

**The Water and Power Employees' Retirement Plan of the City  
of Los Angeles**

*Actuarial Valuation and Review  
as of July 1, 2002*

**Copyright © 2002**

**THE SEGAL GROUP, INC.,  
THE PARENT OF THE SEGAL COMPANY  
ALL RIGHTS RESERVED**



The Segal Company  
120 Montgomery Street, Suite 500 San Francisco, CA 94104  
T 415.263.8200 F 415.263.8290 www.segalco.com

*December 10, 2002*

*Board of Administration*

*The Water and Power Employees' Retirement Plan of the City of Los Angeles*

*111 North Hope Street*

*Los Angeles, California 90012*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of July 1, 2002. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2002 and analyzes the preceding year's experience.*

*The census and financial information on which our calculations were based was prepared by the Retirement Office. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, MAAA.*

*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*gzk*

*By:*

*Paul Angelo  
Vice President and Actuary*

*John Monroe, MAAA  
Associate Actuary*

## SECTION 1

### VALUATION SUMMARY

Purpose.....	i
Significant Issues in Valuation Year .....	i
Summary of Key Valuation Results .....	iii

## SECTION 2

### VALUATION RESULTS

A. Member Data.....	1
B. Financial Information .....	4
C. Actuarial Experience .....	7
D. Recommended Contribution..	12
E. Information Required by the GASB .....	15

## SECTION 3

### SUPPLEMENTARY INFORMATION

EXHIBIT A Table of Plan Coverage .....	16
EXHIBIT B Members in Active Service During Year Ended June 30, 2002 .....	17
EXHIBIT C Reconciliation of Member Data.....	18
EXHIBIT D Summary Statement of Income and Expenses .....	19
EXHIBIT E Table of Financial Information .....	20
EXHIBIT F Development of the Fund Through June 30, 2002 .....	21
EXHIBIT G Development of Unfunded Actuarial Accrued Liability .....	22
EXHIBIT H Table of Amortization Bases .....	23
EXHIBIT I Section 415 Limitations.....	24
EXHIBIT J Definitions of Pension Terms .....	25
EXHIBIT K Actuarial Balance Sheet.....	27
EXHIBIT L Projected Contribution and Reserve Accounts .....	28
EXHIBIT M Adjusted Reserves .....	29

## SECTION 4

### REPORTING INFORMATION

EXHIBIT I Summary of Actuarial Valuation Results.....	30
EXHIBIT II Supplementary Information Required by the GASB – Schedule of Employer Contributions .....	32
EXHIBIT III Supplementary Information Required by the GASB – Schedule of Funding Progress.....	33
EXHIBIT IV Supplementary Information Required by the GASB .....	34
EXHIBIT V Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27.....	35
EXHIBIT VI Actuarial Assumptions and Actuarial Cost Method.....	36
EXHIBIT VII Summary of Plan Provisions.....	40

## SECTION 1: Valuation Summary for The Water and Power Employees' Retirement Plan of the City of Los Angeles

---

### **Purpose**

This report has been prepared by The Segal Company to present a valuation of The Water and Power Employees' Retirement Plan of the City of Los Angeles as of July 1, 2002. The valuation was performed to determine if the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board,
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of March 31, 2002, provided by the Board;
- The assets of the Plan as of June 30, 2002, provided by the Retirement Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### **Significant Issues in Valuation Year**

- The actuarial value of assets earned a return of approximately 3.4% for the June 30, 2001 to June 30, 2002 Plan Year. This resulted in an actuarial loss of \$265 million when measured against the assumed rate of return of 8.0%.
- The salaries for continuing actives increased by 4.4% from the rate in effect on March 31, 2001 to the rate in effect on March 31, 2002. Since this increase is smaller than the assumed rate of 5.5%, the plan experienced an actuarial gain from salary increases. This gain amounted to \$15.2 million for the current year.
- The required contribution rate is now equal to the Plan's normal cost offset by the amortization credit since this number is now larger than the mandatory 110% matching of the employee contribution. The required contribution for the 2003-2004 year is estimated to be \$41.4 million or 8.7% of pay.
- The asset reserve (i.e., the difference between the market value of assets and the actuarial value of assets) decreased by \$443.0 million during the year from \$323.9 million in 2001 to -\$119.1 in 2002. Under the asset method used in the actuarial valuation, this asset reserve will be recognized over the next four years. Once recognized, the -\$119.1 million reserve will increase the required contribution by 2.80% of pay.

**SECTION 1: Valuation Summary for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

- The Plan was amended to provide a purchasing power protection cost of living adjustment (Ad-hoc COLA) to certain retired members and their survivors. The Plan was also amended to extend the unreduced 50/30 early retirement window until September 30, 2005, increase the benefit accrual factor from 2.1% of Monthly Salary Base to 2.3% for those age 55 or older with 30 or more years of service, increase the maximum benefit limit from 95% to 100% of Monthly Salary Base, and base the pre-retirement death benefit on Option D factors instead of Option B factors. These plan changes increased the Plan's required contribution by 5.86% of pay.
- An experience study was conducted over the period July 1, 1996 through June 30, 2001. The study recommended changes in retirement rates, mortality rates (pre-retirement and disability), and turnover rates. These changes in actuarial assumptions are first reflected in this valuation and decreased the Plan's required contribution by .44% of pay.
- The results shown in this valuation do not take into account any post June 30, 2002 declines in the Plan's assets. To get a sense of the sensitivity of the recommended contributions to the actuarial value of assets, if the current year's actuarial value of assets were 10% lower, the recommended contribution of \$41.4 million (8.7% of pay) would have increased by \$65.1 million (13.6% of pay) to \$106.5 million (22.3% of pay).

**SECTION 1: Valuation Summary for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Summary of Key Valuation Results**

	2002	2001
<b>Contributions for plan year beginning July 1:</b>		
Recommended	\$41,416,662	\$26,317,260
Percentage of payroll	8.66%	5.84%
Actual	--	27,241,801
<b>Funding elements for plan year beginning July 1:</b>		
Net Normal cost	\$52,443,017	\$47,941,025
Market value of assets	5,671,141,200	6,157,205,512
Actuarial value of assets	5,790,262,948	5,833,274,582
Actuarial accrued liability	5,714,524,649	5,306,262,736
Unfunded/(Overfunded) actuarial accrued liability	-75,738,299	-527,011,846
Present value of accrued benefit – FASB 35	4,700,062,140	4,448,476,216
<b>GASB 25/27 for plan year beginning July 1:</b>		
Annual required contributions	\$48,330,336	\$6,132,578
Actual contributions	--	27,241,801
Percentage contributed	--	444.21%
Funded ratio	101.33%	109.93%
Covered payroll	430,397,884	403,265,472
<b>Demographic data for plan year beginning July 1:</b>		
Number of retired members and beneficiaries	9,353	9,576
Number of vested former members	1,426	1,415
Number of active members	7,403	7,250
Total compensation	\$478,280,925	\$450,390,169
Projected average compensation	64,606	62,123
Net total employee contributions*	25,776,423	24,814,812

\* Estimate by Retirement Office

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**A. MEMBER DATA**

The Actuarial Valuation and Review considers the number and demographics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

*A historical perspective of how the participant population has changed over the past six valuations can be seen in this chart.*

**CHART 1**  
**Participant Population: 1997 – 2002**

<b>Year Ended June 30</b>	<b>Active Members</b>	<b>Vested Terminated Members</b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
1997	8,695	1,111	8,399	1.09
1998	8,345	1,184	8,213	1.13
1999	6,518	1,450	9,967	1.75
2000	6,807	1,387	9,749	1.64
2001	7,250	1,415	9,576	1.52
2002	7,403	1,426	9,353	1.46

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Active Members**

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there are 7,403 active members with an average age of 46.0, average years of service of 16.0 years and average compensation of \$64,606. The 7,250 active members in the prior valuation had an average age of 45.8, average service of 15.6 years and average compensation of \$62,123.

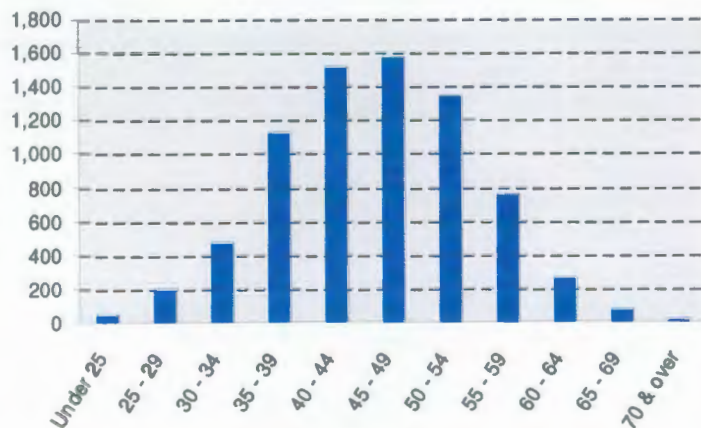
**Inactive Participants**

In this year's valuation, there were 1,426 members with a vested right to a deferred or immediate vested monthly benefit or entitled to a return of their employee contributions.

*These graphs show a distribution of active members by age and by years of service.*

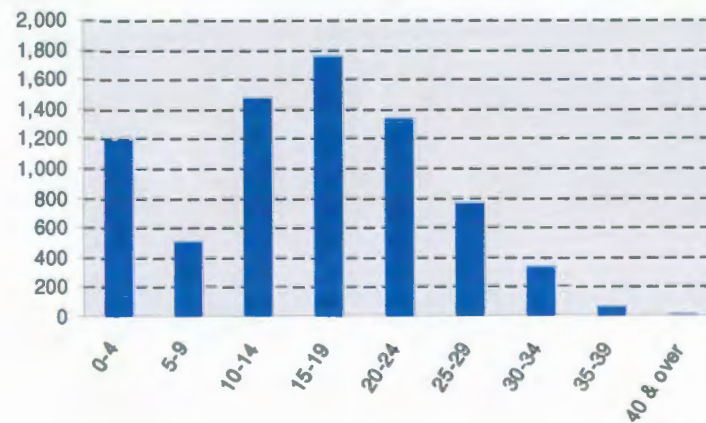
**CHART 2**

**Distribution of Active Members by Age as of June 30, 2002**



**CHART 3**

**Distribution of Active Members by Years of Service as of June 30, 2002**





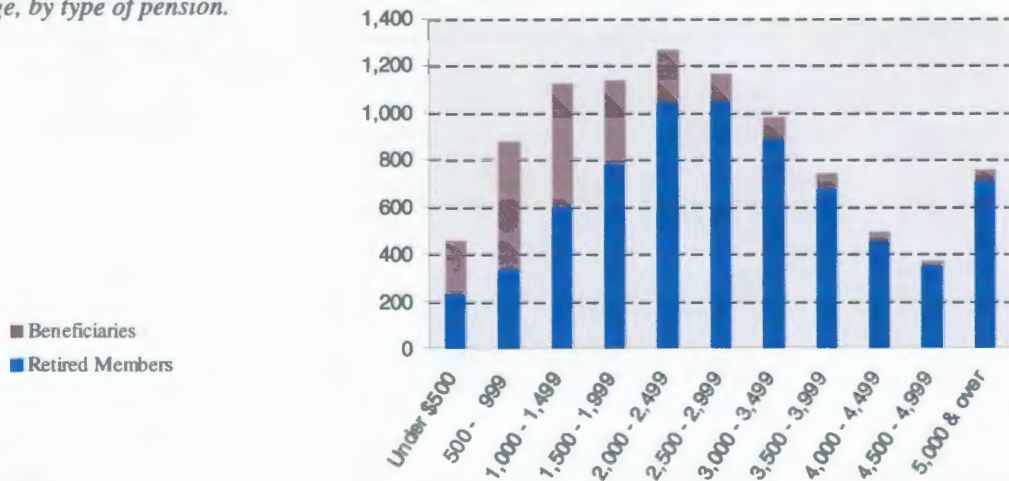
**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Retired Members and Beneficiaries**

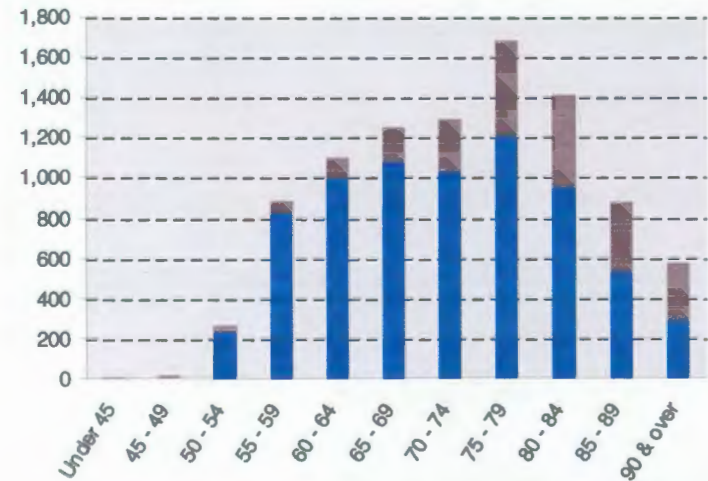
As of June 30, 2002, 7,102 retired members and 2,251 beneficiaries were receiving total monthly benefits of \$24,830,909. For comparison, in the previous valuation, there were 7,315 retired members and 2,261 beneficiaries receiving monthly benefits of \$23,584,347.

*These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.*

**CHART 4**  
**Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2002**



**CHART 5**  
**Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2002**



**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

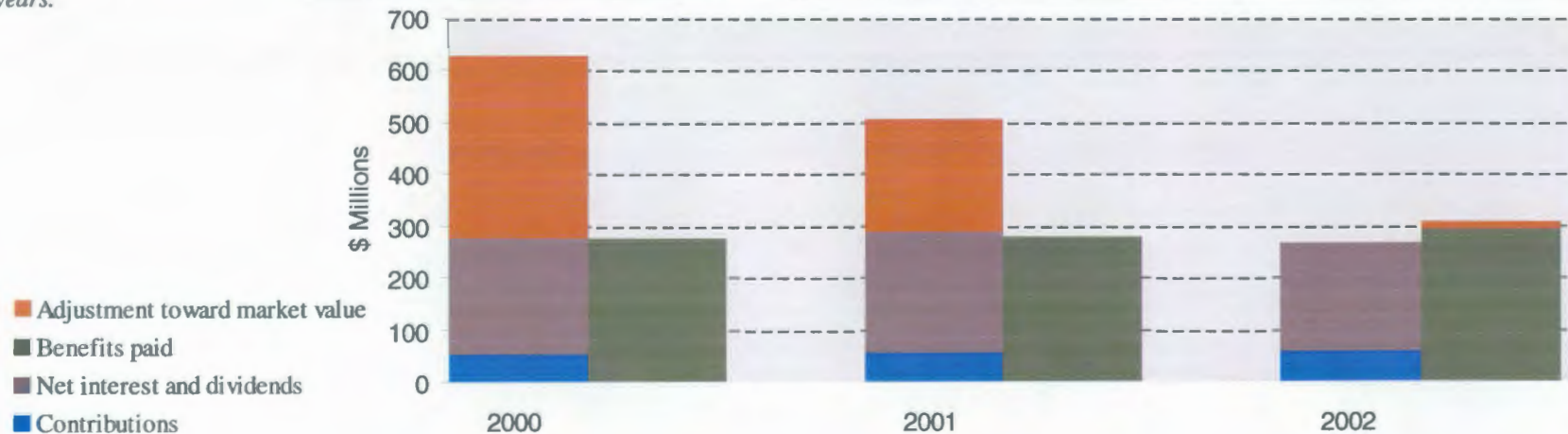
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

*The chart depicts the components of changes in the actuarial value of assets over the last three years.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2000 – 2002**



**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

---

**CHART 7**

**Determination of Actuarial Value of Assets for Year Ended June 30, 2002**

---

(1)	Book value of total fund	\$3,612,064,661
(2)	Book value of equities	1,351,311,431
(3)	Reserve for investment losses	5,548,684
(4)	General reserve	<u>125,891,883</u>
(5)	Actuarial value of assets for nonequities: (1) – (2) – (3) – (4)	\$2,129,312,663
(6)	Market value of equities, June 30, 2002	\$3,269,832,081
(7)	.75 x 2002 change in unrealized gains (-\$472,597,658)	(354,448,244)
(8)	.50 x 2001 change in unrealized gains (\$69,584,484)	34,792,242
(9)	.25 x 2000 change in unrealized gains (-\$285,848,808)	<u>(71,462,202)</u>
(10)	Actuarial value of equities, June 30, 2002: (6) – (7) – (8) – (9)	\$3,660,950,285
(11)	Total actuarial value of assets: (5) + (10)	<u>\$5,790,262,948</u>
(12)	Total market value of assets	\$5,671,141,200
(13)	Actuarial value as a percentage of market value ((11)/(12):	102.10%

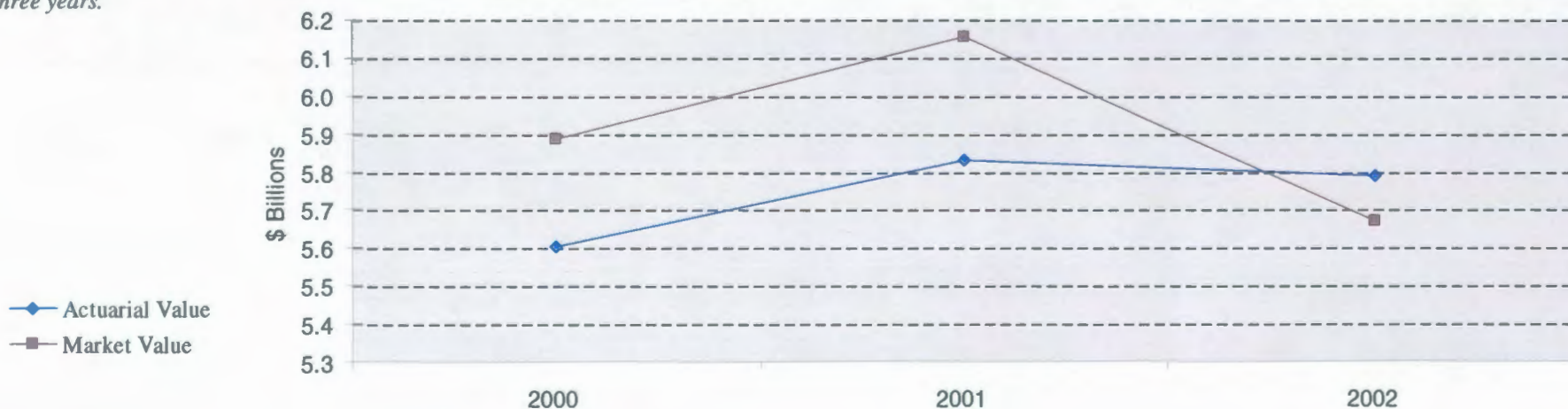
**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

Both the actuarial value and market value of assets are representations of the LADWP's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the LADWP's liabilities are compared to its assets to determine any unfunded liabilities or surplus assets. Amortization of the unfunded liability (or surplus) is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past three years.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets for Years Ended June 30, 2000 – 2002**



**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The components of the total loss (\$262,230,553) are shown below. The net experience variation from individual sources other than investments was 0.1% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

---

**CHART 9**

**Actuarial Experience for Year Ended June 30, 2002**

---

1. Net gain/(loss) from investments*	-\$265,262,500
2. Net gain/(loss) from salaries	15,188,067
3. Net gain/(loss) from other experience	<u>-12,156,120</u>
4. Net experience gain/(loss): (1) + (2) + (3)	<u>-\$262,230,553</u>

---

*\* Details in Chart 10*

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the LADWP's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rate of return for the 2002 plan year was 3.36%.

Since the actual return for the year was less than the assumed return, the LADWP experienced an actuarial loss during the year ended June 30, 2002 with regard to its investments.

*This chart shows the gain/(loss) due to investment experience.*

**CHART 10**  
**Investment Experience for Year Ended**

	<b>June 30, 2002</b>
1. Actual return	\$191,999,040
2. Average value of assets	5,715,769,245
3. Actual rate of return: (1) ÷ (2)	3.36%
4. Assumed rate of return	8.00%
5. Expected return: (2) x (4)	457,261,540
6. Actuarial gain/(loss): (1) - (5)	<u>-\$265,262,500</u>

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last three years.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2000 - 2002**

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2000	\$222,306,427	4.32%	\$351,743,541	6.84%	\$574,049,968	11.22%	\$22,463,396	0.39%
2001	232,814,492	4.24	217,489,958	3.96	450,304,450	8.20	492,327,362	8.52
2002	206,326,546	3.61	-14,327,506	-0.25	191,999,040	3.36	-251,053,638	-4.16
Total	\$661,447,465		\$554,905,993		\$1,216,353,458		\$263,737,120	

*Note: Each year's yield is weighted by the average asset value in that year.*

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

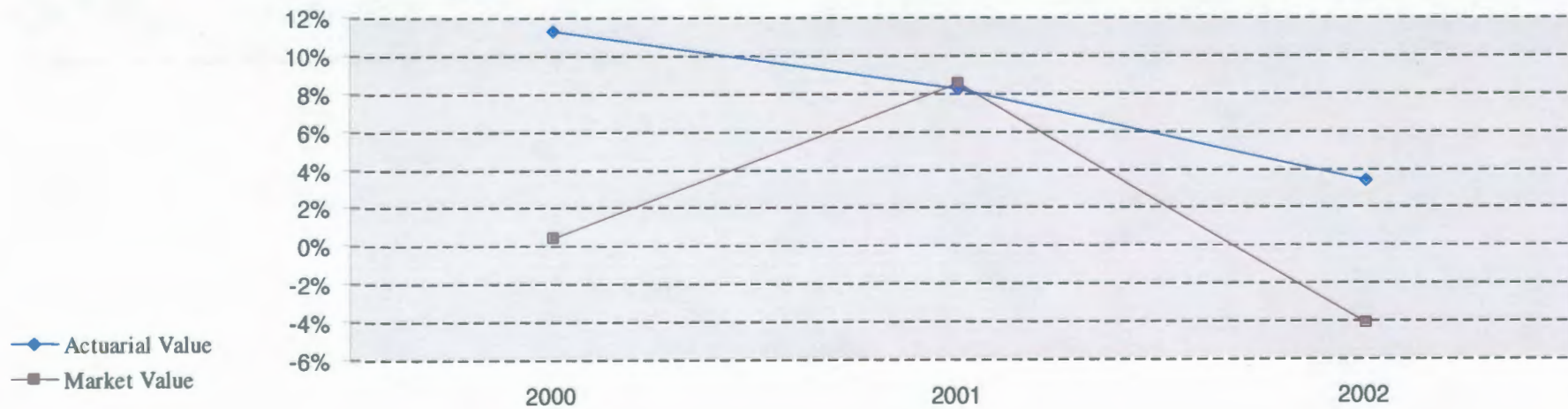
---

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

*This chart illustrates how this leveling effect has actually worked over the years 2000 - 2002 .*

**CHART 12**

**Market and Actuarial Rates of Return for Years Ended June 30, 2000 - 2002**





**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2002 amounted to \$3,031,947 which is 0.1% of the actuarial accrued liability.

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**D. RECOMMENDED CONTRIBUTION**

The recommended Department contribution is made up of (a) normal cost and (b) amortization of the unfunded or overfunded actuarial accrued liability. The Plan is said to be fully funded when the assets exceed the actuarial accrued liability. The Department is now funding the normal cost as a percentage of pay offset by the dollar amount of the amortization credit. The Plan has a surplus as of June 30, 2002 which is amortized over various periods. This produces an amortization credit of \$12,619,304 for actuarial surplus this year. This amortization credit is not large enough to fully offset the Department's normal cost.

The total expected contributions to the plan are \$41,416,662 (8.66% of payroll) which is the normal cost offset by the amortization credit.

The Department's contribution rate increased as a percentage of pay. This was primarily the result of the investment return being less than assumed and the plan amendments that were adopted.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 13**  
**Recommended Contribution**

	Year Beginning July 1			
	2002		2001	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$78,756,217	16.47%	\$71,865,807	15.96%
2. Expected employee contributions	<u>-26,313,200</u>	<u>-5.50%</u>	<u>-23,924,782</u>	<u>-5.31%</u>
3. Employer normal cost: (1) + (2)	52,443,017	10.97%	47,941,025	10.64%
4. Actuarial accrued liability	5,714,524,649		5,306,262,736	
5. Actuarial value of assets	<u>5,790,262,948</u>		<u>5,833,274,582</u>	
6. Unfunded/(overfunded) actuarial accrued liability: (4) - (5)	-75,738,299		-527,011,846	
7. Amortization of projected unfunded/(overfunded) actuarial accrued liability	-12,619,304	-2.64%	-61,456,739	-13.65%
8. Total required contribution: (3) + (7), adjusted for timing*	<u>41,416,662</u>	<u>8.66%</u>	<u>0</u>	<u>0.00%</u>
9. Employer match (110% of (2)).	28,944,520	6.05%	26,317,260	5.84%
10. Greater of employer match (9) or total required contribution (8)	<u>\$41,416,662</u>	8.66%	<u>\$26,317,260</u>	5.84%
11. Projected compensation	478,280,925		450,390,169	

\*Recommended contributions are assumed to be paid at the middle of every year

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

The contribution rates as of July 1, 2002 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**Reconciliation of Recommended Contribution**

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

**CHART 14**

**Reconciliation of Recommended Contribution from July 1, 2001 to July 1, 2002\***

<b>Recommended Contribution as of July 1, 2001**</b>	<b>(3.01%)</b>
Effect of Ad-hoc COLA	1.89%
Effect of negotiated benefit improvement package	3.97%
Effect of change in other actuarial assumptions	(0.44%)
Effect of contributions (more)/less than recommended contribution	(0.85%)
Effect of investment (gain)/loss	6.24%
Effect of other gains and losses on accrued liability	(0.07%)
Effect of net other changes	<u>0.93%</u>
<b>Total change</b>	<b><u>11.67%</u></b>
<b>Recommended Contribution as of July 1, 2002</b>	<b>8.66%</b>

\* Shown as a percentage of projected compensation.

\*\* Shown using the underlying negative rate for 2001 for illustration purposes.

**SECTION 2: Valuation Results for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**E. INFORMATION REQUIRED BY THE GASB**

Government Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

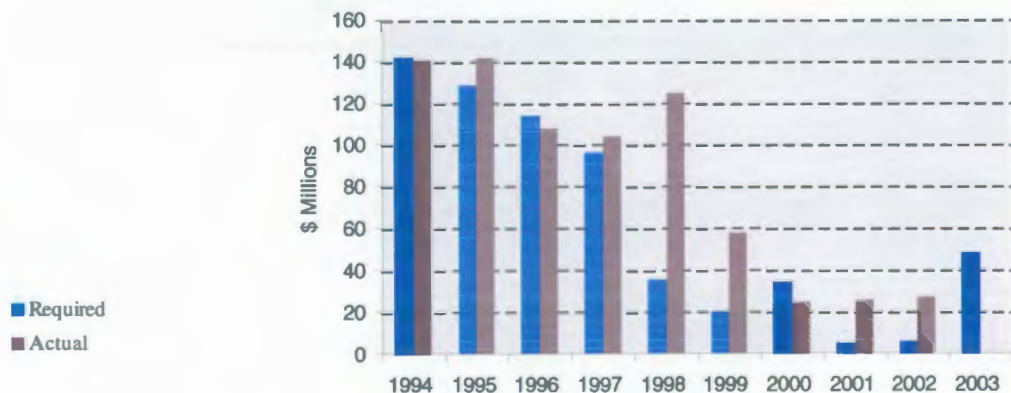
GASB requires a historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded in accordance with the GASB funding requirements. Chart 15 below presents a graphical representation of this information for the Plan.

The other piece of information required by GASB regarding the Plan's financial status is the funded ratio. This ratio compares the assets of the plan to the liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

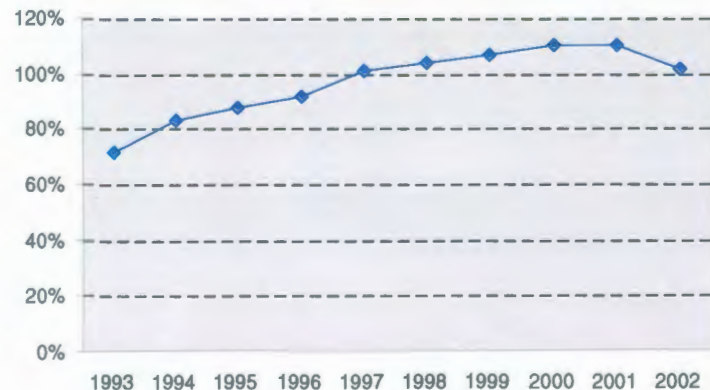
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**  
**Required Versus Actual Contributions**



**CHART 16**  
**Funded Ratio**



**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2002</b>	<b>2001</b>	
<b>Active members in valuation:</b>			
Number	7,403	7,250	2.1%
Average age	46.0	45.8	N/A
Average service	16.0	15.6	N/A
Projected total compensation	\$478,280,925	\$450,390,169	6.2%
Projected average compensation	64,606	62,123	4.0%
Account balances	430,831,401	384,099,012	12.2%
<b>Vested terminated members:</b>			
Number	1,426	1,415	0.8%
Average	46.6	45.6	N/A
Average member account balances	\$29,856	\$27,365	9.1%
<b>Retired members:</b>			
Number in pay status	7,102	7,315	-2.9%
Average age	71.5	71.0	N/A
Average monthly benefit	\$2,979	\$2,790	6.8%
<b>Beneficiaries:</b>			
Number in pay status	2,251	2,261	-0.4%
Average age	78.4	78.2	N/A
Average monthly benefit	\$1,631	\$1,405	16.1%

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT B**

**Members in Active Service During Year Ended June 30, 2002  
By Age, Years of Service, and Projected Average Compensation**

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	49	48	1	--	--	--	--	--	--	--
	44,748	44,694	47,361	--	--	--	--	--	--	--
25 - 29	196	180	14	2	--	--	--	--	--	--
	47,553	46,922	53,856	60,207	--	--	--	--	--	--
30 - 34	478	233	117	119	9	--	--	--	--	--
	55,649	49,652	61,925	60,923	59,584	--	--	--	--	--
35 - 39	1,131	247	133	461	276	13	1	--	--	--
	62,312	53,280	60,860	65,176	66,157	66,369	51,767	--	--	--
40 - 44	1,518	198	98	366	544	308	4	--	--	--
	64,887	52,762	63,427	62,741	68,940	68,335	80,431	--	--	--
45 - 49	1,569	133	68	233	420	504	196	15	--	--
	66,649	55,564	62,254	63,187	65,750	70,613	71,050	73,127	--	--
50 - 54	1,343	79	34	156	273	287	360	152	2	--
	67,325	60,703	62,536	60,859	64,657	67,353	69,910	77,017	73,258	--
55 - 59	758	48	22	82	143	156	152	118	35	2
	68,881	63,137	65,675	59,190	64,032	66,479	71,065	77,472	92,631	84,713
60 - 64	269	14	13	35	63	48	32	39	23	2
	67,434	79,123	63,463	57,271	60,887	61,713	71,395	71,994	91,226	106,852
65 - 69	72	8	3	12	18	10	12	4	4	1
	62,088	50,025	49,252	57,597	59,591	68,475	64,984	79,048	73,086	85,470
70 & over	20	1	--	3	4	4	2	3	--	3
	69,153	34,750	--	64,497	59,016	63,284	63,924	85,837	--	93,419
Total	7,403	1,189	503	1,469	1,750	1,330	759	331	64	8
	64,606	52,587	61,896	62,859	66,210	68,496	70,436	76,516	90,299	93,607

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT C**

**Reconciliation of Member Data**

	<b>Active Members</b>	<b>Vested Former Members</b>	<b>Pensioners</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2001	7,250	1,415	7,315	2,261	18,241
New members	512	N/A	N/A	N/A	512
Terminations – with vested rights	-98	98	0	0	0
Retirements	-49	-8	57	N/A	0
Died with beneficiary	-7	-1	-104	112	0
Died without beneficiary	0	0	-168	-134	-302
Rehired	28	-28	0	N/A	0
Data adjustments	-45	6	2	12	-25
Contribution refunds	<u>-188</u>	<u>-56</u>	<u>0</u>	<u>0</u>	<u>-244</u>
Number as of July 1, 2002	7,403	1,426	7,102	2,251	18,182



**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT D**

**Summary Statement of Income and Expenses**

	Year Ended June 30, 2002	Year Ended June 30, 2001
<b>Contribution income:</b>		
Employer contributions	\$27,241,801	\$25,763,218
Employee contributions	30,002,271	27,688,883
Other contributions	<u>2,214,752</u>	<u>2,406,582</u>
Contribution income	\$59,458,824	\$55,858,683
<b>Investment income:</b>		
Interest, dividends and other income	\$208,529,336	\$235,096,893
Adjustment toward market value	-14,327,506	217,489,958
Less investment and administrative fees	<u>-2,202,790</u>	<u>-2,282,401</u>
Net investment income	191,999,040	450,304,450
<b>Total income available for benefits</b>	<b>\$251,457,864</b>	<b>\$506,163,133</b>
<b>Less benefit payments:</b>		
Retirement benefits paid	-\$290,243,650	-\$275,870,558
Refund of members' contributions	<u>-4,225,848</u>	<u>-2,874,071</u>
Net benefit payments	-294,469,498	-278,744,629
<b>Change in reserve for future benefits</b>	<b>-\$43,011,634</b>	<b>\$227,418,504</b>

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT E**

**Table of Financial Information**

	Year Ended June 30, 2002	Year Ended June 30, 2001
Cash equivalents	\$145,357	\$235,579
Accounts receivable	\$48,130,552	\$49,742,687
<b>Investments:</b>		
Fixed income	1,704,489,657	1,801,005,564
Equities	3,269,832,081	3,623,361,493
Other assets	<u>1,050,025,772</u>	<u>1,168,069,912</u>
Total investments at market value	<u>6,024,347,510</u>	<u>6,592,436,969</u>
<b>Total assets</b>	<b>\$6,072,623,419</b>	<b>\$6,642,415,235</b>
<b>Less accounts payable:</b>		
Department of Water and Power	-\$4,298,142	-\$3,744,558
Accounts payable	-857,957	-904,578
Security lending - collateral	<u>-396,326,120</u>	<u>-480,560,587</u>
Total accounts payable	-401,482,219	-485,209,723
<b>Net assets at market value</b>	<b><u>\$5,671,141,200</u></b>	<b><u>\$6,157,205,512</u></b>
<b>Net assets at actuarial value</b>	<b><u>\$5,790,262,948</u></b>	<b><u>\$5,833,274,582</u></b>

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT F**

**Development of the Fund Through June 30, 2002**

<b>Year Ended June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Other Contributions</b>	<b>Net Investment Return*</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2000	\$26,128,536	\$24,426,465	\$2,561,645	\$574,049,968	\$275,403,607	\$5,605,856,078
2001	25,763,218	27,688,883	2,406,582	450,304,450	278,744,629	5,833,274,582
2002	27,241,801	30,002,271	2,214,752	191,999,040	294,469,498	5,790,262,948

*\* Net of investment and administration expenses*

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT G**

**Development of Unfunded Actuarial Accrued Liability**

	<b>Year Ended June 30, 2002</b>
1. Unfunded actuarial accrued liability at beginning of year	-\$527,011,846
2. Normal cost at beginning of year	71,865,807
3. Total contributions (employer and employee)	-59,458,824
4. Interest	
(a) For whole year on (1) + (2)	-\$36,411,683
(b) For half year on (3)	-2,378,353
(c) Total interest	<u>-38,790,036</u>
5. Expected unfunded actuarial accrued liability	-\$553,394,899
6. Changes due to:	
(a) (Gain)/Loss	\$262,230,553
(b) Assumptions	1,844,794
(c) Plan provisions	213,581,253
(d) Total changes	<u>477,656,600</u>
7. Unfunded actuarial accrued liability at end of year	<u><u>-\$75,738,299</u></u>

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT H**

**Table of Amortization Bases**

<b>Type*</b>	<b>Date Established</b>	<b>Initial Years</b>	<b>Initial Amount</b>	<b>Annual Payment*</b>	<b>Years Remaining</b>	<b>Outstanding Balance</b>
Initial base	07/01/2000	15	-522,896,000	-\$56,564,539	13.00	-\$482,839,315
Experience gain	07/01/2001	15	-23,373,868	-2,528,480	14.00	-22,513,019
Experience loss	07/01/2002	15	214,187,988	23,169,894	15.00	214,187,988
Change in assumptions	07/01/2002	15	1,844,794	199,561	15.00	1,844,794
Plan amendment	07/01/2002	15	213,581,253	<u>23,104,260</u>	15.00	<u>213,581,253</u>
Total				-\$12,619,304		-\$75,738,299

\* Level dollar amortizations.

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT I**

**Section 415 Limitations**

---

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit indexed for inflation. That limit is \$160,000 for 2002. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, form of benefits chosen and after tax contributions (if any).

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any question related to the Section 415 limitations.

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

---

**EXHIBIT J**

**Definitions of Pension Terms**

---

The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield which the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:**

The amount of contributions required to fund the level cost allocated to the current year of service.

**Actuarial Accrued Liability For Actives:**

The accumulated value of the normal costs allocated to the years before the valuation date.

**Actuarial Accrued Liability For Pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest it is expected to earn before it is entirely paid out in benefits.

**Unfunded (Overfunded) Actuarial Accrued Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to recognizing the unfunded or overfunded actuarial accrued liability, from interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**Amortization of the Unfunded (Overfunded)**

**Actuarial Accrued Liability:** Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

**Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.



**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT K**

**Actuarial Balance Sheet**

An overview of your Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future Department normal cost contributions, and the present value of future Department amortization payments or credits.

Actuarial Balance Sheet

Assets

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
1. Total actuarial value of assets	\$5,790,262,948	\$5,833,274,582
2. Present value of future contribution by members	261,959,093	247,305,813
3. Present value of future Department contributions for:		
(a) entry age normal cost	527,213,387	478,271,822
(b) unfunded actuarial accrued liability	(75,738,299)	(527,011,846)
4. Total current and future assets	\$6,503,697,129	\$6,031,840,371

Liabilities

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
5. Present value of benefits already granted:	\$3,469,318,055	\$3,385,192,912
6. Present value of benefits to be granted:	\$3,034,379,074	\$2,646,647,459
7. Total liabilities	\$6,503,697,129	\$6,031,840,371

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT L**

**Projected Contribution and Reserve Accounts**

---

	June 30, 2002	June 30, 2001
1. Reserve for retirement allowance for retired members	\$3,480,765,362	\$3,445,150,799
2. Contribution accounts:		
(a) members (excluding additional contributions)	495,968,903	443,189,695
(b) Department of Water and Power	(496,110,171)	(444,629,634)
3. Reserve for investment losses	5,548,684	5,541,524
4. General reserve	<u>125,891,883</u>	<u>202,418,917</u>
5. Total	<u>\$3,612,064,661</u>	<u>\$3,651,671,301</u>

**SECTION 3: Supplemental Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT M**

**Adjusted Reserves**

---

Each year the Retirement Board adjusts its retired reserves to agree with the value calculated during the valuation. The following table presents the required transfers.

<u>Adjusted Reserves</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
1. Retired reserve balance	\$3,480,765,362	\$3,445,150,799
2. Actuarially computed present value	3,469,318,055	3,385,192,912
3. Actuarial gain (loss): (1) - (2)	11,447,307	59,957,887
4. Transfer from (to) DWP contribution accounts from retired reserves:	(11,447,307)	(59,957,887)

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT I**

**Summary of Actuarial Valuation Results**

---

The valuation was made with respect to the following data supplied to us:

1. Pensioners as of the valuation date (including 2,251 beneficiaries in pay status)	9,353
2. Members inactive during year ended June 30, 2002 with vested rights	1,426
3. Members active during the year ended June 30, 2002	7,403

---

The actuarial factors as of the valuation date are as follows:

1. Normal cost	\$78,756,217
2. Present value of future benefits	6,503,697,129
3. Present value of future normal costs	789,172,479
4. Actuarial accrued liability	5,714,524,649
Pensioners and beneficiaries	\$3,469,318,055
Inactive participants with vested rights	89,407,195
Active participants	2,155,799,399
5. Actuarial value of assets (\$5,671,141,200 at market value)	5,790,262,948
6. Overfunded actuarial accrued liability	-\$75,738,299

---

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

---

The determination of the recommended contribution is as follows:

	<b>Dollar Amount</b>	<b>% of Payroll</b>
1. Total normal cost	\$78,756,217	16.47%
2. Expected employee contributions	-26,313,200	-5.50%
3. Employer normal cost: (1) + (2)	52,443,017	10.97%
4. Amortization of unfunded/(overfunded) actuarial accrued liability	-12,619,304	-2.64%
5. Total required contribution: (3)+(4), adjusted for timing	41,416,662	8.66%
6. Employer match (110% of (2))	28,944,520	6.05%
7. Greater of employer match (6) or total required contribution (5).	41,416,662	8.66%
8. Projected payroll	478,280,925	100.00%

---

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

---

<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
1994	\$142,367,363	\$141,039,702	99.1%
1995	128,600,024	141,225,839	109.8%
1996	113,839,086	107,839,613	94.7%
1997	96,210,507	103,836,661	107.9%
1998	35,516,124	124,470,502	350.5%
1999	20,198,833	57,458,271	284.5%
2000	34,578,361	24,426,465	70.6%
2001	5,378,281	25,763,218	479.0%
2002	6,132,578	27,241,801	444.2%
2003	48,330,336	--	--

---

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll* [(b) - (a) / (c)]</b>
07/01/1993	\$2,263,000,000	\$3,151,000,000	\$888,000,000	71.82%	\$464,000,000	191.38%
07/01/1994	2,756,000,000	3,309,000,000	553,000,000	83.29%	470,000,000	117.66%
07/01/1995	3,066,000,000	3,501,000,000	435,000,000	87.57%	469,000,000	92.75%
07/01/1996	3,399,925,821	3,698,581,230	298,655,409	91.93%	431,000,000	69.29%
07/01/1997	3,850,530,272	3,811,880,519	-38,649,753	101.01%	430,000,000	0.00%
07/01/1998	4,513,684,692	4,339,885,313	-173,799,379	104.00%	431,000,000	0.00%
07/01/1999	5,254,093,071	4,911,443,303	-342,649,768	106.98%	355,000,000	0.00%
07/01/2000	5,605,856,078	5,082,960,078	-522,896,000	110.29%	368,000,000	0.00%
07/01/2001	5,833,274,582	5,306,262,736	-527,011,846	109.93%	403,265,472	0.00%
07/01/2002	5,790,262,948	5,714,524,649	-75,738,299	101.33%	430,397,884	0.00%

\* Not less than zero

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**EXHIBIT IV**

**Supplementary Information Required by the GASB**

---

Valuation Date	July 1, 2002
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	
Remaining Amortization Period	The June 30, 2000 surplus Actuarial Accrued Liability is amortized over the fifteen-year period commencing July 1, 2000. Any subsequent changes in Actuarial Accrued Liability are amortized over separate fifteen-year periods.
Asset Valuation Method	Phasing in equity unrealized capital gains and losses over a four year period. All other investment at book value.
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	5.50%
Cost of Living Adjustments	3.00%
Membership of the Plan	
Retirees and Beneficiaries receiving benefits	9,353
Terminated plan members entitled to, but not yet receiving benefits	1,426
Active plan members	<u>7,403</u>
Total	18,182

---



**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT V**

**Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27**

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed* (b)	Interest on NPO (h)* 8.00% (c)	ARC Adjustment (h) / (e) (d)	Amortization Factor (e)	Pension Cost (a) + (c) - (d) (f)	Change in NPO (f) - (b) (g)	NPO Balance NPO + (g) (h)
1994	\$141,234,297	\$141,039,702	-\$1,215,028	-\$2,348,094	6.9682	\$142,367,363	\$1,327,661	-\$15,034,237
1995	127,392,521	141,225,839	-1,110,037	-2,317,540	6.4872	128,600,024	-12,625,815	-27,660,052
1996	111,231,502	107,839,613	-2,027,405	-4,634,989	5.9677	113,839,086	5,999,473	-21,660,579
1997	93,776,790	103,836,661	-1,572,594	-4,006,311	5.4066	96,210,507	-7,626,154	-29,286,733
1998	31,514,506	124,470,502	-2,098,917	-6,100,535	4.8007	35,516,124	-88,954,378	-118,241,111
1999	0	57,458,271	-8,318,592	-28,517,425	4.1463	20,198,833	-37,259,438	-155,500,549
2000	0	24,426,465	-10,631,644	-45,210,005	3.4395	34,578,361	10,151,896	-145,348,653
2001	0	25,763,218	-10,973,809	-16,352,090	8.8887	5,378,281	-20,384,937	-165,733,590
2002	0	27,241,801	-12,512,869	-18,645,447	8.8887	6,132,578	-21,109,223	-186,842,813
2003	41,416,662	41,416,662	-14,106,614	-21,020,288	8.8887	48,330,336	6,913,674	-179,929,139

\* The amount indicated for June 30, 2003 assumes the actual employer contribution for the year is equal to the employer annual required contribution.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*After Service Retirement  
and Pre-retirement:*

1983 Group Annuity Mortality Table, with ages set back one year.

*After Disability Retirement*

1983 Group Annuity Mortality Table, with ages set back one year.

**Termination Rates before Retirement:**

Age	Rate (%)							
	Mortality		Disability		Ordinary Withdrawal*		Vested Withdrawal*	
	Male	Female	Male	Female	Male	Female	Male	Female
25	0.044	0.024	0.006	0.000	5.728	6.689	0.888	1.035
30	0.057	0.032	0.012	0.016	4.296	6.211	0.700	1.011
35	0.079	0.044	0.012	0.036	2.920	5.260	0.563	1.017
40	0.113	0.062	0.018	0.072	2.000	4.182	0.463	0.968
45	0.193	0.092	0.030	0.102	1.144	3.097	0.325	0.878
50	0.351	0.151	0.054	0.138	0.639	1.981	0.188	0.582
55	0.566	0.232	0.126	0.168	0.360	0.755	0.088	0.184
60	0.838	0.382	0.240	0.000	0.070	0.052	0.050	0.038
65	1.387	0.639	0.000	0.000	0.070	0.000	0.000	0.000

\* *Withdrawal rates are zero for members expected to retire.*

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

<b>Retirement Rates:</b>	<b>Age</b>	<b>Retirement Probability Under 30 Years of Service</b>	<b>Retirement Probability Over 30 Years of Service</b>
	50	0.00%	60.00%
	51	0.00	15.00
	52	0.00	20.00
	53	0.00	5.00
	54	0.00	5.00
	55	5.00	25.00
	56	4.00	10.00
	57	1.00	10.00
	58	1.00	10.00
	59	2.00	10.00
	60	2.00	10.00
	61	3.00	5.00
	62	3.00	5.00
	63	3.00	20.00
	64	3.00	10.00
	65	100.00	100.00

**50/30 Open Window:** Rates included in the above retirement rates.

**Retirement Age and Benefit for Inactive**

**Vested Participants:** Assume an immediate refund of employee normal contribution account plus department matching contribution account.

**Exclusion of Inactive Vested:** All inactive participants are included in the valuation.

**Definition of Active Participants:** First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.

**Unknown Data for Participants:** Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

**Percent Married/Domestic Partner:** 85% of male participants; 60% of female participants.

**Age of Spouse:** Female spouses 4 years younger than their spouses.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

---

<b>Future Benefit Accruals:</b>	1.0 year of service per year.
<b>Other Government Service:</b>	(a) 30% of the employees with less than 10 years of service will purchase an average of four years of service. (b) 41.25% of the employees with 10 years of service or more will purchase an average of four years of service.
<b>Consumer Price Index:</b>	Increase of 4.0% per year; benefit increases due to CPI subject to 3.0% maximum.
<b>Employee Contribution and Matching Account Crediting Rate:</b>	8.00%
<b>Net Investment Return:</b>	8.00%
<b>Salary Increases:</b>	5.50%

---

<b>Actuarial Value of Assets:</b>	The actuarial value of assets is determined by phasing in equity unrealized capital gains and losses over a four-year period. All other investments are at book value.
-----------------------------------	--

---

<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age equals attained age less years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.
-------------------------------	---

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**Funding Policy:**

The Department of Water and Power makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. The June 30, 2000 Surplus Actuarial Liability is amortized over the fifteen year period commencing July 1, 2000. Any subsequent change 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. Finally, the Department of Water and Power contribution is not less than the matching contribution of 110% of member contributions.

**Changes in Assumptions:**

Based on experience study results, many actuarial assumptions were changed. Please refer to the Analysis of Actuarial Experience During the Period July 1, 1996 through June 30, 2001 that was released to the Board on June 25, 2002.

SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles

---

**EXHIBIT VII**

**Summary of Plan Provisions**

---

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

**Plan Year:** July 1 through June 30

**Census Date:** March 31

---

**Formula Retirement Benefit:**

*Age & Service Requirement*

Age 60 with 5 years of service  
Age 55 with 10 years of service in the last 12 years  
Any age with 30 year of service; or  
Receiving permanent total disability benefits from the Plan.

Note: To be eligible, the employee must have worked or been paid disability four of the last five years immediately preceding eligibility to retire, or while eligible to retire.

*Amount*

The greater of 2.1% of the Monthly Salary Base or \$9.50 per year of service. For those age 55 or older with 30 or more years of service the factor is 2.3% of the Monthly Salary Base.

*Monthly Salary Base*

Equivalent of monthly average salary of highest continuous 26 biweekly payroll periods (one year).

*Cost of Living benefit*

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.

*Death after retirement*

50% of retiree's unmodified allowance continued to eligible spouse or domestic partner (reduced if difference in ages is greater than five years).

Defined benefit paid monthly for life. If the money purchase annuity amount exceeds the monthly amount of the formula retirement benefit and the retiree meets the eligibility requirements for the formula retirement benefit, the amount of the money purchase annuity is paid and the cost-of-living and death after retirement continuance features of the formula retirement benefit are also paid.

**SECTION 4: Reporting Information for The Water and Power Employees' Retirement Plan of the City of Los Angeles**

---

**Sample Early Retirement**

**Reduction Factors:** The early retirement factor is determined by the attained age on the effective date of retirement. Every three months of attained age will affect the factor

<b>Attained Age at Actual Retirement</b>	<b>Exact Age</b>	<b>+3 Months</b>	<b>+6 Months</b>	<b>+9 Months</b>
48	.7150	.7225	.7300	.7375
49	.7450	.7525	.7600	.7675
50	.7750	.7825	.7900	.7975
51	.8050	.8125	.8200	.8275
52	.8350	.8425	.8500	.8575
53	.8650	.8725	.8800	.8875
54	.8950	.9025	.9100	.9175
55	.9250	.92875	.9325	.93625
56	.9400	.94375	.9475	.95125
57	.9550	.95875	.9625	.96625
58	.9700	.97375	.9775	.98125
59	.9850	.98875	.9925	.99625
60 & Over	1.0000			

The factor is for those retiring at age 55 or later with at least 30 years of service or those at age 50 or later with at least 30 years of service who retire before September 30, 2005.

**SECTION 4: Reporting Information for The**

---

**Member Normal Contributions:**

If an employee became a plan member after June 1, 1984, the member normal contribution rate is 6%.

If an employee became a plan member before June 1, 1984 or transferred from CERS with an entry age contribution rate, sample rates by entry age are as follows:

<u>Entry Age</u>	<u>Rate</u>
20	2.601%
25	3.102%
30	3.611%
35	4.161%
40	4.742%
45	5.381%
50	6.042%
55	6.762%
59	7.332%

**Department Current Service Contributions:**

The Department of Water and Power makes contributions that are a minimum of 110% of employee contributions.

**Disability:**

Disability benefits are paid from the Disability Fund. However, if a member is receiving permanent and total disability benefits, he may elect to retire. Other than a nominal amount, no service credit during disability is earned for the 2.1% formula; however, credit is earned during disability toward the \$9.50 minimum formula.



**SECTION 4: Reporting Information for The**

---

**Deferred Withdrawal Retirement Benefit (Vested):**

<i>Age &amp; Service Requirement</i>	Age 60 with one-year contributing membership; or Age 55 with 10-years of contributing membership in the 12 years prior to separation from service.
<i>Amount</i>	Value of employee normal contribution account plus Department matching contribution (called current service contribution) account at retirement date

**Death Before Retirement:**

Refund of employee contributions with interest. On the death of a member who is eligible for service retirement but who has not yet retired or who has 25 years of service, the member's spouse may elect a monthly allowance payable during the spouse's lifetime in lieu of return of the member's total accumulated contributions. The monthly allowance payable to the surviving spouse is the amount the spouse would have received had the member retired on the day before the member's death and elected a full joint and survivor allowance.

**Withdrawal of Contributions Benefit (Ordinary Withdrawal):**

Refund of employee contributions with interest.

**Money Purchase Annuity:**

A monthly lifetime benefit equal in value to the employee normal contribution account plus Department matching contribution (called current service contribution) account at retirement date.

**SECTION 4: Reporting Information for The**

---

**Changes in Plan Provisions:**

Effective July 1, 2001 the Plan was amended to provide a purchasing power protection Ad-hoc COLA to certain retired members and survivors.

The Plan is currently being amended to:

- Extend unreduced 50/30 early retirement window until September 30, 2005.
- Increase benefit accrual factor from 2.1% of Monthly Salary Base to 2.3% for those age 55 or older with 30 or more years of service.
- Raise maximum benefit limit from 95% to 100% of Monthly Salary Base.
- Calculate pre-retirement death benefit based on Option D factors instead of Option B factors.

160250/04175.003