short-term investments	475,185,148	349,769,529	559,243	557,833	259,641	259,090	73,298,337	63,730,965
Alternative investments	2,797,084,786	1,877,334,057	-	-	-	-	498,335,778	328,711,657
Real estate	1,064,927,626	997,067,804	-	-	-	-	184,690,707	168,705,783
Securities lending - short-term collateral investment pool	640,770,027	519,451,729	-	-	-	-	124,865,579	123,073,489
Total investments	17,410,498,706	13,794,403,466	40,546,176	39,651,186	42,172,548	37,282,790	3,079,112,071	2,432,684,316
Total assets	17,764,335,035	14,211,206,741	51,748,564	51,013,483	47,284,682	42,804,617	3,115,554,238	2,478,030,949
LIABILITIES								
Payables								
Pending investment purchases	378,612,722	269,367,705	58,660	83,630	61,485	77,601	63,561,175	46,816,519
Other	18,494,661	12,955,936	218,991	175,277	868,056	719,130	8,687,746	4,093,666
Outstanding Checks	58,993,669	55,723,275	256,487	826,323	306,193	257,994	318,518	318,253
Securities lending - collateral payable (Note 4)	640,770,027	519,451,729	-	-	-	-	124,865,579	123,073,489
Death claims in process - insured lives	-	-	-	-	5,310,701	4,385,070	-	-
Total liabilities	1,096,871,079	857,498,645	534,138	1,085,230	6,546,435	5,439,795	197,433,018	174,301,927
Fiduciary net position restricted for pension, other postemployment, and disability benefits	\$ 16,667,463,956	\$ 13,353,708,096	\$ 51,214,426	\$ 49,928,253	\$ 40,738,247	\$ 37,364,822	\$ 2,918,121,220	\$ 2,303,729,022

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plans			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
ADDITIONS								
Members' contributions								
Retirement benefit	\$ 122,316,256	\$ 120,299,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporary disability benefit	-	-	264,003	269,219	-	-	-	-
Permanent total disability	-	-	264,812	271,355	-	-	-	-
Insured lives death benefit	-	-	-	-	264,651	271,564	-	-
Supplemental family death benefit	-	-	-	-	109,338	113,329	-	-
Total members' contributions	122,316,256	120,299,327	528,815	540,574	373,989	384,893	-	-
Department of Water and Power contributions towards:								
Retirement benefit (net of reversions)	378,990,511	422,017,394	-	-	-	-	-	-
Insurance premiums	-	-	-	-	-	-	109,282,435	109,401,181
Temporary disability benefits	-	-	14,357,176	14,803,866	-	-	-	-
Supplemental disability benefits	-	-	1,215,960	1,510,621	-	-	-	-
Death Benefits	-	-	-	-	12,898,727	13,299,775	-	-
Active members	-	-	-	-	-	-	-	-
Retired members (non-contributing)	-	-	-	-	-	-	-	-
Family death benefit	-	-	-	-	-	-	-	-
Administrative expenses	6,080,956	5,637,874	1,221,213	1,137,068	1,624,071	1,609,109	978,584	1,043,543
Total Department of Water and Power contributions	385,071,467	427,655,268	16,794,349	17,451,555	14,522,798	14,908,884	110,261,019	110,444,724
Total contributions	507,387,723	547,954,595	17,323,164	17,992,129	14,896,787	15,293,777	110,261,019	110,444,724
Investment income								
Net appreciation (depreciation) in fair value of investments	3,309,171,398	270,192,182	(454,495)	2,248,977	(449,588)	1,942,508	585,247,030	51,494,194
Interest	104,796,510	116,587,811	849,343	1,071,851	839,257	889,541	16,545,912	18,604,159
Dividends	96,630,278	73,942,298	-	-	-	-	16,867,040	12,943,437
Income from real estate investments	36,773,347	42,774,419	-	-	-	-	5,916,247	7,723,718
Income from alternative investments	4,046,295	6,982,705	-	-	-	-	686,032	1,131,743
Securities lending (Note 4)	3,034,245	9,176,587	-	-	-	-	640,346	2,046,130
Total investment income	3,554,452,073	519,656,002	394,848	3,320,828	389,669	2,832,049	625,902,607	93,943,381
Less: Securities lending expenses (Note 4)	(548,383)	(6,277,219)	-	-	-	-	(121,914)	(1,435,713)
Less: Investment expenses	(64,819,787)	(55,280,179)	(46,103)	(45,274)	(46,038)	(38,523)	(11,568,421)	(9,639,079)
Net investment income	3,489,083,903	458,098,604	348,745	3,275,554	343,631	2,793,526	614,212,272	82,868,589
Other income	116,430	925,495	-	-	-	-	21,774	152,755
Total additions	3,996,588,056	1,006,978,694	17,671,909	21,267,683	15,240,418	18,087,303	724,495,065	193,466,068

(Continued)

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Pension Plan		Other Benefits Plan		Other Postemployment Benefits Plan			
	Retirement Fund		Disability Fund		Death Benefit Fund		Retiree Health Benefits Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
DEDUCTIONS								
Benefits paid								
Retirement	671,277,654	628,852,137	-	-	-	-	-	-
Temporary disability	-	-	11,442,586	14,631,271	-	-	-	-
Extended temporary disability	-	-	544,294	356,057	-	-	-	-
Permanent total disability	-	-	1,963,922	1,990,431	-	-	-	-
Supplemental	-	-	1,215,960	1,510,621	-	-	-	-
Death benefits (active/retired members)	-	-	-	-	9,679,179	7,368,268	-	-
Family allowances	-	-	-	-	566,072	554,424	-	-
Retiree health benefits paid (insurance premiums)	-	-	-	-	-	-	109,282,435	109,401,181
Total benefits paid	671,277,654	628,852,137	15,166,762	18,488,380	10,245,251	7,922,692	109,282,435	109,401,181
Refund of members' contributions	6,439,360	6,800,458	-	-	-	-	-	-
Administrative expenses	5,115,182	4,705,004	1,218,974	1,134,325	1,621,742	1,606,529	820,432	887,299
Total deductions	682,832,196	640,357,599	16,385,736	19,622,705	11,866,993	9,529,221	110,102,867	110,288,480
Net increase (decrease) in fiduciary net position	3,313,755,860	366,621,095	1,286,173	1,644,978	3,373,425	8,558,082	614,392,198	83,177,588
Fiduciary net position restricted for pension, other postemployment, and disability benefits								
Beginning of year	13,353,708,096	12,987,087,001	49,928,253	48,283,275	37,364,822	28,806,740	2,303,729,022	2,220,551,434
End of year	<u>\$ 16,667,463,956</u>	<u>\$ 13,353,708,096</u>	<u>\$ 51,214,426</u>	<u>\$ 49,928,253</u>	<u>\$ 40,738,247</u>	<u>\$ 37,364,822</u>	<u>\$ 2,918,121,220</u>	<u>\$ 2,303,729,022</u>

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS

The Water and Power Employees' Retirement Plan of the City of Los Angeles (WPERP) was established by the Los Angeles Department of Water and Power (Department) in 1938. The WPERP is a single employer public employee retirement system whose main function is to provide pension, death and disability benefits, to eligible employees of the Department.

Under the provisions of the Charter of the City of Los Angeles (City Charter), the Retirement Board of Administration (Retirement Board) has the responsibility and authority to administer the WPERP and to invest its assets. The Retirement Board members serve as trustees and must act in the exclusive interest of the WPERP's members and beneficiaries. The Retirement Board has seven members: a member of the Board of Water and Power Commissioners (DWP Board), the Department's General Manager, the Department's Chief Accounting Employee, three employee members who are elected for a three-year term by active members of the WPERP, and a retiree who is appointed by the DWP Board for a three-year term.

In 1986, 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 and subsequent amendments have created the Department's Postretirement Health Care Benefit Plan (Retiree Health Benefits Plan), a single-employer postemployment healthcare benefit plan. The DWP Board establishes the benefit terms and funding policy of the Retiree Health Benefits Plan. The DWP Board has five members. The members are appointed by the Mayor of the City of Los Angeles, subject to the approval of City Council. On September 6, 2006, the Retirement Board approved the creation and establishment of the Retiree Health Benefits Fund (RHBF) as an independent trust fund to discharge the benefits provided under the Retiree Health Benefits Plan. The Retirement Board has investment oversight of the RHBF.

The WPERP has four separate funds – Retirement Fund, Disability Fund, Death Benefit Fund, and RHBF. Each fund is considered a separate plan and an independent trust fund of the Department. The Retirement Fund is a single employer defined benefit pension plan. The Death Benefit Fund and Retiree Health Benefit Fund are single employer defined benefit other postemployment benefits (OPEB) plans. The Disability Fund is for the payment of temporary disability and permanent total disability of the Department's employees, and is considered neither a pension plan nor an OPEB plan.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

Retirement Fund, Disability Fund, and Death Benefit Fund

Membership

The Retirement Fund's and Death Benefit Fund's membership consisted of the following at June 30, 2021 and 2020:

	2021		2020	
	Retirement	Death Benefit	Retirement	Death Benefit
Retirees, beneficiaries	9,564	7,703	9,443	7,560
Terminated vested	1,708	599	1,690	619
Active	10,605	10,605	10,778	10,778
Total	<u>21,877</u>	<u>18,907</u>	<u>21,911</u>	<u>18,957</u>

Benefit Provisions

Retirement Fund

The Retirement Fund consists of both defined contribution and defined benefit elements. Under Tier 1, 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. During the fiscal year 2014, the City of Los Angeles (City) and the Department agreed to a new tier of retirement benefits for new hires to the Department. On December 11, 2013, the Retirement Board adopted a Plan amendment to create a new tier, Tier 2, for the Department's new-hires on or after January 1, 2014. Major benefit provisions for each tier are described below.

Tier 1 members are eligible for normal retirement at age 60. Early retirement at age 55 is generally available if the member has at least 10 years of qualifying service out of the last 12 years before retirement. Members with 30 or more years of qualifying service also may retire at any age and receive a reduced benefit. The early retirement benefit reduction is not applicable if the member is between the ages of 55 and 60, and has at least 30 years of service credits. Upon qualifying for retirement, Tier 1 members will also qualify for a formula pension if they have been employed by the Department or City 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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

retirement or while eligible to retire (or during any of those four years if they were receiving either disability benefits under the Disability Benefit Plan or payments under any Workers' Compensation Law).

Eligible Tier 1 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 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 base salary over the highest 26 consecutive contributing payroll periods. Retirees who are receiving a formula pension are entitled to annual cost of living adjustment (COLA). Adjustments are applied each July 1 based on the Consumer Price Index (Los Angeles-Long Beach-Anaheim, CA – All Items) as published by the Bureau of Labor Statistics of the United States Department of Labor (CPI) for each of the two immediately preceding calendar years. The maximum adjustment, positive or negative, is 3% in any one year.

Tier 2 members are eligible for normal retirement at age 60 with at least 5 years of continuous Department service (5 year must be as a contributing member and/or receiving either disability benefits under the Disability Benefit Plan or payments under any Workers' Compensation Law). A reduced benefit for early retirement at any age is generally available if the member has at least 30 years of service. Members with 30 or more years of credited service may retire at age 55 and receive unreduced benefits.

Eligible Tier 2 members are entitled to an annual retirement benefit, payable monthly for life currently in an amount equal to a retirement factor multiplying each year of credited service, and then multiplying their final average salary. The specific retirement factor is based on the combination of member's age and credited service as follows:

- 1.5% at age 60 with 5 years of continuous Department service or 10 years of qualifying service
- 2.0% at any age with 30 years
- 2.0% at age 63 with 5 years of continuous Department service or 10 years of qualifying service
- 2.1% at age 63 with 30 years

"Final average salary" is defined as the employee's average base salary over the highest 78 consecutive payroll periods. A member's monthly pension amount is capped at 80% of one's final average salary. Retirees who are receiving a formula pension are entitled to annual COLA. Adjustments are applied each July 1 based on the CPI for each of the two immediately preceding

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

calendar years. The maximum adjustment, positive or negative, is 2% in any one year. Members may purchase additional post-retirement COLA coverage, not to exceed an additional 1% per year, at full actuarial cost to the Plan. Members, who are eligible for a deferred retirement (vesting), are also eligible for a formula pension, but they are not entitled to an annual COLA.

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.

- 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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

Contributions

Retirement Fund

Retirement contributions are determined by a member's Tier designation. Covered Tier 1 employees continue 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.

Covered Tier 2 employees are required to contribute 10% of their annual covered payroll upon becoming a Plan member. A Tier 2 member has the same benefits as a Tier 1 member upon termination or death while employed with a single exception. A Tier 2 member will not receive a money purchase allowance with vesting after one year. Instead a Tier 2 member will only receive a formula pension if one is at age 60 and has at least 5 years of continuous Department service.

The Department contributes \$1.10 for each \$1.00 contributed by Tier 1 members, plus an actuarially determined percentage of covered payroll. The Department solely contributes an actuarially determined percentage of covered payroll for Tier 2 members. Contribution provisions are established and amended by the Retirement Board upon the advice of the Plan actuary. The average employer contribution rates for fiscal years 2021 and 2020 (based on the July 1, 2020 and 2019 valuations) were 33.55% and 37.97% of compensation, respectively.

Disability Fund

Each bi-weekly payroll period, both eligible Tiers 1 and 2 members contribute \$1.00 each for temporary disability and permanent total disability. The Department contribution rate for fiscal years 2021 and 2020 for temporary disability (based on the July 1, 2020 and 2019 valuations) were \$1.25 and \$1.31 per \$100 of covered payroll for both fiscal years. Department contribution for permanent total disability continues to be suspended, as current reserve significantly exceeds the target reserve amount.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (Continued)

Death Benefit Fund

Prior to fiscal year 2019, Death Benefit was funded by the employer on a modified “pay-as-you-go” basis. The funding policy was changed for valuation period beginning July 1, 2019 and thereafter. Employer contributions shall be determined on the basis of Entry Age Actuarial Cost Method and amortizing the resulting unfunded liability or surplus. The Department contribution rate for fiscal year 2021 and 2020 (based on the July 1, 2020 and 2019 valuations) was 1.12% and 1.18% of covered payroll, respectively.

Contributing active Tiers 1 and 2 members continue to contribute \$1.00 per bi-weekly payroll period toward their benefit. For those who have enrolled in the Supplemental Family Death Benefit, active members continue to contribute \$2.25 per bi-weekly payroll period, and retired members contribute \$4.90 per month.

Retiree Health Benefits Fund

Membership

The Retiree Health Benefits Plan’s membership consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Current retirees and beneficiaries	8,432	8,321
Current active members	10,605	10,778
Total	<u>19,037</u>	<u>19,099</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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – PLAN DESCRIPTIONS (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 2021 and 2020, the Department contributed \$110.3 million and \$110.4 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 Presentation

The financial statements are prepared using the accrual basis of accounting and reflect the overall financial operations of each fund of the WPERP. Member and Department 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 is recorded as an increase (decrease) to investment income based on the valuation of investments.

Investments

Investments are reported at fair value. Investments that do not have a readily determinable fair value may be valued at Net Asset Value (NAV), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. 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 statements of fiduciary

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

net position. The WPERP 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 statements of fiduciary 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 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.

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 Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 84, Fiduciary Activities. It becomes effective for financial statements with fiscal years beginning after December 15, 2019. However, the City and WPERP have chosen to early adopt the provisions of GASB Statement No. 84 in the financial statements for the fiscal year ended June 30, 2020.

GASB Statement No. 84 further clarified which activities need to be reported under a fiduciary fund. Fund 828, Water/Power Plan Benefit, is utilized by the City for the classification and clearance of WPERP benefit checks. It was previously reported under the agency fund category

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

within the City's comprehensive annual financial report. As the assets are for the benefit of WPERP members and the City does not have administrative involvement or direct financial involvement with the assets, the balances of this fund will be reported within the WPERP financial statements going forward in accordance with GASB Statement No. 84.

NOTE 3 – CASH AND INVESTMENTS

Investment Policy

Investment authority is granted to the WPERP by the City Charter and is exercised in accordance with the Retirement Board's investment policy. The City 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.

The following is the asset allocation policy as of June 2021 and 2020:

Asset Class	2021 Target Allocation	2020 Target Allocation
Large Cap US equity	21.10%	22.95%
Small Cap US equity	2.10%	1.75%
Developed international Large Cap equity	12.20%	13.06%
Developed international Small Cap equity	1.80%	2.18%
Global equity	2.70%	2.90%
Emerging market equity	5.10%	5.16%
Fixed income	24.00%	25.00%
Real estate	10.00%	8.00%
Real return	5.00%	5.00%
Private equity	10.00%	8.00%
Hedge funds	5.00%	5.00%
Cash equivalents	1.00%	1.00%
Total	100.00%	100.00%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash

As of June 30, 2021 and 2020, the cash balances consist primarily of cash deposits in the City Treasury. The WPERP's participation in the program is less than 1% at June 30, 2021 and 2020. Interest earned on the City's investment pool is allocated by the City Treasury to the WPERP based on its average daily cash balance during the allocation period.

Investments

As of June 30, 2021, and 2020, the WPERP had the following investments:

<u>Investment Type</u>	<u>June 30, 2021 Fair Value</u>	<u>June 30, 2020 Fair Value</u>
Domestic equities	\$ 5,775,473,047	\$ 5,314,878,586
International equities	4,591,060,658	2,772,590,697
U.S. Treasuries	1,074,039,125	738,504,641
U.S. agencies	932,815,534	989,359,440
Preferred securities/convertible bonds/other	60,883,388	38,013,015
Mortgage and asset backed securities	267,841,141	146,487,198
Corporate debt - domestic	1,163,449,433	1,202,532,588
Corporate debt - international	516,284,965	448,043,800
Government debt - international	245,836,567	143,494,125
Municipal/provincial bonds	2,768,931	5,338,679
Mutual funds	631,202,209	490,434,470
Private equity & hedge funds	3,295,420,563	2,206,045,714
Real estate	1,249,618,334	1,165,773,587
Securities lending short-term collateral investment pool	765,635,606	642,525,218
Total investments	<u>\$ 20,572,329,501</u>	<u>\$ 16,304,021,758</u>

Fair Value of Investments

The WPERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability as follows:

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

- Level 1 — Inputs utilized are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs include quoted prices for similar assets or liabilities, and inputs other than quoted prices that are observable for the asset or liability, including quoted prices in markets that are not active.
- Level 3 — Inputs are unobservable for an asset or liability.

Investments that do not have a readily determinable fair value may be valued at the net asset value (NAV), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments whose fair value is measured at the NAV are excluded from the fair value hierarchy.

The WPERP has the following recurring fair value measurement as of June 30, 2021:

Fair Value Measurement at June 30, 2021*				
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic equities	\$ 5,775,473,047	\$ -	\$ -	\$ 5,775,473,047
International equities	4,591,060,658	-	-	4,591,060,658
Preferred securities	60,883,388	-	-	60,883,388
Fixed income securities:				
U.S. Treasuries	-	1,074,039,125	-	1,074,039,125
U.S. agencies	-	932,815,534	-	932,815,534
Mortgage and asset backed securities	-	267,841,141	-	267,841,141
Corporate debt - domestic	-	1,163,449,433	-	1,163,449,433
Corporate debt - international	-	516,284,965	-	516,284,965
Government debt -international	-	245,836,567	-	245,836,567
Municipal/provincial bonds	-	2,768,931	-	2,768,931
Real estate	80,525,202	-	-	80,525,202
Total investments by fair value	\$ 10,507,942,295	\$ 4,203,035,696	\$ -	\$ 14,710,977,991

* Mutual funds of \$631.2 million and security lending short-term investments of \$765.6 million are not included in fair value hierarchy. Investment measured at the NAV are also not included within the fair value hierarchy. See description of investments measured at the NAV on page 33.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Equity securities, preferred securities, and certain real estate funds classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities and real estate funds. Debt securities classified in level 2 of the fair value hierarchy are valued based on evaluated quotes provided by independent pricing services and matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgage and asset backed securities classified in level 2 are valued on the basis of discounted future principal and interest payments.

Fair Value of Investments Measured at the NAV — Below is a summary of the WPERP's investments at June 30, 2021 for which fair value is measured based on the NAV.

Investments Measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<u>Private Equity</u>				
Direct partnerships	\$ 1,252,278,738	\$ 702,024,089	Not Eligible	Not Eligible
Fund of funds	346,880,260	360,711,991	Not Eligible	Not Eligible
<u>Real Estate</u>				
Open ended	700,463,048	-	Quarterly	45-90 days
Close ended	468,630,083	500,881,948	Not Eligible	Not Eligible
<u>Real Return</u>				
Commodities	333,210,891	-	Daily	2 days
Timberland	34,299,013	-	Not Eligible	Not Eligible
Short duration TIPS	543,768,841	-	Daily	3 days
<u>Hedge Fund</u>				
Fund of funds	784,982,821	-	Daily	60 Days
Total investments measured at the NAV	\$ <u>4,464,513,695</u>	\$ <u>1,563,618,028</u>		

WPERP's private equity portfolio consists of ventured capital, leveraged buyouts, distressed debt, and other special equity funds. WPERP's participation is either through direct partnership or fund of funds. Both structures are not eligible for redemption. Instead, distributions are received as underlying investments within the partnerships and funds are liquidated, which on average can occur over the span of 10 to 15 years.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The real estate portfolio consists of investments in domestic and international commercial and industrial real property. WPERP is invested in both open ended and close ended funds/partnerships. Open ended funds/partnerships can be redeemed subject to the redemption schedule as listed above. Close ended funds/partnerships are not eligible for redemption. Instead, distributions are received as underlying investments within the funds/partnerships are liquidated, which on average can occur over the span of 10 to 15 years.

Real return investments include a commingled commodities fund, a commingled short duration treasury inflation protected securities fund, and two timberland direct partnerships. The timberland partnerships are not eligible for redemption. The estimated duration of these partnerships ranges from 10 to 15 years.

One hedge fund investment is executed through fund of funds. The underlying third party hedge fund managers' strategies could include, but is not limited to convertible arbitrage, distressed securities, fixed income arbitrage, merger arbitrage, long/short credit, long/short equity, etc.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on the Retirement Fund investments, net of investment expense, was 26.40% and 3.56%, respectively.

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on the Retiree Health Benefits Fund investments, net of investment expense, was 26.65% and 3.74%, respectively; the annual money-weighted rate of return on the Death Benefit Fund investments, net of investment expense, was 0.82% and 8.33%, respectively.

Credit Risk

The WPERP'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 WPERP'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.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

According to the WPERP's investment policy for fixed income securities, the WPERP 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 the WPERP's management of subsequent decline in ratings and will develop an investment strategy for investments rated below Baa3 or BBB-.

Active high yield fixed income investment is composed primarily of non-investment grade securities as rated by Moody's, Standard & Poor's or Fitch. If a bond is rated by all three rating agencies, then it must be graded BB+ or Ba1 or below by two or more rating agencies. If a bond is rated by two rating agencies, it must be rated below investment grade by at least one rating agency.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The credit ratings of the WPERP's investments at June 30, 2021 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 1,074,039,125	21.94%
U.S. Agency notes	AAA	932,815,534	19.06%
Preferred securities/convertible bonds/other	Not rated	60,883,388	1.24%
Mortgage and asset backed securities	AAA	125,962,999	2.57%
	A or better	16,023,891	0.33%
	B or better	38,260,731	0.78%
	Not rated	87,593,520	1.79%
Corporate debt - domestic	AAA	4,051,798	0.08%
	A or better	135,048,390	2.76%
	B or better	820,162,252	16.75%
	C or better	126,075,916	2.58%
	D/Not rated	78,111,077	1.60%
Corporate debt - international	AAA	741,422	0.02%
	A or better	33,230,164	0.68%
	B or better	424,188,476	8.67%
	C or better	25,137,874	0.51%
	Not Rated	32,987,029	0.67%
Government debt - international	AAA	10,353,025	0.21%
	A or better	53,229,758	1.09%
	B or better	137,229,089	2.80%
	C or better	37,422,572	0.76%
	D/Not Rated	7,602,123	0.16%
Municipal/provincial bonds	B or better	2,768,931	0.06%
Mutual funds	Not rated	631,202,209 *	12.89%
Total		<u>\$ 4,895,121,293</u>	<u>100.00%</u>

* 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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The credit ratings of the WPERP's investments at June 30, 2020 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 738,504,641	17.57%
U.S. Agency notes	AAA	989,359,440	23.54%
Preferred securities/convertible bonds/other	Not rated	38,013,015	0.90%
Mortgage and asset backed securities	AAA	88,777,535	2.11%
	A or better	9,565,776	0.23%
	B or better	38,401,265	0.91%
	Not rated	9,742,622	0.23%
Corporate debt - domestic	AAA	4,093,314	0.10%
	A or better	139,985,168	3.33%
	B or better	903,385,162	21.50%
	C or better	94,272,023	2.24%
	D/Not rated	60,796,921	1.45%
Corporate debt - international	A or better	40,936,446	0.97%
	B or better	368,755,860	8.78%
	C or better	28,600,716	0.68%
	Not Rated	9,750,778	0.23%
Government debt - international	AAA	10,723,965	0.26%
	A or better	38,844,072	0.92%
	B or better	66,201,322	1.58%
	C or better	18,938,110	0.45%
	D/Not Rated	8,786,656	0.21%
Municipal/provincial bonds	A or better	2,726,250	0.06%
	C or better	2,612,429	0.06%
Mutual funds	Not rated	490,434,470 *	11.67%
Total		<u>\$ 4,202,207,956</u>	<u>100.00%</u>

* 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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risks

For deposits, custodial credit risk is the risk that in the event of a bank failure, the WPERP's deposits may not be returned. As of June 30, 2021 and 2020, the WPERP'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 WPERP'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, 2021, and 2020, there were no investments holdings of more than 5% in any one issue of each fund's net position or in the WPERP's aggregate net position, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

Interest Rate Risk

As of June 30, 2021, the WPERP's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 1,074,039,125	3.60
U.S. agency notes	932,815,534	20.39
Preferred securities	60,883,388	0.00
Mortgage and asset backed securities	267,841,141	18.30
Corporate debt - domestic	1,163,449,433	8.56
Corporate debt - international	516,284,965	9.33
Government debt - international	245,836,567	12.86
Municipal / Provincial Bonds	2,768,931	5.01
Mutual funds	631,202,209	0.00
Total	\$ 4,895,121,293	9.35

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2020, the WPERP'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	\$ 738,504,641	3.47
U.S. agency notes	989,359,440	23.48
Preferred securities	38,013,015	0.00
Mortgage and asset backed securities	146,487,198	17.81
Corporate debt - domestic	1,202,532,588	8.89
Corporate debt - international	448,043,800	14.46
Government debt - international	143,494,125	10.80
Municipal / Provincial Bonds	5,338,679	15.15
Mutual funds	490,434,470	0.00
Total	\$ 4,202,207,956	11.23

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Foreign Currency Risk

As of June 30, 2021 and 2020, the WPERP's exposure to foreign currency risk is as follows:

Currency	Investment Type	2021	2020
Australian Dollar	Cash & cash equivalents	\$ (15,296)	\$ 1,092,433
	Equities	60,755,628	23,021,450
	Fixed Income	-	2,447,049
Brazil Real	Cash & cash equivalents	186,152	646
	Equities	38,528,022	19,451,037
Canadian Dollar	Cash & cash equivalents	830,805	1,996,136
	Equities	169,407,619	79,233,520
	Fixed Income	-	11,590,231
Chinese Yuan Renminbi	Cash & cash equivalents	36,953	(257,457)
	Equities	32,478,981	20,232,757
Chilean Peso	Equities	2,215,973	2,551,708
Czech Koruna	Cash & cash equivalents	5,075	-
Danish Krone	Cash & cash equivalents	36,510	(1,532)
	Equities	31,309,088	18,667,235
Euro Currency Unit	Cash & cash equivalents	62,020,225	45,702,523
	Equities	892,204,399	514,271,690
	Fixed Income	199,973,401	296,996,875
Hong Kong Dollar	Cash & cash equivalents	891,048	406,408
	Equities	239,973,028	158,620,141
Hungarian Forint	Equities	4,376,314	593,084
Indonesian Rupiah	Equities	919,210	3,248,213
Japanese Yen	Cash & cash equivalents	2,322,214	2,524,398
	Equities	552,648,378	365,946,350
	Fixed Income	-	26,046,959
South Korea Won	Cash & cash equivalents	20,223	110
	Equities	130,355,356	47,116,812
Malaysian Ringgit	Equities	8,440,728	10,904,859
Mexican New Peso	Cash & cash equivalents	108,516	287,098
	Equities	11,103,247	4,074,578
	Fixed Income	-	6,591,740
New Taiwan Dollar	Cash & cash equivalents	195,903	752,289
	Equities	120,091,009	46,874,728
New Zealand Dollar	Cash & cash equivalents	68,851	27,906
	Fixed Income	-	4,790,553
	Equities	9,770,822	2,642,872
Norwegian Krone	Cash & cash equivalents	24,894	(287)
	Equities	29,746,661	12,648,850
Philippine Peso	Cash & cash equivalents	14,694	80
	Equities	3,517,235	209,804
Polish Zloty	Equities	3,681,932	7,564,772
	Cash & cash equivalents	16,250,698	5,539,632
Pound Sterling	Equities	314,692,643	170,459,712
	Fixed Income	31,795,453	141,131,977

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

<u>Currency</u>	<u>Investment Type</u>	<u>2021</u>	<u>2020</u>
Qatari Riyal	Equities	-	248,708
S. African Rand	Cash & cash equivalents	363	298
	Equities	24,929,576	11,171,489
Singapore Dollar	Cash & cash equivalents	69,255	135
	Equities	14,764,515	4,319,108
Swedish Krona	Cash & cash equivalents	53,983	19,845
	Equities	75,833,287	30,759,541
Swiss Franc	Cash & cash equivalents	368,351	134,698
	Equities	201,751,702	156,497,322
Thailand Baht	Equities	24,007,547	15,198,151
Turkish Lira	Cash & cash equivalents	5	6
	Equities	5,454,623	4,150,487
United Arab Emirates Dirham	Equities	10,122,851	2,052,349
Total		<u>\$ 3,328,338,650</u>	<u>\$ 2,280,552,076</u>

The WPERP's investment policy permits it to invest up to 21.80 % of total investments of the WPERP in non-U.S. investments. The WPERP's position is 16.18% and 13.99% as of June 30, 2021 and 2020, respectively.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2021 and 2020, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2021 and 2020 financial statements are as follows:

Type	2021				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ 13,582,866	Investment	\$ 2,346,331	\$ 908,247,182

Type	2020				
	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Forward Contracts	Investment Income / (Loss)	\$ (11,564,627)	Investment	\$ (11,236,535)	\$ 875,051,419

At June 30, 2021 and 2020, the WPERP 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.

NOTE 4 – SECURITIES LENDING PROGRAM

The WPERP is authorized by the City Charter and the Retirement Board's investment policy to lend its investment securities to various brokers, without limit. The lending is managed by the WPERP's custodial bank. The WPERP or the borrowers can terminate the contract with advance notice. Prior to August 2013, 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. In August 2013, the Retirement Board adopted an amendment to the securities lending program to expand the acceptance of

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 – SECURITIES LENDING PROGRAM (Continued)

equities as non-cash collateral. Equities received are required to be collateralized at 110% with respect to loaned securities' value. The custodial bank will assume the equity risk and indemnify the WPERP 100% for any shortfall if a loan position is not returned, and proceeds from the sale of equity collateral were insufficient to replace the loan position.

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 WPERP and continue to be included in their respective accounts on the statements of fiduciary net position. The WPERP does not have the ability to pledge or sell collateral assets unless the borrower is in default of its obligation. As of June 30, 2021, and 2020, the WPERP has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan.

The WPERP's custodian is the authorized agent to handle the WPERP's securities lending activity. The WPERP's custodian may invest the cash collateral received in connection with securities on loan in investments permitted by the WPERP. The WPERP 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. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which has an average maturity of 69 days and 66 days as of June 30, 2021 and 2020, respectively.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2021 and 2020 are:

Securities on loan	2021	2020
Global agencies	\$ 321,666	\$ 670,427
Global equities	425,732,922	127,151,109
Global corporate fixed	24,878,899	22,176,992
Global government fixed	366,634,835	495,848,104
U.S. Agency notes	1,671,350	4,204,229
U.S. corporate fixed	154,131,485	95,412,536
U.S. equities	343,574,773	441,986,542
U.S. government fixed	398,279,564	186,460,660
	<hr/>	<hr/>
Total	<u>\$ 1,715,225,494</u>	<u>\$ 1,373,910,599</u>

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT

Retirement Fund

The components of the net pension liability (NPL) of the Retirement Fund as of June 30, 2021 and 2020 are as follows:

	Total Pension Liability	Retirement Fund Fiduciary Net Position	Net Pension Liability	Fiduciary Net Position as % of Total Pension Liability
As of June 30, 2021	\$15,008,825,876	\$16,667,463,956	\$(1,658,638,080)	111.05%
As of June 30, 2020	\$14,465,357,848	\$13,353,708,096	\$1,111,649,752	92.32%

The WPERP engages an independent actuarial firm to conduct annual actuarial valuation to determine the total pension liability of the Department as of June 30, 2021 and 2020. The TPL as of June 30, 2021 and 2020 was determined by actuarial valuation as of July 1, 2021 and July 1, 2020, respectively. The actuarial assumptions used in the June 30, 2021 and June 30, 2020 measurements were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2018. In particular, the following assumptions were applied in the measurements:

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 members and 2.00% maximum for Tier 2 members.
Investment rate of return	7.00% net of investment expense, including inflation

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)

Mortality Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Investment rate of return: The long-term expected rate of return on Retirement Fund's investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The Retirement Fund's target asset allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions as of June 30, 2021 and 2020 are summarized in the following table. This information may change as the actuarial experience study is conducted at the maximum of five years interval.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap US equity	22.95%	5.44%
Small Cap US equity	1.75%	6.18%
Developed international Large Cap equity	13.06%	6.54%
Developed international Small Cap equity	2.18%	6.64%
Global equity	2.90%	6.45%
Emerging market equity	5.16%	8.73%
Fixed income	25.00%	1.65%
Real estate	8.00%	4.60%
Real return	5.00%	2.07%
Private equity	8.00%	9.27%
Hedge funds	5.00%	3.53%
Cash and cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – NET PENSION LIABILITY OF THE DEPARTMENT (Continued)

Since the most recent actuarial experience study, a new target asset allocation (as exhibited on page 30 was adopted by the Retirement Board on December 9, 2020. The independent actuary has reviewed the investment rate of return assumption based on the new target asset allocation together with recent capital market assumptions and concluded that, as of the June 30, 2021 valuation date, the 7.00% long-term expected rate of return assumption continues to be a reasonable assumption under the actuarial standards of practice.

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that Department contributions will be made at rates equal to the required determined contribution rates. For this purpose, only employee and Department contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected Department contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Retirement Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Retirement Fund's investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021 and 2020.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Retirement Fund's NPL as of June 30, 2021 and 2020, calculated using its respective discount rate, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the utilized rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NPL as of June 30, 2021	\$351,700,425	\$(1,658,638,080)	\$(3,317,701,409)
NPL as of June 30, 2020	\$3,052,191,067	\$1,111,649,752	\$(490,944,736)

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT

The WPERP benefits and funds included within the definition of Other Postemployment Benefits (OPEB) are the RHBF and the Death Benefit Fund.

Retiree Health Benefits Fund

The components of the net OPEB liability (NOL) of the RHBF as of June 30, 2021 and 2020 are as follows:

	Total OPEB Liability	RHBF Fiduciary Net Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability
As of June 30, 2021	\$2,569,281,815	\$2,918,121,220	\$(348,839,405)	113.58%
As of June 30, 2020	\$2,490,223,379	\$2,303,729,022	\$186,494,357	92.51%

An independent actuarial firm conducts annual actuarial valuation to determine the total OPEB liability of the Department. The NOL as of June 30, 2021 and 2020 were determined by the actuarial valuation as of June 30, 2021 and 2020. The actuarial assumptions used in the June 30, 2021 and June 30, 2020 measurements were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2018 and the OPEB assumption letter dated September 20, 2021. In particular, the following assumptions were applied in the measurements:

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	7.00% net of investment expense, including inflation
Mortality	Headcount-weighted Above Median Pub-2010 General Healthy Retiree Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
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JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)

Healthcare cost assumptions are separately developed by the actuary annually. They are based on annual cost trend survey of the healthcare industry and plan specific information. Specifically, the following assumptions were applied in the June 30, 2021 and 2020 measurements:

	June 30, 2021	June 30, 2020
Non-Medicare medical plan	7.50%, graded down to an ultimate of 4.50% over 12 years	6.75%, graded down to an ultimate of 4.50% over 9 years
Medicare medical plans	6.50%, graded down to an ultimate of 4.50% over 8 years	6.25%, graded down to an ultimate of 4.50% over 7 years
Dental	4.00%	4.00%
Medicare Part B	4.50%	4.50%

Investment rate of return: The long-term expected rate of return on RHBF's investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The RHBF's target asset allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions as of June 30, 2021 and 2020 are summarized in the following table. This information may change as the actuarial experience study is conducted at the maximum of five years interval.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap US equity	22.95%	5.44%
Small Cap US equity	1.75%	6.18%
Developed international Large Cap equity	13.06%	6.54%
Developed international Small Cap equity	2.18%	6.64%
Global equity	2.90%	6.45%
Emerging market equity	5.16%	8.73%
Fixed income	25.00%	1.65%
Real estate	8.00%	4.60%
Real return	5.00%	2.07%
Private equity	8.00%	9.27%
Hedge funds	5.00%	3.53%
Cash and cash equivalents	1.00%	0.25%
Total	<u>100.00%</u>	

Since the most recent actuarial experience study, a new target asset allocation (as exhibited on page 30) was adopted by the Retirement Board on December 9, 2020. The independent actuary has reviewed the investment rate of return assumption based on the new target asset allocation together with recent capital market assumptions and concluded that, as of the June 30, 2021 valuation date, the 7.00% long-term expected rate of return assumption continues to be a reasonable assumption under the actuarial standards of practice.

Discount rate: The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed contributions will be equal to benefit payments. For this purpose, only contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected Department contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the RHBF's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on RHBF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021 and 2020.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the RHBF's NOL as of June 30, 2021 and 2020, calculated using its respective discount rate, as well as what the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the utilized rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
NOL as of June 30, 2021	\$5,542,189	\$(348,839,405)	\$(640,534,924)
NOL as of June 30, 2020	\$529,687,161	\$186,494,357	\$(95,923,693)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate: The following presents the RHBF's NOL as of June 30, 2021 and 2020, calculated using the healthcare cost trend rates assumed in the June 30, 2021 and 2020 actuarial valuations, as well as what the NOL would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the assumed rates:

	1% Decrease	Assumed Trend Rates	1% Increase
NOL as of June 30, 2021	\$(667,680,043)	\$(348,839,405)	\$47,729,070
NOL as of June 30, 2020	\$(122,350,431)	\$186,494,357	\$570,406,610

Death Benefit Fund

The components of the NOL of the Death Benefit Fund as of June 30, 2021 and 2020 are as follows:

	Total OPEB Liability	Death Benefit Fund Fiduciary Net Position	Net OPEB Liability	Fiduciary Net Position as % of Total OPEB Liability
As of June 30, 2021	\$134,038,066	\$40,738,247	\$93,299,819	30.39%
As of June 30, 2020	\$133,737,063	\$37,364,822	\$96,372,241	27.94%

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)

The WPERP engages an independent actuarial firm to conduct annual actuarial valuation to determine the total OPEB liability of the Department. The TOL as of June 30, 2021 and 2020 were determined by the actuarial valuations as of June 30, 2021 and 2020. The actuarial assumptions used in the June 30, 2021 and June 30, 2020 measurements were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2018, with the exception of a 3.50% investment return assumption and additional assumptions regarding family composition for the Family Death Benefit and Supplemental Family Death Benefit. In particular, the following assumptions were applied in the measurements:

Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%, includes inflation at 2.75%, “across the board” increases of 0.50% plus merit and promotional increases
Investment rate of return	3.50% net of investment expense, including inflation

Investment rate of return: The long-term expected rate of return on the Death Benefit Fund’s investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The Death Benefit Fund’s target asset allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions valuation as of June 30, 2021 and 2020 are summarized in the following table. This information may change as the actuarial experience study is conducted at the maximum of five years interval.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	96.00%	1.42%
Cash and cash equivalents	4.00%	0.25%
Total	100.00%	

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY OF THE DEPARTMENT (Continued)

Discount rate: The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed member contributions will be made at the current contribution rate and that Department contributions will be made at rates equal to the required contribution rates. For this purpose, only employee and Department contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected Department contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Death Benefit Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on Death Benefit's investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021 and June 30, 2020.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the Death Benefit Fund's NOL as of June 30, 2021 and 2020, calculated using the discount rate of 3.50%, as well as what the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
NOL as of June 30, 2021	\$114,817,276	\$93,299,819	\$76,171,095
NOL as of June 30, 2020	\$117,812,862	\$96,372,241	\$79,310,994

Sensitivity of the net OPEB liability to changes in the cost trend rate: Since there is no trend rate assumption used in valuing these benefits, the net OPEB liability is unaffected by any changes in trend rates.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 – ACTUARIAL VALUATION – DISABILITY FUND

Actuarial studies are performed annually on the Disability Fund 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, 2020 and July 1, 2019) for the Disability Fund found that the Fund's accumulated reserves had met the recommended reserve level. The actuarial recommendations for the contribution rates and reserve levels were approved by the Retirement Board.

For permanent total disability, the Department's contribution rate remains at \$0 per \$100 of covered payroll. As for temporary disability, the Department's contribution rate was \$1.25 and \$1.31 per \$100 of covered payroll for fiscal years 2021 and 2020, respectively. The rates were approved by the Retirement Board in January of each year and were implemented the same month.

NOTE 8 – 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. There are 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 and the reserve for death benefit.

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 PLAN
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – RESERVES AND DESIGNATED BALANCES (Continued)

The WPERP's reserves and designated balances at June 30, 2021 and 2020 are as follows:

	2021	2020
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 8,980,604,243	\$ 8,502,400,614
Contributions:		
Members' contributions	1,867,587,228	1,774,318,853
Department contributions	(1,783,003,113)	(1,638,256,435)
Total contributions	84,584,115	136,062,418
General reserve	3,221,540,568	2,364,023,864
Total reserves and designated balances	12,286,728,926	11,002,486,896
Unrealized appreciation in the fair value of investments	4,380,735,030	2,351,221,200
Total reserves and designated balances at fair value	<u>\$ 16,667,463,956</u>	<u>\$ 13,353,708,096</u>
<u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary and permanent disability cases	\$ 15,999,078	\$ 16,540,275
General reserve	28,631,641	26,349,776
Total reserves and designated balances	44,630,719	42,890,051
Unrealized appreciation in the fair value of investments	6,583,707	7,038,202
Total reserves and designated balances at fair value	<u>\$ 51,214,426</u>	<u>\$ 49,928,253</u>
<u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 3,978,785	\$ 3,891,107
Contribution account - family allowances	7,061,142	6,904,286
General reserve	24,795,345	21,216,867
Total reserves and designated balances	35,835,272	32,012,260
Unrealized appreciation in the fair value of investments	4,902,975	5,352,562
Total reserves and designated balances at fair value	<u>\$ 40,738,247</u>	<u>\$ 37,364,822</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	1,102,513,545	830,539,720
Total reserves and designated balances	2,140,118,472	1,868,144,647
Unrealized appreciation in the fair value of investments	778,002,748	435,584,375
Total reserves and designated balances at fair value	<u>\$ 2,918,121,220</u>	<u>\$ 2,303,729,022</u>

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 – PLAN AMENDMENTS

The Plan is periodically amended to meet changes in economic conditions and sound business practices. The following is a summary of the more significant Plan amendments taken effect during the fiscal years ended June 30, 2021 and 2020:

Fiscal year ended June 30, 2021

There were no significant Plan amendments for the fiscal year ended June 30, 2021.

Fiscal year ended June 30, 2020

The funding methodology of Plan benefits are stipulated in Plan provisions. Prior to fiscal year 2019, Death Benefit was funded by the employer on an expected annual payments plus reserves basis. The Plan was amended to change the Death Benefit funding policy for valuation period beginning July 1, 2019 and thereafter. Employer contributions shall be determined annually on the basis of Entry Age Actuarial Cost Method and amortizing the resulting unfunded liability or surplus identified in each year in equal dollar amounts over the subsequent fifteen year period.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 – RISKS AND UNCERTAINTIES

The WPERP 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 fiduciary net position. Department 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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate it have had an adverse impact on the economies and financial markets of many countries, including the United States. Financial markets have rebounded since 2020, yet the pandemic still remains a real threat in many parts of the globe.

It is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, WPERP's Management believes that the financial impact, if any, will not materially affect the June 30, 2021 Funds' financial statements.

NOTE 11 – SUBSEQUENT EVENTS

The WPERP has evaluated subsequent events through November 12, 2021, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Unaudited)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	\$ 275,365,595	\$ 263,472,814	\$ 243,262,953	\$ 228,621,066	\$ 217,276,778	\$ 209,832,859	\$ 214,735,027	\$ 193,661,118	\$ 189,950,104
Interest	1,008,129,964	963,032,210	952,071,733	913,798,415	887,133,571	837,977,383	821,047,664	779,396,615	748,904,919
Change of benefit terms	-	-	-	(59,019,242)	-	-	(144,007,904)	-	-
Differences between expected and actual experience	(62,310,517)	62,540,626	17,806,843	10,253,750	(196,176,749)	(189,461,173)	(162,912,927)	(154,221,968)	(98,062,638)
Change of assumptions	-	-	8,835,790	-	-	722,927,661	-	525,443,921	-
Benefit payments, including refund of member contributions	(677,717,014)	(635,652,595)	(597,563,566)	(563,212,525)	(540,361,335)	(510,484,986)	(485,966,910)	(463,596,940)	(438,527,366)
Net change in total pension liability	543,468,028	653,393,055	624,413,753	530,441,464	367,872,265	1,070,791,744	242,894,950	880,682,746	402,265,019
Total pension liability - beginning	14,465,357,848	13,811,964,793	13,187,551,040	12,657,109,576	12,289,237,311	11,218,445,567	10,975,550,617	10,094,867,871	9,692,602,852
Total pension liability - ending	<u>\$ 15,008,825,876</u>	<u>\$ 14,465,357,848</u>	<u>\$ 13,811,964,793</u>	<u>\$ 13,187,551,040</u>	<u>\$ 12,657,109,576</u>	<u>\$ 12,289,237,311</u>	<u>\$ 11,218,445,567</u>	<u>\$ 10,975,550,617</u>	<u>\$ 10,094,867,871</u>
Fiduciary net position									
Contributions - employer, including administrative expenses	\$ 385,071,467	\$ 427,655,268	\$ 416,180,197	\$ 439,298,444	\$ 397,747,778	\$ 368,259,056	\$ 382,231,868	\$ 389,138,324	\$ 372,819,194
Contributions - employees	122,316,256	120,299,327	104,741,925	93,659,240	83,239,105	75,068,523	68,552,375	72,299,526	69,633,449
Net investment income	3,489,200,333	459,024,099	791,832,113	998,777,227	1,280,806,288	95,807,981	410,778,109	1,405,686,199	919,679,147
Benefit payments, including refund of member contribution	(677,717,014)	(635,652,595)	(597,563,566)	(563,212,525)	(540,361,335)	(510,484,986)	(485,966,910)	(463,596,941)	(438,527,366)
Administrative expense	(5,115,182)	(4,705,004)	(5,188,931)	(5,336,458)	(5,375,229)	(5,108,115)	(4,612,476)	(4,221,234)	(3,736,871)
Net change in fiduciary net position	3,313,755,860	366,621,095	710,001,738	963,185,928	1,216,056,607	23,542,459	370,982,966	1,399,305,874	919,867,553
Fiduciary net position - beginning	13,353,708,096	12,987,087,001	12,277,085,263	11,313,899,335	10,097,842,728	10,074,300,269	9,703,317,303	8,304,011,429	7,384,143,876
Fiduciary net position - ending	<u>\$ 16,667,463,956</u>	<u>\$ 13,353,708,096</u>	<u>\$ 12,987,087,001</u>	<u>\$ 12,277,085,263</u>	<u>\$ 11,313,899,335</u>	<u>\$ 10,097,842,728</u>	<u>\$ 10,074,300,269</u>	<u>\$ 9,703,317,303</u>	<u>\$ 8,304,011,429</u>
Net pension liability	<u>\$ (1,658,638,080)</u>	<u>\$ 1,111,649,752</u>	<u>\$ 824,877,792</u>	<u>\$ 910,465,777</u>	<u>\$ 1,343,210,241</u>	<u>\$ 2,191,394,583</u>	<u>\$ 1,144,145,298</u>	<u>\$ 1,272,233,314</u>	<u>\$ 1,790,856,442</u>
Fiduciary net position as % of total pension liability	111.05%	92.32%	94.03%	93.10%	89.39%	82.17%	89.80%	88.41%	82.26%
Covered employee payroll	\$ 1,121,883,556	\$ 1,130,066,414	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196	\$ 861,818,854	\$ 839,213,254	\$ 819,923,866	\$ 817,421,028
Net pension liability as % of covered employee payroll	-147.84%	98.37%	80.22%	95.47%	150.53%	254.28%	136.34%	155.16%	219.09%

Note to Schedule:

This schedule is presented for those years for which information is available.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Plan Year Ended June 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contribution as Percentage of Covered Payroll
2021	\$ 373,374,390	\$ 378,990,511	\$ (5,616,121)	\$ 1,121,883,556	33.78%
2020	424,375,428	422,017,394	2,358,034	1,130,066,141	37.34%
2019	408,750,192	410,165,124	(1,414,932)	1,028,212,002	39.89%
2018	425,512,236	433,412,569	(7,900,333)	953,635,670	45.45%
2017	403,780,319	391,717,359	12,062,960	892,332,196	43.90%
2016	368,599,924	362,359,894	6,240,030	861,818,854	42.05%
2015	387,464,759	376,902,022	10,562,737	839,213,254	44.91%
2014	387,823,989	384,265,892	3,558,097	819,923,866	46.87%
2013	376,667,610	368,426,348	8,241,262	817,421,028	45.07%
2012	336,874,865	321,688,919	15,185,946	805,607,436	39.93%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2004 Unfunded Actuarial Accrued Liability is amortized over a fifteen-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate fifteen-year periods effective with that valuation. All amortization amounts are determined in equal dollar amounts over the amortization period. The Board may, by resolution, adopt a separate period of not more than thirty years to amortize the change in Surplus or Unfunded Actuarial Accrued Liability resulting from an unusual event, plan amendment or change in assumptions or methods.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized returns is equal to the difference between the actual market return and the expected return on a market value basis, and is recognized over a five-year period. Prior to the July 1, 2020 valuation, as directed by the Retirement Office, the actuarial valuation of assets may be reduced by an amount classified as a non-valuation reserve.
Other information	All members hired on or after January 1, 2014 enter Tier 2.
Actuarial assumptions:	
Investment rate of return	7.00%
Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%
Cost of living adjustments	2.75% (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1, 2.00% maximum for Tier 2)
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality Table (separate tables for males and females) times 105% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.
Other assumptions	Same as those used in the July 1, 2021 funding actuarial valuation

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT FUND
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	26.40%	3.56%	6.50%	8.89%	12.79%	0.96%	4.27%	17.05%

Note to schedule:

This schedule is presented for the year for which information is available.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS FUND**

**SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
(Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability						
Service cost	\$ 48,226,344	\$ 52,963,965	\$ 46,187,613	\$ 49,190,698	\$ 49,295,168	\$ 38,342,912
Interest	173,866,595	187,719,658	178,690,352	170,306,670	169,518,251	146,596,915
Change of benefit terms	-	-	-	(285,566)	-	-
Differences between expected and actual experience	(27,834,317)	(288,180,293)	(40,431,700)	(6,956,314)	(44,553,945)	87,184,567
Change of assumptions	(5,917,751)	(36,324,788)	131,290,346	4,798,880	(70,508,237)	185,583,627
Benefit payments	<u>(109,282,435)</u>	<u>(109,401,181)</u>	<u>(101,594,970)</u>	<u>(95,233,622)</u>	<u>(90,310,419)</u>	<u>(79,895,671)</u>
Net change in total OPEB liability	79,058,436	(193,222,639)	214,141,641	121,820,746	13,440,818	377,812,350
Total OPEB liability - beginning	<u>2,490,223,379</u>	<u>2,683,446,018</u>	<u>2,469,304,377</u>	<u>2,347,483,631</u>	<u>2,334,042,813</u>	<u>1,956,230,463</u>
Total OPEB liability - ending	<u>\$ 2,569,281,815</u>	<u>\$ 2,490,223,379</u>	<u>\$ 2,683,446,018</u>	<u>\$ 2,469,304,377</u>	<u>\$ 2,347,483,631</u>	<u>\$ 2,334,042,813</u>
Fiduciary net position						
Contributions - employer, including administrative expenses	\$ 110,261,019	\$ 110,444,724	\$ 102,631,460	\$ 95,918,712	\$ 91,023,926	\$ 80,606,726
Net investment income	614,234,046	83,021,344	134,706,591	173,674,359	218,835,834	14,462,876
Benefit payments	(109,282,435)	(109,401,181)	(101,594,970)	(95,233,622)	(90,310,419)	(79,895,671)
Administrative expense	<u>(820,432)</u>	<u>(887,299)</u>	<u>(882,725)</u>	<u>(548,907)</u>	<u>(585,352)</u>	<u>(578,174)</u>
Net change in fiduciary net position	614,392,198	83,177,588	134,860,356	173,810,542	218,963,989	14,595,757
Fiduciary net position - beginning	<u>2,303,729,022</u>	<u>2,220,551,434</u>	<u>2,085,691,078</u>	<u>1,911,880,536</u>	<u>1,692,916,547</u>	<u>1,678,320,790</u>
Fiduciary net position - ending	<u>\$ 2,918,121,220</u>	<u>\$ 2,303,729,022</u>	<u>\$ 2,220,551,434</u>	<u>\$ 2,085,691,078</u>	<u>\$ 1,911,880,536</u>	<u>\$ 1,692,916,547</u>
Net OPEB liability	<u>\$ (348,839,405)</u>	<u>\$ 186,494,357</u>	<u>\$ 462,894,584</u>	<u>\$ 383,613,299</u>	<u>\$ 435,603,095</u>	<u>\$ 641,126,266</u>
Fiduciary net position as % of total OPEB liability	113.58%	92.51%	82.75%	84.46%	81.44%	72.53%
Covered employee payroll	\$ 1,121,883,556	\$ 1,130,066,141	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196	\$ 861,818,854
Net OPEB liability as % of covered employee payroll	-31.09%	16.50%	45.02%	40.23%	48.82%	74.39%

Note to Schedule:

This schedule is presented for those years for which information is available.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

<u>Plan Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage of Covered Payroll</u>
2021	\$ 63,164,899	\$ 109,282,435	\$ (46,117,536)	\$ 1,121,883,556	9.74%
2020	95,375,489	109,401,181	(14,025,692)	1,130,066,141	9.68%
2019	80,850,687	101,594,970	(20,744,283)	1,028,212,002	9.88%
2018	85,339,091	95,233,622	(9,894,531)	953,635,670	9.99%
2017	93,920,143	90,310,419	3,609,724	892,332,196	10.12%
2016	61,971,138	79,895,671	(17,924,533)	861,818,854	9.27%
2015	70,748,429	78,496,618	(7,748,189)	839,213,254	9.35%
2014	58,453,215	74,105,548	(15,652,333)	819,923,866	9.04%
2013	36,907,715	67,562,881	(30,655,166)	817,421,028	8.27%
2012	40,094,940	101,720,586	(61,625,646)	805,607,436	12.63%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age, Level Percent of Pay
Amortization method	Single Closed amortization period, level percent of pay; 14 years remaining as of June 30, 2021 and 15 years remaining as of June 30, 2020
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	7.00%, net of investment expense
Inflation rate	2.75%
Projected salary increases	4.50% to 10.25%
Healthcare cost trend rates:	
Non-Medicare medical plan	7.50%, graded down to an ultimate of 4.50% over 12 years
Medicare medical plans	6.50%, graded down to an ultimate of 4.50% over 8 years
Dental	4.00%
Medicare Part B	4.50%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS FUND
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	26.65%	3.74%	6.46%	9.08%	12.92%

Note to schedule:

This schedule is presented for the year for which information is available.

EXHIBIT VII

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
SCHEDULE OF CHANGES IN NET OTHER POST EMPLOYMENT BENEFIT LIABILITY
AND RELATED RATIOS
(Unaudited)**

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 5,040,195	\$ 4,716,844	\$ 4,779,848	\$ 3,875,903	\$ 3,656,610
Interest	4,677,912	4,725,458	5,058,685	5,140,912	5,095,026
Change of benefit terms	-	-	-	90,905	-
Differences between expected and actual experience	828,147	(2,040,143)	485,084	(4,443,689)	125,381
Change of assumptions	-	-	(11,703,994)	-	-
Benefit payments	(10,245,251)	(7,922,692)	(8,232,053)	(7,602,577)	(7,968,010)
Net change in total OPEB liability	301,003	(520,533)	(9,612,430)	(2,938,546)	909,007
Total OPEB liability - beginning	133,737,063	134,257,596	143,870,026	146,808,572	145,899,565
Total OPEB liability - ending	<u>\$ 134,038,066</u>	<u>\$ 133,737,063</u>	<u>\$ 134,257,596</u>	<u>\$ 143,870,026</u>	<u>\$ 146,808,572</u>
Fiduciary net position					
Contributions - employer, including administrative expenses	\$ 14,522,798	\$ 14,908,884	\$ 8,777,581	\$ 8,101,199	\$ 8,206,607
Contributions - employees	373,989	384,893	358,073	346,931	336,630
Net investment income	343,631	2,793,526	2,292,799	(119,894)	(56,662)
Benefit payments	(10,245,251)	(7,922,692)	(8,232,053)	(7,602,577)	(7,968,010)
Administrative expense	(1,621,742)	(1,606,529)	(1,599,880)	(1,099,573)	(1,119,190)
Net change in fiduciary net position	3,373,425	8,558,082	1,596,520	(373,914)	(600,625)
Fiduciary net position - beginning	37,364,822	28,806,740	27,210,220	27,584,134	28,184,759
Fiduciary net position - ending	<u>\$ 40,738,247</u>	<u>\$ 37,364,822</u>	<u>\$ 28,806,740</u>	<u>\$ 27,210,220</u>	<u>\$ 27,584,134</u>
Net OPEB liability	<u>\$ 93,299,819</u>	<u>\$ 96,372,241</u>	<u>\$ 105,450,856</u>	<u>\$ 116,659,806</u>	<u>\$ 119,224,438</u>
Fiduciary net position as % of total OPEB liability	30.39%	27.94%	21.46%	18.91%	18.79%
Covered employee payroll	\$ 1,121,883,556	\$ 1,130,066,141	\$ 1,028,212,002	\$ 953,635,670	\$ 892,332,196
Net OPEB liability as % of covered employee payroll	8.32%	8.53%	10.26%	12.23%	13.36%

Note to Schedule:

This schedule is presented for those years for which information is available.

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

<u>Plan Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as Percentage of Covered Payroll</u>
2021	\$ 12,565,096	\$ 12,898,727	\$ (333,631)	\$ 1,121,883,556	1.15%
2020	13,334,780	13,299,775	35,005	1,130,066,141	1.18%
2019	7,259,955	7,259,955	-	1,028,212,002	0.71%
2018	7,137,211	7,137,211	-	953,635,670	0.75%
2017	7,137,953	7,137,953	-	892,332,196	0.80%
2016	7,206,780	7,206,780	-	861,818,854	0.84%

Note to schedule:

This schedule is presented for the years for which information is available.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
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 and expected returns on a market value basis and is recognized over a five-year period. Prior to the July 1, 2020 valuation, as directed by the Retirement Office, the actuarial value of assets was reduced by 1% as an amount classified as a non-valuation reserve to develop the net actuarial value of assets.
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2019 Unfunded Actuarial Accrued Liability is amortized over a fifteen-year period commencing July 1, 2019 (fully amortized as of July 1, 2034). Any subsequent changes in Surplus or Unfunded Actuarial Accrued Liability are amortized over separate fifteen-year periods. All amortization amounts are determined in equal dollar amounts over the amortization period. The Board may, by resolution, adopt a separate period of not more than thirty years to amortize the change in Surplus or Unfunded Actuarial Accrued Liability resulting from an unusual event, plan amendment or change in assumptions or methods.
Actuarial assumptions:	
Investment rate of return	3.50%, net of investment expense
Inflation rate	2.75%
Projected salary increase	4.50% to 10.25%

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

REQUIRED SUPPLEMENTARY INFORMATION
DEATH BENEFIT FUND
SCHEDULE OF INVESTMENT RETURNS
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.82%	8.33%	7.56%	-0.39%	-0.18%

Note to schedule:

This schedule is presented for the year for which information is available.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES
For the Years Ended June 30, 2021 and 2020
(Unaudited)**

	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, 2019	\$ 1,589,580,981	\$ 100,960,676	\$ (2,944,483,044)	\$ (187,607,702)	\$ (1,441,549,089)	\$ 1,753,563,838	\$ 312,014,749	\$ 7,853,587,428
Contributions received	50,953,309	375,549,451	-	-	426,502,760	120,299,327	546,802,087	-
Contributions refunded	(4,485,366)	-	-	-	(4,485,366)	(6,800,458)	(11,285,824)	-
Net Contributions	46,467,943	375,549,451	-	-	422,017,394	113,498,869	535,516,263	-
Transfers from contribution accounts for retiring members	(206,412,563)	(92,536,783)	(192,714,760)	(25,949,872)	(517,613,978)	(212,971,450)	(730,585,428)	730,585,428
Retirement allowances paid	-	-	-	-	-	-	-	(628,852,137)
Interest at 7.00% per annum	106,849,379	16,470,991	(210,700,408)	(13,730,724)	(101,110,762)	120,227,596	19,116,834	547,079,895
Balance at June 30, 2020	1,536,485,740	400,444,335	(3,347,898,212)	(227,288,298)	(1,638,256,435)	1,774,318,853	136,062,418	8,502,400,614
Contributions received	47,302,778	334,930,114	-	-	382,232,892	122,316,256	504,549,148	-
Contributions refunded	(3,242,381)	-	-	-	(3,242,381)	(6,439,360)	(9,681,741)	-
Net Contributions	44,060,397	334,930,114	-	-	378,990,511	115,876,896	494,867,407	-
Transfers from contribution accounts for retiring members	(147,537,717)	(102,800,208)	(140,757,048)	(18,350,728)	\$ (409,445,701)	(151,507,049)	(560,952,750)	560,952,750
Retirement allowances paid	-	-	-	-	-	-	-	(671,277,654)
Interest at 7.00% per annum	104,259,934	35,886,999	(238,061,670)	(16,376,751)	(114,291,488)	128,898,528	14,607,040	588,528,533
Balance at June 30, 2021	\$ 1,537,268,354	\$ 668,461,240	\$ (3,726,716,930)	\$ (262,015,777)	\$ (1,783,003,113)	\$ 1,867,587,228	\$ 84,584,115	\$ 8,980,604,243

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
SUPPLEMENTARY INFORMATION**

**DEATH BENEFIT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR
FAMILY ALLOWANCES
For the Years Ended June 30, 2021 and 2020**

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2019	<u>\$ 6,555,938</u>	<u>\$ 488,641</u>	<u>\$ 7,044,579</u>	<u>\$ 4,289,423</u>
Contributions received	113,329	-	113,329	-
Transfers to estimated liability for family allowances from contribution accounts for member deceased during the year	-	-	-	-
Transfer to/from general reserve	-	(488,641)	(488,641)	12,901
Family allowances paid	-	-	-	(554,424)
Interest transferred from general reserve at 3.5% per annum	<u>235,019</u>	<u>-</u>	<u>235,019</u>	<u>143,207</u>
Balances at June 30, 2020	<u>\$ 6,904,286</u>	<u>\$ -</u>	<u>\$ 6,904,286</u>	<u>\$ 3,891,107</u>
Contributions received	109,338	-	109,338	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	(197,467)	-	(197,467)	197,467
Transfer to/from general reserve	-	-	-	319,560
Family allowances paid	-	-	-	(566,072)
Interest transferred from general reserve at 3.5% per annum	<u>244,985</u>	<u>-</u>	<u>244,985</u>	<u>136,723</u>
Balances at June 30, 2021	<u>✓ \$ 7,061,142</u>	<u>\$ -</u>	<u>\$ 7,061,142</u>	<u>\$ 3,978,785</u>

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT PLAN
SUPPLEMENTARY INFORMATION**

**RETIREMENT FUND
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPES
June 30, 2021**

Revenues by Source

Fiscal Year	Members' Contributions	Department Contributions*	Investment Income**	Total
2021	\$ 122,316,256	\$ 388,313,848	\$ 244,732,292	\$ 755,362,396
2020	\$ 120,299,327	\$ 432,140,635	\$ 243,186,601	\$ 795,626,563
2019	\$ 104,741,925	\$ 419,702,724	\$ 257,334,361	\$ 781,779,010
2018	\$ 93,659,240	\$ 442,535,901	\$ 223,611,026	\$ 759,806,167
2017	\$ 83,239,105	\$ 401,127,290	\$ 208,617,806	\$ 692,984,201
2016	\$ 75,068,523	\$ 371,845,053	\$ 184,829,756	\$ 631,743,332
2015	\$ 68,552,375	\$ 386,286,580	\$ 175,987,770	\$ 630,826,725
2014	\$ 72,299,526	\$ 394,811,381	\$ 191,737,068	\$ 658,847,975
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

Expenses by Type

Fiscal Year	Benefits	Administrative Expenses***	Refunds****	Total
2021	\$ 671,277,654	\$ 69,934,969	\$ 9,681,741	\$ 750,894,364
2020	\$ 628,852,137	\$ 59,985,183	\$ 11,285,824	\$ 700,123,144
2019	\$ 591,461,776	\$ 54,438,930	\$ 9,624,317	\$ 655,525,023
2018	\$ 558,900,946	\$ 48,293,515	\$ 7,549,036	\$ 614,743,497
2017	\$ 535,914,984	\$ 40,643,556	\$ 7,825,863	\$ 584,384,403
2016	\$ 505,591,726	\$ 33,807,268	\$ 8,479,257	\$ 547,878,251
2015	\$ 480,465,024	\$ 35,470,631	\$ 9,556,598	\$ 525,492,253
2014	\$ 457,558,214	\$ 32,227,775	\$ 11,711,783	\$ 501,497,772
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

* Represents Department contributions before Current Service 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 Current Service contributions.