

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 02/2017

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



**SUMMARY
ANNUAL
REPORT
JUNE 30, 2016**

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

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(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, 2016 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 2015-16 grew at a slower pace compared to the previous fiscal year. The investment returns were 1.01% for the Retirement Fund and 0.87% for the Retiree Health Benefits Fund. Market values were \$10.10 billion and \$1.69 billion for the Retirement Fund, and Retiree Health Benefits Fund, respectively.

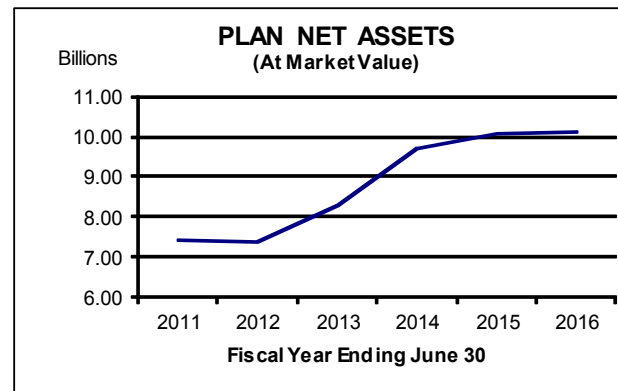
Pension plan assets are professionally managed and invested in well-diversified asset classes to manage risk while seeking to achieve long-term investment goals.

The Department's contribution to the Retirement Plan will increase to 45.25% of payroll from the previous rate of 42.77% in accordance with the annual Actuarial Valuation, as of July 1, 2016, reflecting a two year phase-in impact of the new actuarial assumptions.

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

Katie Zordilla (Interim)
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, 2016

ACTUARY The Segal Consulting	COUNSEL Nossaman, LLP Ice Miller, LLP
AUDITOR Simpson & Simpson, CPAs	PROXY SERVICE PROVIDER Glass, Lewis & Co., LLC
CUSTODIAN BANK Northern Trust	TRANSACTION COST ANALYSIS PROVIDER Zeno Consulting Group, LLC
INVESTMENT CONSULTANTS Courtland Partners Pension Consulting Alliance, LLC RVK, Inc.	COMMISSION RECAPTURE Russell Investments Implementations Services, LLC
INVESTMENT MANAGERS	
Almanac Realty Investors, LLP Angelo Gordon & Co. Apollo Global Management, LLC Ares Management, LLC Audax Group BlackRock The Blackstone Group Bristol Group, Inc. Capital Dynamics CB Richard Ellis Global Investors Clayton, Dubilier & Rice, Inc. Crestview Partners Delaware Investments Dimensional Fund Advisors DRA Advisors, LLC Earnest Partners, LLC Emerald Advisors, Inc. EnCap Investments Fidelity Asset Management Fisher Lynch Capital Fred Alger Management, Inc. GAM USA Inc. Hancock Timber Resource Group Harrison Street Heitman Invesco Real Estate	Invesco National Trust Company J.P. Morgan Jamestown Landmark Partners, Inc. Lexington Partners, Inc. Lone Star Real Estate Management Los Angeles Capital Management & Equity Research, Inc. Mesa West Capital MFS Institutional Advisors, Inc. Molpus Woodland Group Morgan Stanley AIP Neuberger Berman Oaktree Capital Management, LLC Pacific Asset Management PCCP, LLC PGIM Real Estate Prologis, Inc. Silver Lake Partners Torchlight Investors, LLC T. Rowe Price Vista Equity Partners Vontobel Asset Management, Inc. Wells Capital Management Western Asset Management Company

**STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION**

<u>Retirement Fund</u>	<u>2016</u>	<u>2015</u>
Net Position- Beginning of Year	\$10,074,300,269	9,703,317,303
Members' Contribution	75,068,523	68,552,375
Department Contribution Towards		
Benefits (Net of Reversions)	362,359,894	376,902,022
Administration Expenses	5,899,162	5,329,846
Total Contributions	\$443,327,579	450,784,243
Total Investment Income ¹	123,645,647	441,354,393
(Less Securities Lending Expenses)	(1,291,836)	(557,142)
(Less Investment Expenses)	(28,699,153)	(30,858,155)
Net Investment Income	\$93,654,658	409,939,096
Other Income	2,153,323	839,013
Total Additions	\$539,135,560	861,562,352
Retirement Benefits Paid	505,591,726	480,465,024
Refund of Members' Contribution	4,893,260	5,501,886
Administrative Expenses	5,108,115	4,612,476
Total Deductions	\$515,593,101	490,579,386
Net Increase in Plan Net Position	23,542,459	370,982,966
Net Position - End of Year	\$10,097,842,728	10,074,300,269

<u>Disability Fund</u>		
Members' Contribution	\$458,316	441,580
Department Contribution	17,066,832	15,944,461
Total Contributions	\$17,525,148	16,386,041
Benefits Provided		
Temporary Disability	12,235,381	12,655,916
Extended Temporary Disability	379,035	502,729
Permanent Total Disability	1,734,775	1,840,316
Supplemental Disability	1,595,611	1,615,714
Total Benefits Paid	\$15,944,802	16,614,675

<u>Death Benefit Fund</u>		
Members' Contribution	\$326,185	318,367
Department Contribution	8,229,494	7,970,089
Total Contributions	\$8,555,679	8,288,456
Benefits Paid		
Death Benefit	\$7,023,426	6,899,271
Family Allowances	495,378	548,834
Total Benefits Paid	\$7,518,804	7,448,105

<u>Retiree Health Benefits Fund</u>		
Department Contributions	\$80,606,726	79,160,430
Net Investment Income ²	14,462,876	66,051,754
Total Additions	\$95,069,602	145,212,184
Retiree Health Benefits Paid (Insurance Premiums)	\$79,895,671	78,496,618

¹ Includes Fair Market Value Net Depreciation of \$62,475,946 for 2016 and Appreciation of \$264,809,481 for 2015.
² Includes Fair Market Value Net Depreciation of \$10,364,748 for 2016 and Appreciation of \$42,571,388 for 2015.

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

**SUMMARY ANNUAL REPORT
JUNE 30, 2016**

ANNUAL ACTIVITY

<u>Active Membership</u>	<u>2016</u>	<u>2015</u>
Number of Contributing Members	9,308	9,363
Tier 1	7,571	
Tier 2	1,737	
Number of Contracts to Purchase Service Credit	1,437	1,469
Number of New Members	1,160	1,047
Number of Withdrawals of Funds	10	30
Average Age	48.0	48.9
Average Years of Service	16.3	17.6

<u>Disability Related</u>		
Number of Temporary Disability Claims	1,090	1,092
Number of Temporary Disability Claims per 1000 Employees	116.0	116.6
Number Paid Worker's Compensation Supplement	221	240
Number on PTD	52	58

<u>Retirees</u>		
Number of Retirees	7,102	6,746
Number of Surviving Spouses & Beneficiaries	1,703	1,698
Number Who Retired During the Fiscal Year	608	354
Average Age	72.8	73.2

<u>Death Benefit Related</u>		
Number of Deaths		
Active members	23	17
Retirees	243	285
Number Receiving Monthly Survivorship	283	283
Number of Family Allowances	60	64
Number of Children on Family Death Benefit Roll	68	77

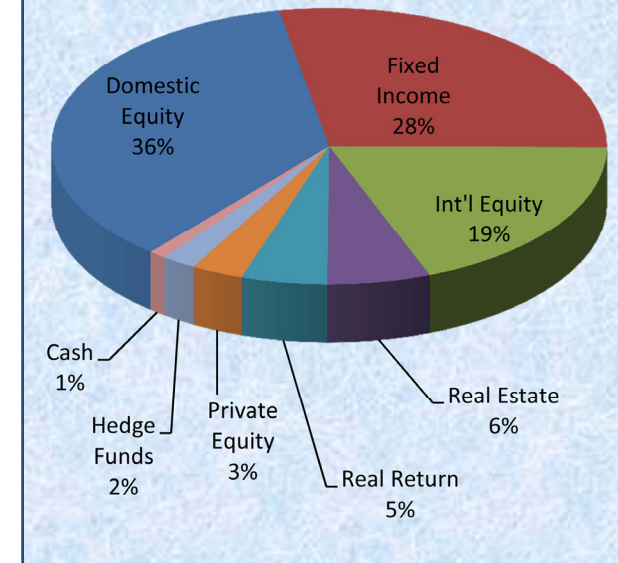
ACTUARIAL BALANCE SHEET

<u>Assets</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total Actuarial Value of Assets	\$10,344,355,801	9,750,343,300
Present Value of Future Contributions by Members	662,202,464	606,397,067
Present Value of Future Department Contributions for		
a. Normal Cost	1,506,219,599	1,386,650,708
b. Unfunded Actuarial Accrued Liability	1,944,873,200	1,468,102,267
Total Current and Future Assets	\$14,457,651,064	13,211,493,342
<u>Liabilities</u>		
Present Value of Benefits Retirees & Beneficiaries	\$6,841,312,150	5,895,471,562
Present Value of Benefits Terminated Vested Members	209,589,957	200,526,239
Present Value of Benefits Active Members	7,406,748,957	7,115,495,541
Total Liabilities	\$14,457,651,064	13,211,493,342

**RETIREMENT FUND
PORTFOLIO PERFORMANCE**
(Fiscal Year Ended June 30, 2016)

<u>Asset Class vs. Benchmarks</u>	<u>1YR (%)</u>	<u>3YR (%)</u>	<u>5YR (%)</u>
<i>Total Retirement Fund</i>	1.20	7.46	7.05
<i>Policy Benchmark</i>	1.12	7.01	6.99
<i>Domestic Equity</i>	1.17	11.79	11.77
<i>Russell 3000</i>	2.14	11.13	11.60
<i>International Equity</i>	(4.62)	3.97	2.07
<i>MSCI ACWI ex-US IMI (Blend)</i>	(9.61)	1.65	0.39
<i>Fixed Income</i>	4.33	4.18	4.42
<i>BC Universal</i>	5.05	3.94	3.86
<i>Real Estate</i>	12.48	13.45	13.99
<i>NCREIF + 50bps</i>	12.38	12.44	12.27
<i>Real Return</i>	5.45	2.56	2.98
<i>CPI + 3%</i>	4.10	4.04	4.24
<i>Private Equity</i>	1.72	10.92	10.75
<i>Private Equity Blend</i>	2.65	14.09	19.85
<i>Hedge Funds</i>	(4.26)	1.46	2.64
<i>T-Bills + 3%</i>	3.16	3.08	3.08
<i>Cash</i>	1.09	0.75	0.61
<i>ML T-Bills</i>	0.19	0.09	0.09

**Retirement Fund Portfolio
Asset Class by Allocation
As of June 30, 2016**



**RETIREMENT FUND PORTFOLIO
ASSET ALLOCATION¹**
(As of June 30, 2016)

<u>Asset Class</u>	<u>Market Value (\$ Million)</u>	<u>Current Allocation (%)</u>	<u>Target Allocation (%)</u>
Domestic Equity	3,639	36	34.25
Fixed Income	2,887	28	28.75
International Equity	1,888	19	19.00
Real Estate	563	6	5.00
Real Return	522	5	5.00
Private Equity	301	3	5.00
Hedge Funds	163	2	2.00
Cash	86	1	1.00
Total Retirement Fund	\$10,049	100	100.00

¹ Source: Northern Trust