

DWP BOARD OF ADMINISTRATION
Retirement Board

Ex-Officio/Appointed Members



Marcie L. Edwards
General Manager



Mel Levine
Commissioner



Mario C. Ignacio
Chief Accounting
Employee



Timothy Hemming
Appointed
Retired Member

Elected Members



Javier Romero
President



Barry Poole
Vice-President



LaTanya Bogin
Member

Published 03/2016

**WATER and POWER EMPLOYEES'
RETIREMENT, DISABILITY and
DEATH BENEFIT INSURANCE
PLAN**



**SUMMARY
ANNUAL
REPORT
JUNE 30, 2015**

Retirement Plan Office
111 N Hope St.—Room 357
Los Angeles, CA 90012

Phone: (213) 367-1712
(800) 367-7164

E-Mail: RETIRE@LADWP.COM

Website: RETIREMENT.LADWP.COM

To All DWP Retirement Plan Members:

The Summary Annual Report as of June 30, 2015 is submitted in conformity with Section III C (4) of the Retirement Plan provisions. A complete financial report, audited by Simpson & Simpson, CPAs, is posted on the Retirement Plan Office website at retirement.ladwp.com.

The financial markets for fiscal year 2014-15 grew at a slower pace compared to the previous fiscal year. The investment returns were 4.28% for the Retirement Fund and 4.09% for the Retiree Health Benefits Fund. Market values were \$10.07 billion and \$1.68 billion for the Retirement Fund, and Retiree Health Benefits Fund, respectively.

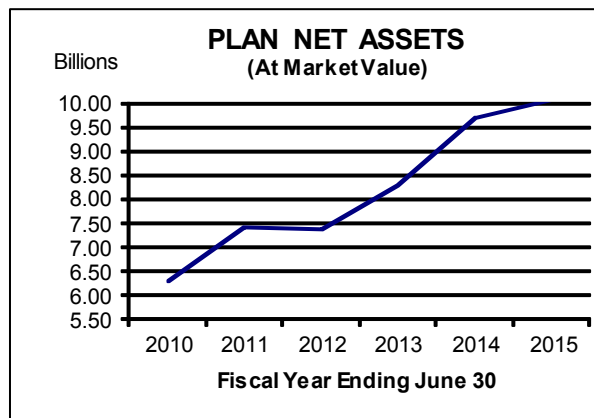
Pension plan assets are professionally managed and invested in well-diversified asset classes to manage risk while seeking to achieve long-term investment goals.

The Department's contribution to the Retirement Plan will decrease to 42.77% of payroll from the previous rate of 50.62% in accordance with the annual Actuarial Valuation, as of July 1, 2015.

The Retirement Board and Staff remain committed to their mission of providing responsive and efficient service through responsible administration of the Plan and prudent management of its assets.

Javier Romero
President
Retirement Board

Linda P. Le
Retirement Plan Manager



RETIREMENT PLAN OFFICE STAFF

Linda P. Le
Retirement Plan Manager

Mary C. Higgins
Assistant Retirement Plan Manager

Monette Carranceja
Assistant Retirement Plan Manager

Jeremy Wolfson
Chief Investment Officer

William Feng
Chief Accountant

LEGAL COUNSEL
City Attorney's Office

Alan Manning
James C. Napier

SERVICE PROVIDERS
As of June 30, 2015

| | |
|---|--|
| ACTUARY The Segal Consulting | INVESTMENT CONSULTANTS Courtland Partners Pension Consulting Alliance, Inc. RVK Inc. |
| AUDITOR Simpson & Simpson, CPAs | COUNSEL Nossaman, LLP |
| CUSTODIAN BANK Northern Trust | |

PROXY SERVICE PROVIDER
Glass, Lewis & Co., LLC

INVESTMENT MANAGERS

| | |
|----------------------------------|----------------------------------|
| Almanac Realty Investors, LLC | Invesco Ltd. |
| Angelo, Gordon & Co. | JP Morgan |
| Apollo Global Management LLC | Landmark Partners |
| Ares Management LLC | Lexington Partners |
| Audax Group | Lone Star Funds |
| BlackRock | Loomis Sayles & Company |
| Blackstone Real Estate Partners | Los Angeles Capital Management |
| Bristol Group, Inc. | Mesa West Capital |
| Capital Dynamics, Inc. | MFS Investment Management |
| CB Richard Ellis Investors, LLC | Morgan Stanley |
| Clayton, Dubilier & Rice LLC | Oaktree Capital Management, LP |
| Crestview Partners | PCCP, LLC |
| Dimensional Fund Advisors | Prologis Inc. |
| DRA Advisors, LLC | Prudential Financial |
| Earnest Partners, LLC | Pyramis Global Advisors |
| EnCap Investments L.P. | Silver Lake Technology |
| Fisher Lynch Capital | T. Rowe Price |
| Fred Alger Management, Inc. | Torchlight Investors LLC |
| Frontier Capital Management | Vista Equity Partners |
| GAM Fund Management | Vontobel Asset Management, Inc. |
| Gateway Investment Advisers, LLC | Wells Capital Management |
| Hancock | Western Asset Management Company |
| Heitman | |

**STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION**

| <u>Retirement Fund</u> | 2015 | 2014 |
|--------------------------------------|------------------|---------------|
| Net Position– Beginning of Year | \$9,703,317,303 | 8,304,011,429 |
| Members' Contribution | 68,552,375 | 72,299,526 |
| Department Contribution Towards | | |
| Benefits (Net of Reversions) | 376,902,022 | 384,265,892 |
| Administration Expenses | 5,329,846 | 4,872,432 |
| Total Contributions | \$450,784,243 | 461,437,850 |
| Total Investment Income ¹ | 441,354,393 | 1,433,270,573 |
| (Less Securities Lending Expenses) | (557,142) | (560,646) |
| (Less Investment Expenses) | (30,858,155) | (28,006,541) |
| Net Investment Income | \$409,939,096 | 1,404,703,386 |
| Other Income | 839,013 | 982,812 |
| Total Additions | \$861,562,352 | 1,867,124,048 |
| Retirement Benefits Paid | 480,465,024 | 457,558,214 |
| Refund of Members' Contribution | 5,501,886 | 6,038,726 |
| Administrative Expenses | 4,612,476 | 4,221,234 |
| Total Deductions | \$490,579,386 | 467,818,174 |
| Net Increase in Plan Net Position | 370,982,966 | 1,399,305,874 |
| Net Position - End of Year | \$10,074,300,269 | 9,703,317,303 |

| <u>Disability Fund</u> | | |
|-------------------------------|--------------|------------|
| Members' Contribution | \$441,580 | 441,670 |
| Department Contribution | 15,944,461 | 14,692,961 |
| Total Contributions | \$16,386,041 | 15,134,631 |
| Benefits Provided | | |
| Temporary Disability | 12,655,916 | 13,707,175 |
| Extended Temporary Disability | 502,729 | 463,946 |
| Permanent Total Disability | 1,840,316 | 1,883,397 |
| Supplemental Disability | 1,615,714 | 1,491,158 |
| Total Benefits Paid | \$16,614,675 | 17,545,676 |

| <u>Death Benefit Fund</u> | | |
|---------------------------|-------------|-----------|
| Members' Contribution | \$318,367 | 317,687 |
| Department Contribution | 7,970,089 | 7,929,199 |
| Total Contributions | \$8,288,456 | 8,246,886 |
| Benefits Paid | | |
| Death Benefit | \$6,899,271 | 7,141,427 |
| Family Allowances | 548,834 | 502,216 |
| Total Benefits Paid | \$7,448,105 | 7,643,643 |

| <u>Retiree Health Benefits Fund</u> | | |
|--|---------------|-------------|
| Department Contributions | \$79,160,430 | 74,714,782 |
| Net Investment Income ² | 66,051,754 | 234,219,581 |
| Total Additions | \$145,212,184 | 308,934,363 |
| Retiree Health Benefits Paid (Insurance Premiums) | \$78,496,618 | 74,105,548 |

WATER AND POWER EMPLOYEES' RETIREMENT,
DISABILITY, AND DEATH BENEFIT INSURANCE PLAN

**SUMMARY ANNUAL REPORT
JUNE 30, 2015**

ANNUAL ACTIVITY

| <u>Active Membership</u> | 2015 | 2014 |
|--------------------------------|-------------|-------------|
| Number of Contributing Members | 9,363 | 9,129 |
| Number of Contracts | | |
| to Purchase Service Credit | 1,469 | 1,383 |
| Number of New Members | 1,047 | 808 |
| Number of Withdrawals of Funds | 30 | 26 |
| Average Age | 48.9 | 49.3 |
| Average Years of Service | 17.6 | 18.3 |

| <u>Disability Related</u> | | |
|--|-------|-------|
| Number of Temporary Disability Claims | 1,092 | 1,139 |
| Number of Temporary Disability Claims per 1000 Employees | 116.6 | 124.8 |
| Number Paid Worker's Compensation Supplement | 240 | 252 |
| Number on PTD | 58 | 60 |

| <u>Retirees</u> | | |
|---|-------|-------|
| Number of Retirees | 6,746 | 6,670 |
| Number of Surviving Spouses & Beneficiaries | 1,698 | 1,706 |
| Number Who Retired During the Fiscal Year | 354 | 363 |
| Average Age | 73.2 | 73.2 |

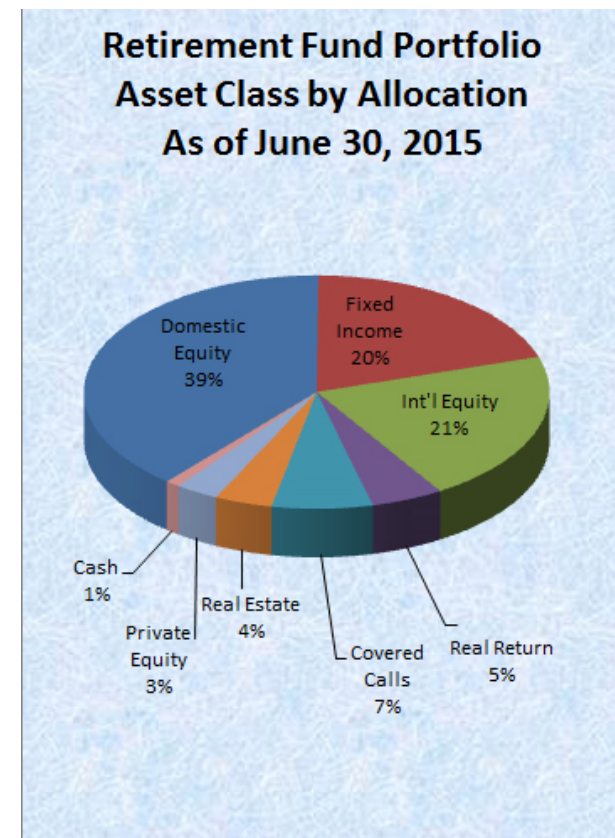
| <u>Death Benefit Related</u> | | |
|---|-----|-----|
| Number of Deaths | | |
| Active members | 17 | 24 |
| Retirees | 285 | 229 |
| Number Receiving Monthly Survivorship | 283 | 288 |
| Number of Family Allowances | 64 | 67 |
| Number of Children on Family Death Benefit Roll | 77 | 75 |

ACTUARIAL BALANCE SHEET

| <u>Assets</u> | June 30, 2015 | June 30, 2014 |
|--|----------------------|----------------------|
| Total Actuarial Value of Assets | \$9,750,343,300 | 8,877,594,529 |
| Present Value of Future Contributions by Members | 606,397,067 | 552,188,620 |
| Present Value of Future Department Contributions for | | |
| a. Normal Cost | 1,386,650,708 | 1,457,792,278 |
| b. Unfunded Actuarial Accrued Liability | 1,468,102,267 | 2,097,956,088 |
| Total Current and Future Assets | \$13,211,493,342 | 12,985,531,515 |
| <u>Liabilities</u> | | |
| Present Value of Benefits Retirees & Beneficiaries | \$5,895,471,562 | 5,627,272,200 |
| Present Value of Benefits Terminated Vested Members | 200,526,239 | 202,818,491 |
| Present Value of Benefits Active Members | 7,115,495,541 | 7,155,440,824 |
| Total Liabilities | \$13,211,493,342 | 12,985,531,515 |

**RETIREMENT FUND
PORTFOLIO PERFORMANCE**
(Fiscal Year Ended June 30, 2015)

| <u>Asset Class vs. Benchmarks</u> | 1YR (%) | 3YR (%) | 5YR (%) |
|-----------------------------------|----------------|----------------|----------------|
| <i>Total Retirement Fund</i> | 4.50 | 11.43 | 10.67 |
| Policy Benchmark | 3.50 | 10.62 | 10.58 |
| <i>Domestic Equity</i> | 8.83 | 19.32 | 17.99 |
| Russell 3000 | 7.29 | 17.73 | 17.54 |
| <i>International Equity</i> | (2.26) | 11.60 | 8.26 |
| MSCI ACWI ex-US IMI (Blend) | (4.97) | 9.80 | 8.00 |
| <i>Fixed Income</i> | 2.70 | 3.25 | 4.85 |
| BC Universal | 1.61 | 2.33 | 3.81 |
| <i>Real Estate</i> | 15.82 | 15.29 | 16.72 |
| NCREIF + 50bps | 13.26 | 11.86 | 12.99 |
| <i>Real Return</i> | (0.33) | 0.52 | 2.88 |
| CPI + 3% | 2.93 | 4.14 | 4.73 |
| <i>Private Equity</i> | 16.13 | 15.45 | 15.82 |
| Private Equity Blend | 15.17 | 19.37 | 23.52 |
| <i>Covered Calls</i> | 5.44 | 8.44 | N/A |
| BXM | 3.64 | 7.59 | N/A |
| <i>Cash</i> | 0.77 | 0.50 | 0.52 |
| Citigroup T-Bills | 0.02 | 0.06 | 0.08 |



**RETIREMENT FUND PORTFOLIO
ASSET ALLOCATION¹**
(As of June 30, 2015)

| <u>Asset Class</u> | <u>Market Value (\$ Million)</u> | <u>Current Allocation (%)</u> | <u>Target Allocation (%)</u> |
|------------------------------|----------------------------------|-------------------------------|------------------------------|
| Domestic Equity | 3,926 | 39 | 33 |
| Fixed Income | 1,965 | 20 | 24 |
| International Equity | 2,149 | 21 | 21 |
| Real Return | 534 | 5 | 6 |
| Covered Calls | 701 | 7 | 5 |
| Real Estate | 393 | 4 | 5 |
| Private Equity | 248 | 3 | 5 |
| Cash | 109 | 1 | 1 |
| Total Retirement Fund | \$10,025 | 100 | 100 |

¹ Source: Northern Trust

¹ Includes Fair Market Value Net Appreciation of \$264,809,481 for 2015 and Appreciation of \$1,240,972,860 for 2014.
² Includes Fair Market Value Net Appreciation of \$42,571,388 for 2015 and Appreciation of \$208,396,566 for 2014.