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

Actuarial Valuation and Review as of July 1, 2005

SEGAL

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October 24, 2005

Board of Administration
The Water and Power Employees' Retirement Plan of the City of Los Angeles
111 North Hope Street, Room 357
Los Angeles, California 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005 – 2006 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 Paul Poon, Enrolled Actuary, and Andy Yeung, MAAA, Enrolled Actuary.

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

By:

Paul Angelo, FSA, MAAA	*Paul Poon, ASA*	*Andy Yeung, ASA, MAAA*
Vice President and Actuary	*Associate Actuary*	Associate Actuary

PXP/hy

cc: *Sangeeta Bhatia* *Robert K. Rozanski*
Manoj B. Desai, CPA *Michael R. Wilkinson*

Purpose

This report has been prepared by The Segal Company to present a valuation of the The Water and Power Employees' Retirement Plan of the City of Los Angeles as of July 1, 2005. The valuation was performed to determine whether 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, 2005, provided by the Retirement Office;
- The assets of the Plan as of June 30, 2005, 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 market value of assets earned a return of 7.16% for the July 1, 2004 to June 30, 2005 plan year. The actuarial value of assets earned a return of 4.52% for the July 1, 2004 to June 30, 2005 plan year due to the recognition of prior investment losses. This resulted in an actuarial loss of $213.9 million when measured against the assumed rate of return of 8.00%. This actuarial investment loss increased the Plan's required contribution by 3.90% of compensation.
- The salaries for continuing actives increased by 6.2% from the rate in effect on March 31, 2004 to the rate in effect on March 31, 2005. Since this increase is larger than the assumed rate of 5.5%, the plan experienced an actuarial loss from salary increases. This loss amounted to $21.9 million for the current year, which increased the Plan's required contribution by 0.40% of compensation.
- Under the Plan's funding policy, the required contribution rate continues to be larger than the mandatory 110% matching of the employee contribution. The required contribution for the 2005-2006 plan year is 19.20% of pay, which is estimated to be $118.3 million. This includes amortization of the Plan's unfunded actuarial accrued liability (UAAL) over various fixed periods.

- The total unrecognized return (i.e., the difference between the market value of assets and the actuarial value of assets) decreased by $140.2 million during the plan year from -$351.0 million in 2004 to -$210.8 million in 2005. This unrecognized return represents deferred market value losses that will be recognized over the next four years. Once recognized, the -$210.8 million reserve will increase the required contribution by about 3.84% of pay.
- This year, the balance in the General Reserve and the Reserve for Investment Gains and Losses increased from $1,314 million as of June 30, 2004 to $2,076 million as of June 30, 2005. These two reserves track changes in the book value of assets. Consistent with last year's valuation, this year we have been instructed to include all but $62 million (approximately 1% of the end of year market value of assets) of the end of year General Reserve and Reserve for Investment Gains and Losses as valuation assets.
- The actuarial accrued liability exceeds the actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $432.0 million. The Board's funding policy determines the Department's required contribution as the normal cost increased or offset by a UAAL amortization charge or credit. Under this funding policy, the Plan's UAAL is amortized over various 15 year periods, each beginning with the year that each portion or base of the UAAL was first identified and amortized.
- Governmental Accounting Standards Board Statement No. 25 (GASB 25) requires calculation of a measure of Plan cost called the Annual Required Contribution (ARC). Like the Board's required contribution, the GASB 25 ARC is determined as the normal cost increased or offset by a UAAL amortization charge or credit. Last year, in order to comply with the GASB 25 requirement that the net amortization charge be sufficient to amortize any UAAL over no longer than 40 years, the Board chose to "fresh start" the Plan's UAAL amortization, effective July 1, 2004, by combining the existing amortization bases into a single base and amortizing the combined base over 15 years. Consistent with the Board's past policy, any new amortization bases after July 1, 2004 will also be amortized over 15 years.

  As a result, this year there are two amortization bases, one from July 1, 2004 and one for the actuarial loss during the 2004-2005 plan year.

Summary of Key Valuation Results

	2005	2004
Contributions for plan year beginning July 1:		
Required under funding policy*	$ 118,341,826	$ 84,610,392
Percentage of payroll	19.20%	14.56%
Funding elements for plan year beginning July 1:		
Total normal cost	$ 101,763,567	$ 95,837,510
Market value of assets	6,182,214,890	5,961,400,238
Actuarial value of assets	6,331,047,528	6,251,421,125
Actuarial accrued liability	6,763,079,839	6,421,813,922
Unfunded/(overfunded) actuarial accrued liability	432,032,311	170,392,797
GASB 25/27 for plan year beginning July 1:		
Annual pension cost	$118,341,826	$ 87,615,788
Actual contributions	--	75,490,143
Percentage contributed	--	86.16%
Funded ratio	93.61%	97.35%
Covered payroll	$616,270,095	$581,038,783
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	8,868	8,973
Number of vested former members	1,397	1,525
Number of active members	7,967	7,893
Total projected compensation	$616,270,095	$581,038,783
Projected average compensation	77,353	73,614

**In the July 1, 2004 valuation, the Board adopted to amortize the Plan's entire UAAL as of July 1, 2004 over 15 years.*

A. MEMBER DATA

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

This section presents a summary of significant statistical data on these member 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 member population has changed over the past nine valuations can be seen in this chart.

CHART 1

Member Population: 1997 – 2005

Year Ended June 30	Active Members	Vested Terminated Members*	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
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
2003	7,731	1,445	9,161	1.37
2004	7,893	1,525	8,973	1.33
2005	7,967	1,397	8,868	1.29

**Includes terminated members due a refund of employee contributions.*

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 7,967 active members with an average age of 47.4, average years of service of 17.2 years and average compensation of $77,353. The 7,893 active members in the prior valuation had an average age of 46.9, average service of 16.8 years and average compensation of $73,614.

Inactive Members

In this year's valuation, there were 1,397 members with a vested right to a deferred or immediate vested monthly benefit or entitled to a return of their member 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, 2005

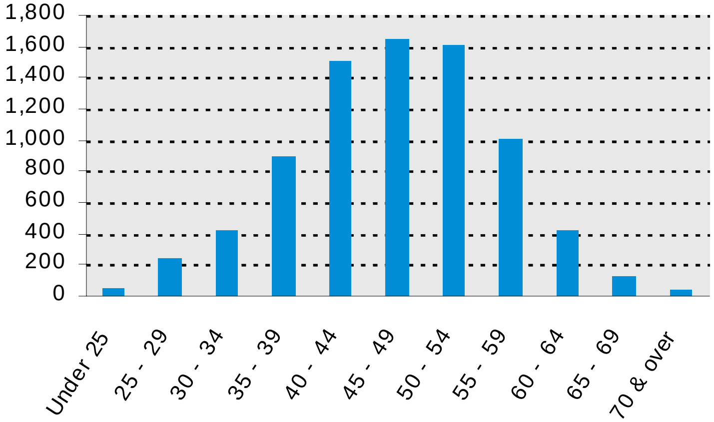
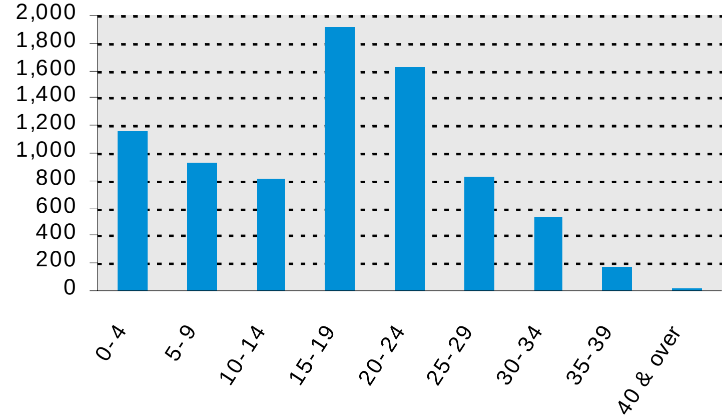


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2005



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Retired Participants and Beneficiaries
As of June 30, 2005, 6,652 retired participants and 2,216 beneficiaries were receiving total monthly benefits of $26,762,591. For comparison, in the previous valuation, there were 6,745 retired participants and 2,228 beneficiaries receiving monthly benefits of $25,857,076.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age.

CHART 4

Distribution of Retired Participants and Beneficiaries by Monthly Amount as of June 30, 2005

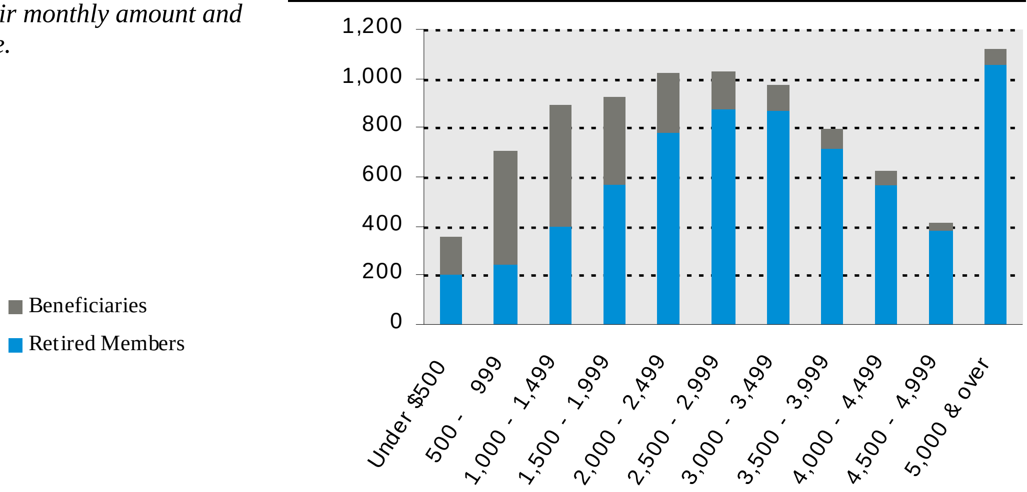
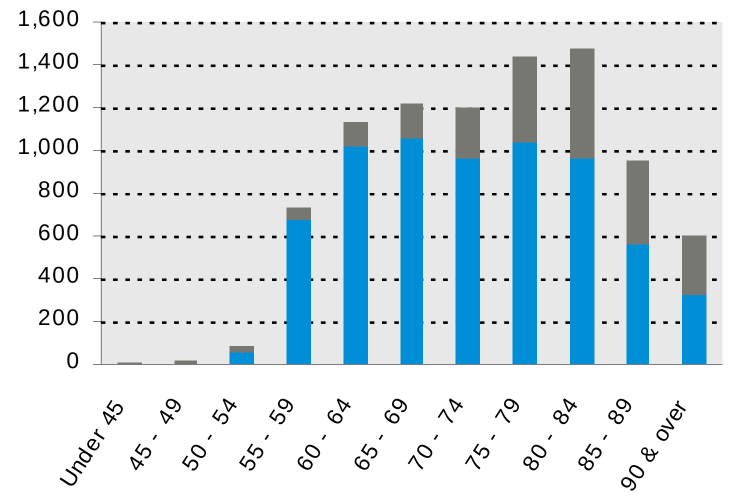


CHART 5

Distribution of Retired Participants and Beneficiaries by Age as of June 30, 2005



B. FINANCIAL INFORMATION

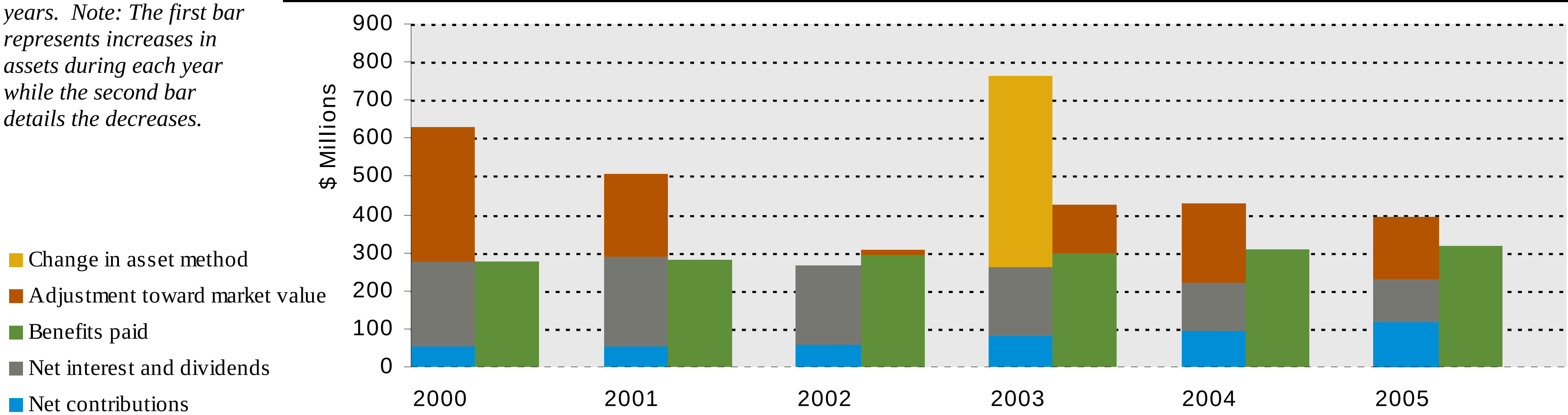
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 six years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2000 – 2005



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. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Please note that as instructed by Plan staff, we have included all but $62.0 million (approximately 1% of the end of year market value of assets) in the General Reserve and Reserve for Investments Gains and Losses as valuation assets.

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

CHART 7

Determination of Actuarial Value of Assets as of June 30, 2005

1	Market value of assets, June 30, 2005			$ 6,182,214,890
		Original	Unrecognized	
2	Calculation of Unrecognized Return	Amount*	Return**	
	(a) Year ended June 30, 2005	-$46,868,215	-$37,494,572	
	(b) Year ended June 30, 2004	178,199,134	106,919,480	
	(c) Year ended June 30, 2003	-334,674,490	-133,869,796	
	(d) Year ended June 30, 2002	-731,938,750	-146,387,750	
	(e) Total Unrecognized Return			-210,832,638
3	Gross actuarial value: (1) - (2e)			6,393,047,528
4	Portion of General Reserve and Reserve for Investment Gains and Losses not included as valuation asset			62,000,000
5	Net actuarial value as of June 30, 2005: (3) – (4)			$6,331,047,528
6	Net actuarial value as a percentage of market value: (5) / (1)			102.4%

**Total return minus expected return on a market value basis*

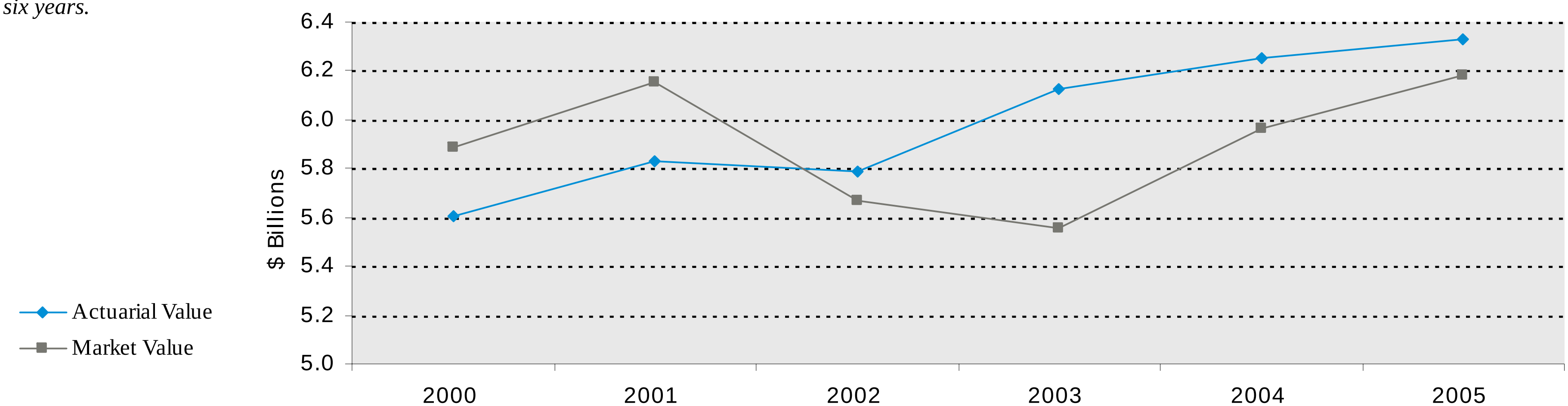
***Recognition at 20% per year over 5 years*

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 these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued 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 six years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2000 – 2005



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 total loss was $266,058,082, $213,892,382 from investments and $52,165,700 from all other sources. The net experience variation from individual sources other than investments was 0.8% 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, 2005

1.	Net gain/(loss) from investments*	-$213,892,382
2.	Net gain/(loss) from salaries	-21,873,045
3.	Net gain/(loss) from other experience	-30,292,655
4.	Net experience gain/(loss): (1) + (2) + (3)	-$266,058,082

** Details in Chart 10*

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 on an actuarial basis for the 2004 - 2005 plan year was 4.52%.

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, 2005 with regard to its investments.

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

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2005

1.	Actual return	$ 278,275,350
2.	Average value of assets	6,152,096,652
3.	Actual rate of return: (1) ÷ (2)	4.52%
4.	Assumed rate of return	8.00%
5.	Expected return: (2) x (4)	$492,167,732
6.	Actuarial gain/(loss): (1) – (5)	-$213,892,382

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 six years.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%. The investment return assumption will be reviewed in next year's experience study, along with the other actuarial assumptions.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2000 - 2005

	Net Interest and Dividend Income		Recognition of Capital Appreciation		Change in Asset Method		Actuarial Value Investment Return		Market Value Investment Return	
Year Ended June 30	Amount	Percent	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
2003	182,004,368	3.20%	-127,029,513	-2.23%	$503,018,121	8.85%	557,992,976	9.82%	107,504,970	1.93
2004	126,468,819	2.10%	205,922,559	3.42%	- -	- -	332,391,378	5.52%	611,980,245	11.22
2005	114,263,238	1.86%	164,012,112	2.66%	- -	- -	278,275,350	4.52%	419,463,599	7.16
Total	$1,084,183,890		$797,811,151		$503,018,121		$2,385,013,162		$1,402,685,934	

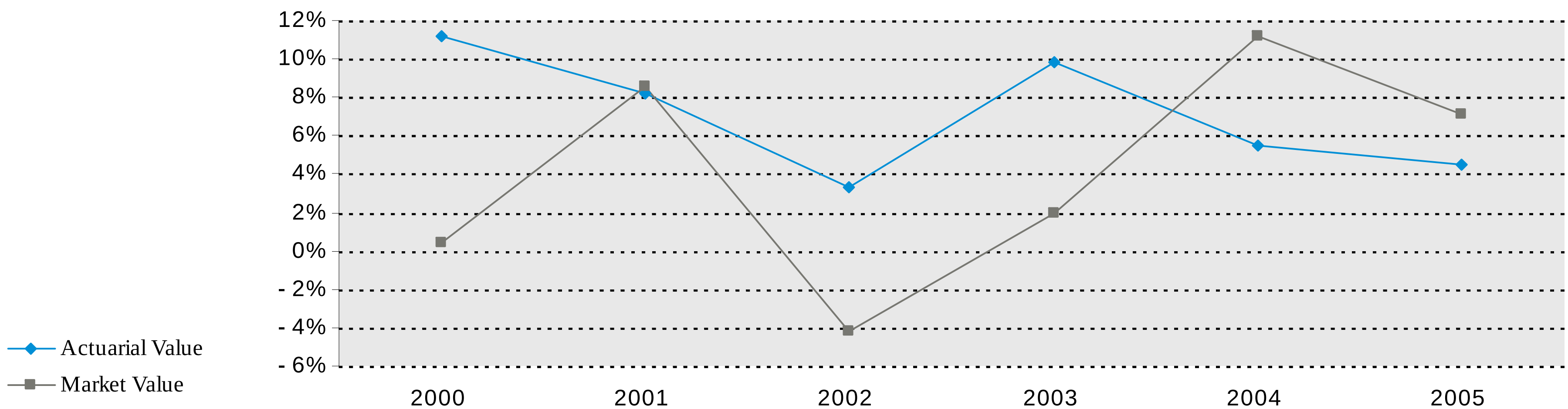
Note: Each year's yield is weighted by the average asset value in that year.

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 - 2005 .

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2000 - 2005



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 loss from this other experience for the year ended June 30, 2005 amounted to $52,165,700, which is 0.8% of the actuarial accrued liability.

This loss is primarily due to salary increases higher than expected.

D. RECOMMENDED CONTRIBUTION

The required Department contribution is made up of (a) the normal cost and (b) the amortization of the unfunded or overfunded actuarial accrued liability. For the July 1, 2004 valuation, the Board adopted our recommendation to combine the existing amortization bases as of July 1, 2004 and to amortize the single base over 15 years. For this year, another amortization base is created for the actuarial loss during plan year ending June 30, 2005. This produces a net amortization charge of $47,414,168.

Under the current funding policy, the Department's required contribution rate increased as a percentage of pay. This was primarily the result of the investment return being less than assumed, higher than expected salary increases for active members and other unfavorable actuarial experience.

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

CHART 13

Required Contribution

Year Beginning July 1:	2005		2004	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$101,763,567	16.51%	$95,837,510	16.49%
2. Expected employee contributions	-35,387,518	-5.74%	-32,913,691	-5.66%
3. Employer normal cost: (1) + (2)	$66,376,049	10.77%	$62,923,819	10.83%
4. Actuarial accrued liability	6,763,079,839		6,421,813,922	
5. Actuarial value of assets	6,331,047,528		6,251,421,125	
6. Unfunded/(overfunded) actuarial accrued liability: (4) - (5)	$432,032,311		$170,392,797	
7. Amortization of projected unfunded/(overfunded) actuarial accrued liability	47,414,168	7.69%	18,432,327	3.17%
8. Total required contribution: (3) + (7), adjusted for timing*	118,341,826	19.20%	84,610,392	14.56%
9. Employer match (110% of (2)), adjusted for timing*	40,483,321	6.57%	37,653,262	6.48%
10. Greater of employer match (9) or total required contribution (8)	$118,341,826	19.20%	$84,610,392	14.56%
11. Projected compensation	$616,270,095		$581,038,783	

**Required contributions are assumed to be paid at the middle of every year.*

The contribution rates as of July 1, 2005 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.

Reconciliation of Required 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 Required Contribution from July 1, 2004 to July 1, 2005

Required Contribution as of July 1, 2004	14.56%
Effect of gains and losses on salary experience	0.40%
Effect of contributions less than recommended contribution	0.17%
Effect of investment (gain)/loss	3.90%
Effect of other gains and losses on accrued liability	0.17%
Total change	4.64%
Required Contribution as of July 1, 2005	19.20%

E. INFORMATION REQUIRED BY THE GASB

Governmental 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.

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

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued 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. This information is shown in Chart 16.

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

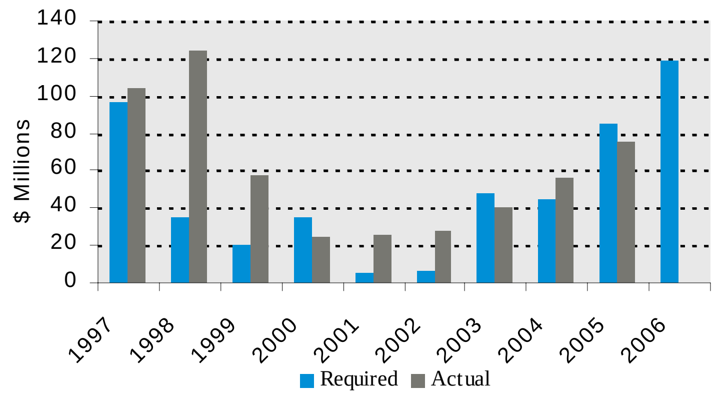


CHART 16

Funded Ratio

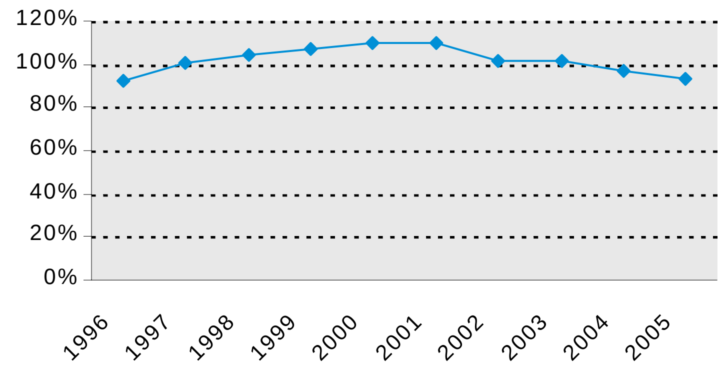


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EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2005	 2004	Change From Prior Year
Active members in valuation:			
Number	7,967	7,893	0.9%
Average age	47.4	46.9	N/A
Average service	17.2	16.8	N/A
Projected total compensation	$616,270,095	$581,038,783	6.1%
Projected average compensation	77,353	73,614	5.1%
Account balances	598,328,662	542,056,027	10.4%
Vested terminated members:			
Number	1,397	1,525	-8.4%
Average age	48.3	47.7	N/A
Average member account balances	$34,601	$32,670	5.9%
Retired members:			
Number in pay status	6,652	6,745	-1.4%
Average age	72.4	72.2	N/A
Average monthly benefit	$3,386	$3,232	4.8%
Beneficiaries:			
Number in pay status	2,216	2,228	-0.5%
Average age	79.2	78.9	N/A
Average monthly benefit	$1,914	$1,822	5.0%

EXHIBIT B

Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Compensation

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	47	42	5	- -	- -	- -	- -	- -	- -	- -
	61,996	61,341	67,501	- -	- -	- -	- -	- -	- -	- -
25 - 29	248	186	62	- -	- -	- -	- -	- -	- -	- -
	64,255	64,014	64,978	- -	- -	- -	- -	- -	- -	- -
30 - 34	426	217	174	30	5	- -	- -	- -	- -	- -
	65,989	63,017	67,111	80,549	68,585	- -	- -	- -	- -	- -
35 - 39	892	233	208	222	222	7	- -	- -	- -	- -
	72,122	63,456	66,127	82,287	76,892	65,003	- -	- -	- -	- -
40 - 44	1,505	189	172	222	627	282	12	1	- -	- -
	77,778	63,643	70,491	77,207	81,364	83,877	86,172	60,138	- -	- -
45 - 49	1,650	131	125	149	439	602	184	20	- -	- -
	79,651	66,299	69,901	74,052	76,162	85,801	88,758	77,400	- -	- -
50 - 54	1,608	86	99	95	325	388	360	241	14	- -
	80,442	69,823	68,224	79,376	76,212	81,110	84,838	86,218	106,553	- -
55 - 59	1,013	42	49	54	177	212	186	207	84	2
	80,405	71,561	69,806	72,131	76,708	76,884	80,567	87,081	96,226	79,000
60 - 64	419	25	17	26	76	91	64	53	59	8
	80,985	82,544	88,324	76,143	69,325	75,351	84,124	87,255	94,086	87,831
65 - 69	123	2	7	12	25	32	17	15	11	2
	73,686	57,894	85,242	64,890	65,733	73,262	76,657	75,781	94,176	54,342
70 & over	36	1	3	2	10	6	4	3	4	3
	75,006	58,210	48,775	36,749	70,620	77,095	68,027	84,580	93,628	117,687
Total	7,967	1,154	921	812	1,906	1,620	827	540	172	15
	$77,353	$64,908	$68,490	$77,741	$77,559	$82,219	$84,464	$85,977	$96,141	$88,159

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Retired Participants	Beneficiaries	Total
Number as of July 1, 2004	7,893	1,525	6,745	2,228	18,391
New members	273	N/A	N/A	N/A	273
Terminations – with vested rights	-49	49	0	0	0
Retirements	-169	-23	192	N/A	0
Died with beneficiary	-6	0	-121	127	0
Died without beneficiary	0	0	-166	-147	-313
Rehired	125	-125	0	N/A	0
Data adjustments	0	30	2	8	40
Contribution refunds	-100	-59	0	0	-159
Number as of July 1, 2005	7,967	1,397	6,652	2,216	18,232

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Contribution income:				
Employer contributions	$ 75,490,143		$ 55,804,924	
Employee contributions	38,855,089		38,045,999	
Other contributions	2,534,097		2,452,293	
Net contribution income		$116,879,329		$ 96,303,216
Investment income:				
Interest, dividends and other income	$126,531,298		$130,311,380	
Adjustment toward market value	164,012,112		205,922,559	
Less investment and administrative fees	-12,268,060		-3,842,561	
Net investment income		278,275,350		332,391,378
Total income available for benefits		$395,154,679		$428,694,594
Less benefit payments:				
Retirement benefits paid	-$311,551,053		-$302,063,849	
Refund of members' contributions	-3,977,223		-3,585,343	
Net benefit payments		-$315,528,276		-$305,649,192
Change in reserve for future benefits		$ 79,626,403		$123,045,402

EXHIBIT E

Table of Financial Information

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Cash equivalents		$ 890,571		$ 561,545
Accounts receivable:				
Accrued investment income	$ 20,816,999		$ 25,383,421	
Other	0		4,686,071	
Securities lending - collateral	666,664,587		104,913,701	
Department of Water and Power	5,185,870		0	
Total accounts receivable		$692,667,456		$134,983,193
Investments:				
Fixed income	$2,391,029,462		$1,183,263,850	
Equities	3,912,058,377		3,872,738,548	
Other assets	194,433,444		876,826,520	
Total investments at market value		6,497,521,283		5,932,828,918
Total assets		$7,191,079,310		$6,068,373,656
Less accounts payable:				
Department of Water and Power	$0		-$149,483	
Accounts payable	-342,199,833		-1,910,234	
Security lending - collateral	-666,664,587		-104,913,701	
Total accounts payable		-$1,008,864,420		-$106,973,418
Net assets at market value		$6,182,214,890		$5,961,400,238
Net assets at actuarial value		$6,331,047,528		$6,251,421,125

EXHIBIT F

Development of the Fund Through June 30, 2005

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
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
2003	40,560,882	36,490,767	2,623,157	557,992,976	299,555,007	6,128,375,723
2004	55,804,924	38,045,999	2,452,293	332,391,378	305,649,192	6,251,421,125
2005	75,490,143	38,855,089	2,534,097	278,275,350	315,528,276	6,331,047,528

**Net of investment fees and administrative expenses. Includes a change in asset method of $503 million for 2003.*

EXHIBIT G

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2005

1. Unfunded/(overfunded) actuarial accrued liability at beginning of year		$170,392,797
2. Normal cost at beginning of year		95,837,510
3. Total contributions		-116,879,329
4. Interest		
(a) For whole year on (1) + (2)	$ 21,298,425	
(b) For half year on (3)	-4,675,174	
(c) Total interest		16,623,251
5. Expected unfunded/(overfunded) actuarial accrued liability		$165,974,229
6. Changes due to:		
(a) (Gain)/loss	$266,058,082	
(b) Total changes		266,058,082
7. Unfunded/(overfunded) actuarial accrued liability at end of year		$432,032,311

EXHIBIT H

Table of Amortization Bases

Type*	Date Established	Initial Years	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Initial base	07/01/2004	15	$170,392,797	$18,432,327	14.00	$164,117,308
Actuarial Loss	07/01/2005	15	267,915,003	28,981,841	15.00	267,915,003
Total				$47,414,168		$432,032,311

**Level dollar amount. The July 1, 2004 amortization bases were combined into a single amortization base and amortized over 15 years.*

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 of $160,000 indexed for inflation. That limit is $170,000 for 2005. 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, for such things as age at retirement, form of benefits chosen and after tax contributions.

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 questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

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 that 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 benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated 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 the interest that the sum 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 paying off the unfunded (or overfunded) actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

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 often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

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		June 30, 2005	June 30, 2004
1.	Total actuarial value of assets	$6,331,047,528	$6,251,421,125
2.	Present value of future contribution by members	329,801,671	312,753,563
3.	Present value of future Department contributions for:		
	(a) entry age normal cost	625,309,148	605,250,347
	(b) unfunded actuarial accrued liability	432,032,311	170,392,797
4.	Total current and future assets	$7,718,190,658	$7,339,817,832

Liabilities		June 30, 2005	June 30, 2004
5.	Present value of benefits already granted:	$3,665,679,472	$3,546,778,348
6.	Present value of benefits to be granted:	$4,052,511,186	$3,793,039,484
7.	Total liabilities	$7,718,190,658	$7,339,817,832

EXHIBIT L

Reserves and Designated Balances

		June 30, 2005	June 30, 2004
1.	Reserve for retirement allowance for retired members	$3,773,274,190	$3,607,116,305
2.	Contribution accounts:		
	(a) members (excluding additional contributions)	671,096,938	624,801,663
	(b) Department of Water and Power	(742,644,395)	(619,997,826)
3.	General Reserve and Reserve for Investment Gains and Losses*	2,075,613,450	1,313,916,635
4.	Total	$5,777,340,183	$4,925,836,777

*Out of the total General Reserve and Reserve for Investment Gains and Losses, $62,000,000 is not included as valuation assets as of June 30, 2005.

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.

Adjusted Reserves		June 30, 2005	June 30, 2004
1.	Retired reserve balance	$3,773,274,190	$3,607,116,305
2.	Actuarially computed present value	3,665,679,472	3,546,778,348
3.	Actuarial gain (loss): (1) – (2)	107,594,718	60,337,957
4.	Transfer from (to) DWP contribution accounts from retired reserves:	(107,594,718)	(60,337,957)

EXHIBIT I

Summary of Actuarial Valuation Results

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

1.	Retired participants as of the valuation date (including 2,216 beneficiaries in pay status)		8,868
2.	Members inactive during year ended June 30, 2005 with vested rights		1,397
3.	Members active during the year ended June 30, 2005		7,967

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

1.	Normal cost		$ 101,763,567
2.	Present value of future benefits		7,718,190,658
3.	Present value of future normal costs		955,110,819
4.	Actuarial accrued liability		6,763,079,839
	Retired participants and beneficiaries	$3,665,679,472	
	Inactive members with vested rights	101,300,333	
	Active members	2,996,100,034	
5.	Actuarial value of assets ($6,182,214,890 at market value as reported by Retirement Office)		6,331,047,528
6.	Unfunded actuarial accrued liability		$ 432,032,311

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the required and recommended contributions is as follows:

		Dollar Amount	% of Payroll
1.	Total normal cost	$101,763,567	16.51%
2.	Expected employee contributions	-35,387,518	-5.74%
3.	Employer normal cost: (1) + (2)	66,376,049	10.77%
4.	Amortization of unfunded/(overfunded) actuarial accrued liability	47,414,168	7.69%
5.	Total required contribution: (3) + (4), adjusted for timing*	118,341,826	19.20%
6.	Employer match (110% of (2)), adjusted for timing*	40,483,321	6.57%
7.	Greater of employer match (6) or total required contribution (5)	118,341,826	19.20%
8.	Projected payroll	616,270,095	

**Required contribution is assumed to be paid at the middle of every year.*

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contribution	Annual Pension Cost	Actual Contributions	Actual Contributions / Annual Required Contributions	Actual Contributions / Annual Pension Cost
1997	$ 93,776,770	$ 96,210,507	$103,836,661	110.7%	107.9%
1998	31,514,506	35,516,124	124,470,502	395.0%	350.5%
1999	0	20,198,833	57,458,271	--	284.5%
2000	0	34,578,361	24,426,465	--	70.6%
2001	0	5,378,281	25,763,218	--	479.0%
2002	0	6,132,578	27,241,801	--	444.2%
2003	40,910,299	47,823,973	40,560,882	99.1%	84.8%
2004	44,128,205	50,773,126	55,804,924	126.5%	109.9%
2005	80,784,677	87,615,788	75,490,143	93.4%	86.2%
2006	118,341,826	124,724,256	--	--	--

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a) / (c)]
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%
07/01/2003	6,128,375,723	6,042,086,785	-86,288,938	101.43%	527,787,469	0.00%
07/01/2004	6,251,421,125	6,421,813,922	170,392,797	97.35%	581,038,783	29.33%
07/01/2005	6,331,047,528	6,763,079,839	432,032,311	93.61%	616,270,095	70.10%

** Not less than zero*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation Date	July 1, 2005
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level dollar amortization
Remaining Amortization Period	The June 30, 2004 Unfunded Actuarial Accrued Liability is amortized over the fifteen-year period commencing July 1, 2004. Any subsequent changes in Actuarial Accrued Liability are amortized over separate fifteen-year periods.
Asset Valuation Method	The market value of assets less unrecognized returns in each of the last five years (but not before July 1, 2001). Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five year period.
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	8,868
Terminated plan members entitled to, but not yet receiving benefits	1,397
Active plan members	7,967
Total	18,232

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 (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)
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	40,910,299	40,560,882	-14,106,614	-21,020,288	8.8887	47,823,973	7,263,091	-179,579,722
2004	44,128,205	55,804,924	-13,558,251	-20,203,172	8.8887	50,773,126	-5,031,798	-184,611,520
2005	80,784,677	75,490,143	-13,938,151	-20,769,262	8.8887	87,615,788	12,125,645	-172,485,875
2006	118,341,826	118,341,826*	-13,022,666	-19,405,096	8.8887	124,724,256	6,382,430	-166,103,445

**The amount indicated for June 30, 2006 assumes the actual employer contribution for the year is equal to the contribution requirement under the Board's current funding policy.*

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:

	Rate (%)							
	Mortality		Disability		Ordinary Withdrawal*		Vested Withdrawal*	
Age	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.*

Retirement Rates:

Age	Retirement Probability Under 30 Years of Service	Retirement Probability Over 30 Years of Service
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 (for eligible members through September 30, 2005).

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 Vesteds: All inactive participants are included in the valuation.

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

Unknown Data for Members: 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.

Future Benefit Accruals:	1.0 year of service per year.
Other Government Service:	(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.
Consumer Price Index:	Increase of 4.0% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	8.00%
Net Investment Return:	8.00%
Salary Increases:	5.50%
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years (but not before July 1, 2001). 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.
Actuarial Cost Method:	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, as if the current benefit accrual rate had always been in effect.

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, 2004 Unfunded Actuarial Liability is amortized over the fifteen year period commencing July 1, 2004. 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:	There have been no changes in actuarial assumptions since the last valuation.

EXHIBIT VII

Summary of Plan Provisions

This exhibit summarizes the major provisions of the LADWP 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 unmodifed 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.

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

Attained Age at Actual Retirement	Exact Age	+3 Months	+6 Months	+9 Months
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 1.0000 for (a) those retiring at age 55 or later with at least 30 years of service or (b) those at age 50 or older with at least 30 years of service on September 30, 2005, who retire by December 31, 2005.

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:

Entry Age	Rate
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.

Deferred Withdrawal Retirement Benefit (Vested):

Age & Service Requirement	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.
Amount	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.

Changes in Plan Provisions: The City Council approved an action to provide one-half of the full-time employee benefit to eligible half-time employees. Also, members who are at least 50 years old with 30 or more years of service on September 30, 2005 can retire by December 31, 2005 without an early retirement reduction.