

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES'
RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2008 and 2007
WATER AND POWER EMPLOYEES'
RETIREE HEALTH BENEFITS FUND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008 and the Period
December 15, 2006 (Date of Inception) through June 30, 2007**



**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
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INDEPENDENT AUDITOR'S REPORT

To the Board of Administration
City of Los Angeles Water and Power
Employees' Retirement, Disability and
Death Benefit Insurance Plans

We have audited the accompanying statements of plan net assets of the City of Los Angeles Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (Retirement Plan) and the Retiree Health Benefits Fund (RHBF), collectively known as the Plan, as of June 30, 2008, and the related statements of changes in plan net assets for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Retirement Plan as of June 30, 2007 and for the year then ended and the financial statements of the RHBF as of June 30, 2007 and for the period December 15, 2006 through June 30, 2007 were audited by other auditors whose report dated December 17, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of June 30, 2008, and the changes in net assets available for benefits of the Plan for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – An Amendment of GASB Statement No. 25 and No. 27*, effective July 1, 2007.

The Management's Discussion and Analysis on pages 3 through 16, the Schedules of Funding Progress on pages 49, 51, and 52, and the Schedules of Employer Contributions on pages 50 and 53, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the Plan's financial statements taken as a whole. The Retirement Fund Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, the Death Benefit Fund Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and the Retirement Fund Schedule of Revenues by Source and Expenses by Type on pages 54 through 56 (Schedules), are presented for purposes of additional analysis and are not a required part of the Plan's basic financial statements. The Schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the Plan's basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read 'Simpson & Simpson'.

Los Angeles, California
October 10, 2008

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

We are pleased to provide this overview and analysis of the financial activities of the City of Los Angeles Department of Water and Power (Department) Employees' Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan) for the year ended June 30, 2008 and 2007, and the Retiree Health Benefits Fund (RHBF) for the year ended June 30, 2008 and the period December 15, 2006 (date of inception) through June 30, 2007. The Retirement Plan and the RHBF are collectively known as the Plan.

FINANCIAL HIGHLIGHTS

- The net assets at the close of the fiscal year ending June 30, 2008 were \$6,923,930,815, \$39,636,133, \$22,095,358 and \$719,636,742 for the retirement, disability, death benefit, and retiree health benefits funds, respectively. All of the net assets were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total net assets decreased by \$493,896,981 or 6.66% and \$2,570,010 or 10.42% for the retirement fund and death benefit fund, respectively; increased by \$4,110,732 or 11.57% and \$70,520,987, or 10.86% for the disability fund and the RHBF, respectively.
- As of June 30, 2008, the date of the retirement fund's latest actuarial valuation, the funding ratio of the retirement fund was approximately 95.13%.
- Additions to the retirement fund's plan net assets decreased from \$1,249,284,366 to a negative \$131,088,329 over the prior year, or approximately 110.49% due to the net depreciation in the fair value of investments in 2008.
- Deductions from the retirement fund's plan net assets increased from \$344,696,103 to \$362,808,652 over the prior year, or approximately 5.25%.
- The fiscal year 2008 marks a complete year that the RHBF's assets were invested under the oversight of the Retirement Board. The RHBF's net assets were up \$70,520,987 or 10.86% from \$649,115,755 to \$719,636,742.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the financial statements of the Plan, which are:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the amount of assets available for payment to retirees, beneficiaries, and any current liabilities owed at year end.

The Statement of Changes in Plan Net Assets reports additions to and deductions from the plan net assets during the year.

The above statements are on a full accrual basis of accounting. Investment gains and losses are shown at trade date, and account balances are based on fair values recognizing both realized and unrealized gains and losses on investments.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements. These notes are presented in pages 25 to 48 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the retirement fund, the RHBF, and the death benefit fund's progress in funding to provide pension, health benefits, and insured life benefits to members. The report also provides summary information on employer contributions. The required supplementary information is on pages 49 to 53 of this report.

Supplementary Information: The supplementary information is also available in this report for a better understanding of the Plan's financial activities. The supplementary information is on pages 54 to 56 of this report.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS

Retirement Fund

Plan Net Assets

A summary of the Retirement Plan's net assets is presented below:

	Condensed Statement of Plan Net Assets				
	(In Thousands)				
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Cash	\$ 1,008	\$ 586	\$ 822	72.01%	-28.71%
Receivables	713,152	268,181	299,831	165.92%	-10.56%
Investments	<u>7,835,952</u>	<u>8,434,584</u>	<u>7,368,087</u>	-7.10%	14.47%
 Total assets	 8,550,112	 8,703,351	 7,668,740	 -1.76%	 13.49%
Liabilities	<u>1,626,181</u>	<u>1,285,523</u>	<u>1,155,500</u>	26.50%	11.25%
 Total plan net assets	 <u>\$ 6,923,931</u>	 <u>\$ 7,417,828</u>	 <u>\$ 6,513,240</u>	 -6.66%	 13.89%

Fiscal year ended June 30, 2008

Net assets decreased by \$494 million (6.66%) to \$6.9 billion from the prior fiscal year. Investments were down by \$599 million when compared with the prior fiscal year mainly due to the decline in the fair value of investments. This fiscal year, the fair value of investments was \$517 million over cost, while it was \$1.3 billion over cost at fiscal year 2007. Receivables and liabilities increased from fiscal year 2007 as a result of pending trades and settlements at year-end.

Fiscal year ended June 30, 2007

Net assets increased by \$905 million (13.9%) to \$7.4 billion over the prior fiscal year. Investments increased by \$1,066 million due to the favorable return in investing activities as well as an increase in the fair value of investments. Liabilities increased by \$130 million from fiscal year 2006 due to a decrease in pending trades and settlements at year-end of \$189 million, offset by an increase in lending activities of \$319 million.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Changes in Plan Net Assets

	Condensed Statement of Changes in Plan Net Assets (In Thousands)				
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Additions					
Members' contributions	\$ 48,694	\$ 47,060	\$ 41,330	3.47%	13.86%
Employer contributions	146,057	132,704	104,465	10.06%	27.03%
Net investment income	(325,839)	1,069,520	516,736	-130.47%	106.98%
Total additions	(131,088)	1,249,284	662,531	-110.49%	88.56%
Deductions					
Benefits payment	353,179	338,341	325,873	4.39%	3.83%
Refund	6,233	3,546	3,424	75.78%	3.56%
Administrative expenses	3,397	2,809	2,209	20.93%	27.16%
Total deductions	362,809	344,696	331,506	5.25%	3.98%
Net increase (decrease) in plan net assets	(493,897)	904,588	331,025	-154.60%	173.27%
Net assets beginning	7,417,828	6,513,240	6,182,215	13.89%	5.35%
Net assets ending	<u>\$ 6,923,931</u>	<u>\$ 7,417,828</u>	<u>\$ 6,513,240</u>	-6.66%	13.89%

Additions to Plan Net Assets

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

Fiscal year ended June 30, 2008

Contributions for fiscal year 2008 totaled \$194.8 million, up \$15.0 million or 8.34% over the fiscal year 2007. The increase in the contributions was due to: a) an increase in the Department's personnel, and b) a 3.25% cost-of-living adjustment added to the base salary of most Department employees. The Department's actuarial required contribution rate for fiscal year 2008 was 21.59% of covered compensation down from 22.25% of covered compensation for fiscal year 2007.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retirement Fund (Continued)

Net investment income amounted to a negative \$326 million, down by \$1.4 billion or 130.47% when compared with \$1.1 billion from the prior fiscal year. This decline in net investment income is mostly attributed to the net depreciation in the fair value of investments.

Fiscal year ended June 30, 2007

Contributions for fiscal year 2007 totaled \$179.8 million, up \$34.0 million or 23.3% from a year ago. The increase in contributions was due to the following: a) an increase in the number of Department's employees, b) a 3.9% cost-of-living adjustment added to the base salary of most Department employees, and c) an increase in the Department's required contribution rate for fiscal year 2007 to 22.25% of pay from 19.20% for fiscal year 2006.

Investment income increased by \$552.8 million or 107.0% compared with the prior fiscal year 2006. This was caused primarily by the increase in the fair value of investments and increase in earnings from fixed income investments.

Deductions from Plan Net Assets

Costs associated with this Plan include benefit payments as designated by the Retirement Plan, refund of contributions due to termination and member death, and administrative expenses.

Fiscal year ended June 30, 2008

Deductions for the fiscal year ended June 30, 2008 totaled \$362.8 million, an increase of \$18.1 million over 2007. The increase was due mainly to the increase in retiree benefit payments as a result of the 3% cost-of-living adjustment granted starting July 2007. Other contributing factors to the increase were withdrawal of contributions due to terminations and/or member transfers to other City Departments, increase in administrative expenses, and hiring of additional investment advisors.

Fiscal year ended June 30, 2007

Deductions for the fiscal year ended June 30, 2007 totaled \$345 million, an increase of \$13.2 million over the prior year. The increase was due mainly to the increase in the retiree benefit payments as a result of the cost-of-living adjustment.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund

Plan Net Assets

The Disability Insurance Plan's net assets are summarized below:

Condensed Statement of Plan Net Assets (In Thousands)					
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Cash	\$ 163	\$ 249	\$ 230	-34.54%	8.26%
Receivables	6,530	5,057	4,867	29.13%	3.90%
Investments	33,099	30,383	32,113	8.94%	-5.39%
Total assets	39,792	35,689	37,210	11.50%	-4.09%
Liabilities	156	163	192	-4.29%	-15.10%
Total plan net assets	\$ 39,636	\$ 35,526	\$ 37,018	11.57%	-4.03%

Fiscal year ended June 30, 2008

The Disability Insurance Plan's net assets increased by \$4.1 million or 11.57% in fiscal year 2008. Investments increased by \$2.7 million or 8.94% from the prior fiscal year.

Fiscal year ended June 30, 2007

The Disability Insurance Plan's net assets were down \$1.5 million or 4.0% in fiscal year 2007. Investments decreased by \$1.7 million from prior fiscal year.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (Continued)

Changes in Plan Net Assets

	Condensed Statement of Changes in Plan Net Assets (In Thousands)				
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Additions					
Members' contributions	\$ 425	\$ 400	\$ 397	6.25%	0.76%
Employer contributions	14,224	8,395	5,108	69.43%	64.35%
Net investment income	2,169	1,970	(152)	10.36%	1396.05%
Total additions	16,818	10,765	5,353	56.23%	101.10%
Deductions					
Benefits payment	12,226	11,826	10,920	3.38%	8.30%
Administrative expenses	482	431	450	11.83%	-4.22%
Total deductions	12,708	12,257	11,370	3.68%	7.80%
Net increase (decrease) in plan net assets	4,110	(1,492)	(6,017)	375.47%	75.20%
Net assets beginning	35,526	37,018	43,035	-4.03%	-13.98%
Net assets ending	\$ 39,636	\$ 35,526	\$ 37,018	11.57%	-4.03%

Additions to Plan Net Assets

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

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WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Disability Fund (Continued)

Fiscal year ended June 30, 2008

Contributions for fiscal year 2008 totaled \$14.6 million, an increase of approximately 66.5% or \$5.8 million from a year ago. The increase was due to an increase in the number of employees over the prior year, and an increase in the Department contributions to the disability fund. In 2008, the employer contribution rate rose to \$2.18 compared with \$1.55 per \$100 of employees' base compensation in 2007. For fiscal year 2008, net investment income was slightly higher than fiscal year 2007 by approximately \$0.2 million.

Fiscal year ended June 30, 2007

Contributions for fiscal year 2007 totaled \$8.8 million, an increase of approximately 59.8% or \$3.3 million from a year ago. The increase was due to an increase in the number of employees over the prior year, and an increase in the Department's contributions to the Disability Fund. In 2007, employer contribution rate rose to \$1.55 compared with \$0.74 per \$100 of employees' base compensation in 2006. In addition, investment income was up 1396% due to increase in realized earnings and the fair value of investments.

Deductions from Plan Net Assets

The costs associated with this Plan include disability benefit payments and administrative expenses.

Fiscal year ended June 30, 2008

Fiscal year 2008 deductions slightly increased to \$12.7 million, an increase of approximately 3.7%. This was caused by the increase in the employee base compensation due to cost-of-living allowance of 3.25% granted during fiscal year 2008. This translated to the almost identical rate of increase in the disability benefits payment since these benefits were paid on the basis of employee compensation.

Fiscal year ended June 30, 2007

Deductions for the fiscal year 2007 totaled \$12.3 million, an increase of \$0.9 million over the prior year. The increase was attributable to the increase in temporary disability benefit payments as a result of the increase in employee base compensation.

**CITY OF LOS ANGELES
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund

Plan Net Assets

Condensed Statement of Plan Net Assets (In Thousands)					
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Cash	\$ 211	\$ 153	\$ 187	37.91%	-18.18%
Receivables	101	128	633	-21.09%	-79.78%
Investments	24,028	26,554	27,048	-9.51%	-1.83%
Total assets	24,340	26,835	27,868	-9.30%	-3.71%
Liabilities	2,245	2,170	1,609	3.46%	34.87%
Total plan net assets	\$ 22,095	\$ 24,665	\$ 26,259	-10.42%	-6.07%

Fiscal year ended June 30, 2008

The Plan's net assets were down by \$2.6 million or 10.42% when compared with prior year's net assets of \$24.7 million. Investments at June 30, 2008 were \$24.03 million, down \$2.5 million or 9.5% when compared with fiscal year 2007.

Fiscal year ended June 30, 2007

Plan net assets were down by \$1.6 million (6.1%) from fiscal year 2006. Investments decreased by \$0.5 million to \$26.6 million.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund (Continued)

Changes in Plan Net Assets

	Condensed Statement of Changes in Plan Net Assets (In Thousands)				
	2008	2007	2006	2008/07 % Change	2007/06 % Change
Additions					
Members' contributions	\$ 304	\$ 289	\$ 287	5.19%	0.70%
Employer contributions	4,605	4,337	4,194	6.18%	3.41%
Net investment income	1,833	1,701	(104)	7.76%	1735.58%
Total additions	6,742	6,327	4,377	6.56%	44.55%
Deductions					
Benefits payment	8,538	7,260	8,156	17.60%	-10.99%
Administrative expenses	774	661	637	17.10%	3.77%
Total deductions	9,312	7,921	8,793	17.56%	-9.92%
Net increase (decrease) in plan net assets	(2,570)	(1,594)	(4,416)	-61.23%	63.90%
Net assets beginning	24,665	26,259	30,675	-6.07%	-14.40%
Net assets ending	<u>\$ 22,095</u>	<u>\$ 24,665</u>	<u>\$ 26,259</u>	-10.42%	-6.07%

Additions to Plan Net Assets

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

Fiscal year ended June 30, 2008

Additions this year were slightly higher than the prior fiscal year. The increase in employer contributions of \$0.3 million was attributable to the 3% cost-of-living allowance increase in benefits paid to retirees effective July 2007.

Fiscal year ended June 30, 2007

Contributions for fiscal year 2007 totaled \$4.6 million, up 3.2% over the prior year. Investment income totaled \$1.7 million, up 1735% over 2006. This favorable change resulted from the net appreciation in the fair value of investments over 2006. Net assets were down 6.10% from 2006.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Death Benefit Fund (Continued)

Deductions from Plan Net Assets

The costs associated with this Plan include the benefits payments and administrative expenses.

Fiscal year ended June 30, 2008

Deductions were up \$1.4 million, or 17.6% to \$9.3 million. This increase was attributable to the increase in the amounts and number of death benefits paid this year compared with 2007.

Fiscal year ended June 30, 2007

Deductions for the year 2007 totaled \$7.9 million, a decrease of \$0.9 million over a year ago. This decrease was attributable to the decline in death benefit payments resulting from fewer death benefit cases this year than in 2006.

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WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Retiree Health Benefits Fund

The DWP Board of Water and Power Commissioners approved the creation of the RHBF on September 2006 to defray current and future retiree health benefits liabilities and related costs. The Retirement Board has the fiduciary responsibility for investing the assets of the RHBF and administering payments from it, while the DWP Board of Water and Power Commissioners continues to have the responsibility to set the funding policy and the funding levels of the RHBF.

Department's assets amounting to \$642.0 million were transferred to the Plan to establish the RHBF during fiscal year 2007. As of June 30, 2008, the net assets of the RHBF totaled \$720 million, and these assets included \$100 million in Department contributions received in fiscal year 2008. A condensed Statement of Plan Net Assets and condensed Statement of Changes in Plan Net Assets follow:

Plan Net Assets

Condensed Statements of Plan Net Assets			
(In Thousands)			
	2008	2007	2008/07 % Change
Cash	\$ 134	\$ 1	13300.00%
Receivables	118,851	42,273	181.15%
Investments	792,876	719,917	10.13%
Total assets	911,861	762,191	19.64%
Liabilities	192,224	113,075	70.00%
Total plan net assets	\$ 719,637	\$ 649,116	10.86%

Fiscal year ended June 30, 2008

Total assets increased by \$150 million, or 19.64% due to the increase in investments and receivables. The item shown as "Receivables" above included pending trades and settlements at year-end.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund (Continued)

Changes in Plan Net Assets

	Condensed Statement of Changes in Plan Net Assets (In Thousands)		2008/07 % Change
	2008	2007	
Additions			
Employer contributions	\$ 157,611	\$ 642,129	-75.45%
Net investment income	(29,730)	23,871	-224.54%
Total additions	127,881	666,000	-80.80%
Deductions			
Benefits payments (insurance premiums)	57,360	16,884	239.74%
Administrative expenses	-	-	
Total deductions	57,360	16,884	239.74%
Net increase (decrease) in plan net assets	70,521	649,116	-89.14%
Net assets beginning	649,116	-	
Net assets ending	\$ 719,637	\$ 649,116	10.86%

Additions to Plan Net Assets

Contributions for fiscal year 2008 were down by \$484.5 million, or 75.5% when compared with fiscal year 2007, the year the RHBF was established and transferred to the Plan for investment oversight by the Retirement Board. The Department made a total contribution of approximately \$158 million this fiscal year.

Additions to net assets also decreased because net investment income decreased by \$53.6 million. The decline in the fair value of investments this fiscal year was a factor to this decrease.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Retiree Health Benefits Fund (Continued)

Deductions from Plan Net Assets

Deductions represent medical and dental insurance premiums paid for the benefit of retirees. This year's deductions were \$40.5 million or 239.7% more than the total deductions of the prior fiscal year. Fiscal year 2008 marked the first full year the investments of the RHBF were under the Retirement Board's oversight.

Request for Information

This financial report is designed to provide the Retirement Board, members, investment managers and creditors with a general overview of the Plan's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Sangeeta Bhatia, Retirement Plan Manager
Water and Power Employees' Retirement Plan
111 N. Hope Street, Room 357
Los Angeles, CA 90012

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND
STATEMENT OF PLAN NET ASSETS
As of June 30**

ASSETS	2008	2007
Cash (Notes 2 and 3)	\$ 1,008,365	\$ 585,946
Receivables		
Accrued investment income	24,186,580	21,914,269
Department of Water and Power	21,103,724	14,794,118
Pending investment sales	665,205,499	230,919,120
Other	2,656,296	553,281
Total receivables	713,152,099	268,180,788
Investments, at fair value (Notes 2, 3, and 4)		
Fixed income (amortized cost \$2,589,361,766 in 2008 and \$2,418,392,811 in 2007)	2,510,478,526	2,396,332,126
Common stock (cost of \$3,445,673,965 in 2008 and \$3,465,863,229 in 2007)	4,025,380,109	4,785,563,423
Short-term investments (cost approximates fair value)	312,911,293	238,697,872
Alternative investments	117,780,030	87,558,131
Real estate	123,299,474	54,704,256
Securities lending - short-term collateral investment pool	746,102,425	871,728,424
Total investments	7,835,951,857	8,434,584,232
Total assets	8,550,112,321	8,703,350,966
LIABILITIES		
Payables		
Pending investment purchases	874,135,922	408,566,654
Other	5,943,159	5,228,092
Securities lending - collateral payable (Note 4)	746,102,425	871,728,424
Total liabilities	1,626,181,506	1,285,523,170
Net Assets held in trust for pension benefits	\$ 6,923,930,815	\$ 7,417,827,796

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

RETIREMENT FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30

	2008	2007
ADDITIONS		
Members' contributions	\$ 48,683,048	\$ 47,049,554
Installment payment from early retired employees	10,999	10,892
Department of Water and Power contributions towards:		
Benefit (net of reversions)	141,862,126	129,154,539
Administrative expenses	4,195,096	3,549,724
	194,751,269	179,764,709
Investment income		
Net appreciation (depreciation) in fair value of investments	(510,642,656)	890,825,634
Interest	139,271,129	134,892,788
Dividends	52,037,926	47,966,411
Income from real estate investments	5,898,282	-
Securities lending (Note 4)	31,903,753	36,668,841
	(281,531,566)	1,110,353,674
Less: securities lending expenses (Note 4)	(24,900,168)	(34,304,268)
Less: investment expenses	(19,563,128)	(17,314,000)
	(325,994,862)	1,058,735,406
Net investment income		
Other income	155,264	10,784,251
	(131,088,329)	1,249,284,366
DEDUCTIONS		
Retirement benefits paid	353,178,785	338,340,501
Refund of members' contributions	6,232,954	3,546,079
Administrative expenses	3,396,913	2,809,523
	362,808,652	344,696,103
Net increase (decrease) in plan net assets	(493,896,981)	904,588,263
Net assets held in trust for pension benefits		
Beginning of year	7,417,827,796	6,513,239,533
	\$ 6,923,930,815	\$ 7,417,827,796

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND
STATEMENT OF PLAN NET ASSETS
As of June 30**

ASSETS	2008	2007
Cash (Notes 2 and 3)	\$ 163,305	\$ 248,832
Receivables		
Accrued investment income	138,066	145,872
Department of Water and Power	2,684,652	1,378,737
Other	397,321	222,218
Contingent disability benefit advance	3,310,339	3,310,339
Total receivables	6,530,378	5,057,166
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$30,533,091 in 2008 and \$29,550,892 in 2007)	30,324,247	28,781,288
Short-term investments (cost approximates fair value)	2,774,162	1,601,558
Total investments	33,098,409	30,382,846
Total assets	39,792,092	35,688,844
LIABILITIES		
Payables		
Pending investment purchases	132,642	132,166
Other	23,317	31,277
Total Liabilities	155,959	163,443
Net assets held in trust for disability benefits	\$ 39,636,133	\$ 35,525,401

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DISABILITY FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30**

	2008	2007
ADDITIONS		
Department of Water and Power contributions towards:		
Temporary disability benefits	\$ 12,618,600	\$ 7,122,491
Supplemental disability benefits	1,109,605	831,698
Administrative expenses	496,208	440,824
Total department contributions	14,224,413	8,395,013
Contributions from members for:		
Temporary disability benefits	213,483	200,811
Permanent total disability benefits	211,810	199,223
Total members' contributions	425,293	400,034
Net appreciation (decline) in fair value of investments	551,605	352,501
Investment income	1,655,676	1,664,049
Less: investment expenses	(38,460)	(46,502)
Net investment income	2,168,821	1,970,048
Total additions	16,818,527	10,765,095
DEDUCTIONS		
Benefits provided:		
Temporary disability	8,854,767	9,201,313
Extended temporary disability	723,525	301,675
Permanent total disability	1,542,574	1,493,732
Supplemental disability	1,105,279	829,409
Total benefits provided	12,226,145	11,826,129
Administrative expenses	481,650	431,210
Total deductions	12,707,795	12,257,339
Net increase (decrease) in plan net assets	4,110,732	(1,492,244)
Net assets held in trust for disability benefits		
Beginning of year	35,525,401	37,017,645
End of year	\$ 39,636,133	\$ 35,525,401

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND
STATEMENT OF PLAN NET ASSETS
As of June 30**

ASSETS	<u>2008</u>	<u>2007</u>
Cash (Notes 2 and 3)	\$ 210,771	\$ 153,013
Receivables		
Accrued investment income	101,067	128,362
Other	<u>44</u>	<u>44</u>
Total receivables	<u>101,111</u>	<u>128,406</u>
Investments, at fair value (Notes 2 and 3)		
Fixed income (amortized cost \$22,406,953 in 2008 and \$25,957,867 in 2007)	22,256,185	25,268,474
Short-term investments (cost approximates fair value)	<u>1,771,694</u>	<u>1,285,573</u>
Total investments	<u>24,027,879</u>	<u>26,554,047</u>
Total assets	<u>24,339,761</u>	<u>26,835,466</u>
LIABILITIES		
Payables		
Department of Water and Power	48,591	94,062
Pending investment purchases	97,352	116,035
Other	343,306	242,110
Death claims in process - insured lives	<u>1,755,154</u>	<u>1,717,891</u>
Total liabilities	<u>2,244,403</u>	<u>2,170,098</u>
Net assets held in trust for death benefits	<u>\$ 22,095,358</u>	<u>\$ 24,665,368</u>

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

DEATH BENEFIT FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the years ended June 30

	2008	2007
ADDITIONS		
Department of Water and Power contributions towards:		
Retired members (non-contributing)	\$ 3,825,394	\$ 3,671,046
Administrative expenses	779,813	666,340
Total department contributions	4,605,207	4,337,386
Contributions from members for:		
Insured lives death benefit	211,826	199,634
Supplemental family death benefit	91,815	88,782
Total members' contributions	303,641	288,416
Net appreciation (decline) in fair value of investments	511,819	269,991
Investment income	1,345,401	1,467,730
Less: investment expenses	(24,375)	(36,861)
Net investment income	1,832,845	1,700,860
Total additions	6,741,693	6,326,662
DEDUCTIONS		
Benefits provided for:		
Death benefits (active/retired members)	7,743,729	6,486,244
Family allowances	793,878	773,630
Total benefits provided	8,537,607	7,259,874
Administrative expenses	774,096	660,832
Total deductions	9,311,703	7,920,706
Net decrease in plan net assets	(2,570,010)	(1,594,044)
Net assets held in trust for death benefits		
Beginning of year	24,665,368	26,259,412
End of year	\$ 22,095,358	\$ 24,665,368

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

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND

RETIREE HEALTH BENEFITS FUND
STATEMENT OF PLAN NET ASSETS
As of June 30

ASSETS	2008	2007
Cash (Notes 2 and 3)	\$ 134,251	\$ 1,000
Receivables		
Accrued investment income	2,208,486	1,617,801
Department of Water and Power	-	139,957
Pending investment sales	116,642,033	40,515,384
Total receivables	118,850,519	42,273,142
Investments, at fair value (Notes 2, 3, and 4)		
Fixed income (amortized cost \$328,878,034 in 2008 and \$264,090,001 in 2007)	327,958,741	261,393,862
Common stock (cost of \$434,450,920 in 2008 and and \$374,450,920 in 2007)	408,417,170	397,703,937
Short-term investments (cost approximates fair value)	16,481,181	7,732,192
Securities lending - short-term collateral investment pool	40,019,280	53,086,817
Total investments	792,876,372	719,916,808
Total assets	911,861,142	762,190,950
LIABILITIES		
Due to Retirement Fund	-	139,957
Payables		
Accounts payable	121,223	-
Pending investment purchases	152,083,897	59,848,421
Security lending - collateral payable (Note 4)	40,019,280	53,086,817
Total liabilities	192,224,400	113,075,195
Net assets held in trust for retiree health benefits	\$ 719,636,742	\$ 649,115,755

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS**

	<u>For the year ended June 30, 2008</u>	<u>For the period December 15, 2006 through June 30, 2007</u>
ADDITIONS		
Department of Water and Power contributions towards:		
Retiree health benefits	\$ 100,000,000	\$ 625,104,927
Insurance premiums	57,359,628	16,884,415
Investment expenses	<u>251,497</u>	<u>139,957</u>
Total department contributions	<u>157,611,125</u>	<u>642,129,299</u>
Investment Income		
Net appreciation (decline) in fair value of investments	(43,393,018)	17,824,809
Interest and dividends	13,871,377	6,143,449
Securities lending (Note 4)	<u>1,093,045</u>	<u>713,689</u>
Total investment income	(28,428,596)	24,681,947
Less: securities lending expenses (Note 4)	(853,894)	(671,119)
Less: investment expenses	<u>(448,020)</u>	<u>(139,957)</u>
Net investment income	<u>(29,730,510)</u>	<u>23,870,871</u>
Total additions	<u>127,880,615</u>	<u>666,000,170</u>
DEDUCTIONS		
Retiree health benefits paid (insurance premiums)	<u>57,359,628</u>	<u>16,884,415</u>
Total deductions	<u>57,359,628</u>	<u>16,884,415</u>
Net increase in plan net assets	70,520,987	649,115,755
Net assets held in trust for retiree health benefits		
Beginning of year/Date of inception	<u>649,115,755</u>	<u>-</u>
End of year	<u>\$ 719,636,742</u>	<u>\$ 649,115,755</u>

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

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The Retirement Board of Administration (Board) is the administrator of the City of Los Angeles Water and Power Employees' Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan). The Retirement Plan is comprised of three separate funds – retirement fund, disability fund, and death benefit fund. Also, the Board has investment oversight of the Retiree Health Benefits Fund (RHBF), and together with the Retirement Plan are collectively known as the Plan. Each fund under the Retirement Plan and the RHBF is considered an independent trust fund of the Department of Water and Power (Department), which is a proprietary department of the City of Los Angeles (City).

The Retirement Plan was established in 1938 and is subject to the provisions of the City Charter and the plan document. The Retirement Plan operates as a single-employer defined benefit plan to provide pension benefits, including death and disability benefits, to eligible Department employees.

In 1986, the Board of Water and Power Commissioners (DWP Board) adopted the Department Health Plans Board Resolution. This resolution established provisions for the health, dental and other medical plans of the Department and its subsidiaries. This resolution is updated annually to approve changes in health plan carriers and subsidy amounts. This resolution and subsequent amendments have created the Department's Postretirement Health Care Benefit Plan (Retiree Health Benefits Plan), a single-employer postemployment healthcare benefit plan. On September 6, 2006, the Board approved the creation and establishment of the RHBF for the purpose of funding the benefits provided under the Retiree Health Benefits Plan.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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INCLUDING RETIREE HEALTH BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Retirement, Disability, and Death Benefit Insurance Plan (Retirement Plan)

Membership

The Retirement Plan's membership consisted of the following at June 30, 2008 and 2007:

	2008	2007
Retirees, beneficiaries*	8,718	8,783
Terminated vested	686	702
Terminated non-vested	702	714
Inactive-non-contributing employees	157	149
Active-contributing employees:		
Vested	8,096	7,865
Non-vested	396	238
Total	18,755	18,451

*Includes beneficiaries of the Survivorship account.

Benefit Provisions

Retirement/Disability Fund

The retirement fund consists of both defined contribution and defined benefit elements. The members vest in the defined contribution element (annuity) after one year of service. Members vest in the defined benefit element (pension) only after qualifying for retirement and meeting the criteria for the formula pension. Generally, new and returning employees of the Department become eligible for Plan membership on the first day of the payroll period following entry into Department service. New eligible employees must complete 26 weeks of continuous service before becoming entitled to disability and/or death benefits. The right to death benefits is effective upon an employees' date for membership. Qualification for disability benefits occurs one day after an employee's effective membership date and payment of premium.

Members are eligible for normal retirement at age 60 with at least five years of service. Early retirement at age 55 is generally available if the member has been with the Department for 10 of the last 12 years before retirement. Members with 30 or more years may retire at age 50 and receive unreduced benefits within a certain limited period (this option expired on October 31, 2005). Upon qualifying for retirement, members will also qualify for a formula pension if they

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

have been employed by the Department for at least five years before retirement and have been a contributing member of the Plan for at least four of five years immediately preceding retirement or while eligible to retire (or during any of those four years if they were receiving either disability benefits under the Plan or payments under any Workers' Compensation Law). Eligible members are entitled to an annual retirement benefit, payable monthly for life currently in an amount equal to a retirement factor of 2.1% of their highest average salary, for each year of credited service. Members who have at least 30 years of service credit and are at least 55 years of age (and represented by a bargaining unit that has negotiated this benefit) are entitled to a retirement factor of 2.3% in the calculation of their retirement allowance. "Highest average salary" is defined as the employee's average salary, excluding overtime, over the highest 26 consecutive payroll periods.

Death Benefit Fund

The Death Benefit Fund consists of the Insured Lives Death Benefit (IDB), Family Death Benefit (FDB), and Supplemental Family Death Benefit (SFDB).

- **Insured Lives Death Benefit**

For contributing active members, death benefit coverage begins after completion of 26 weeks of continuous Department service. If the death occurs while an active member of the Plan, the benefit includes a single lump sum distribution equal to fourteen times the member's monthly salary, and the retirement fund contributions plus accrued interest, payable to the beneficiary.

For retired members, the benefits include a single lump sum distribution equal to fourteen times the member's full retirement allowance not to exceed \$20,000, plus any unpaid retirement allowances due, and the balance of the retirement fund contributions (if Option A was elected at retirement) payable to the beneficiary.

- **Family Death Benefit**

Coverage begins after completion of 26 weeks of continuous Department service. The Plan provides a monthly FDB allowance of \$416 to each qualified surviving child plus \$416 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum monthly FDB allowance cannot exceed \$1,170.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

- Supplemental Family Death Benefit

The SFDB program supplements the FDB. Coverage begins after enrollment and payment of premiums for 39 consecutive biweekly payroll deductions. The Plan provides for an additional monthly SFDB allowance of \$520 to each qualified surviving child plus \$520 to the spouse, if the spouse has the care of one or more of the member's eligible children. The maximum SFDB allowance cannot exceed \$1,066.

Contributions

Retirement/Disability Fund

Covered employees are required to contribute 6% of their annual covered payroll upon becoming a Plan member on or after June 1, 1984. Employees entering the Plan before June 1, 1984 contribute an amount based upon an entry-age percentage rate. If an employee leaves or dies while employed, employee contribution plus credited interest is refundable. After one year of membership, the employee may leave his or her contribution on account with the Plan along with the Department's matching contributions and receive a money purchase allowance at retirement age. A surviving spouse of an employee who dies while eligible to retire or with at least 25 years of service may elect to receive a monthly allowance from the Retirement Fund for life rather than a refund of the employee's contributions and interest.

The Department contributes \$1.10 for each \$1.00 contributed by members, plus an actuarially determined percentage of covered payroll. Contribution provisions are established and amended by the Board upon the advice of the Plan actuary. Plan benefits are funded by earnings from investments and by contributions from the Department and members.

Each bi-weekly payroll period, eligible members contribute \$1.00 each for Temporary Disability and Permanent Total Disability.

Death Benefit Fund

- Insured Lives Death Benefit

Contributing active members contribute \$1.00 per bi-weekly payroll period. The Department contribution for the IDB for contributing active members has been suspended since August 1, 1999 as recommended by the Plan actuary.

The Department currently contributes to the IDB for non-contributing members at \$1.30 per \$100 of retirement benefits paid.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

- Family Death Benefit

The Department contributions have been suspended since July 1, 1993. The Department contributions will continue to be suspended as recommended by the Plan's actuary.

- Supplemental Family Death Benefit

Active members contribute \$2.25 per bi-weekly payroll period, and retired members contribute \$4.90 per month. Member contributions plus earnings from investments are intended to cover the cost of the benefits.

Retiree Health Benefits Plan

Membership

The Retiree Health Benefits Plan's membership consisted of the following at June 30, 2007 and 2006:

	2007	2006
Current retirees and surviving spouses*	7,875	8,869
Current active members	7,993	7,878
	15,868	16,747

*A retiree/beneficiary is only counted if he/she is receiving a medical and/or dental benefit as of June 30.

Benefit Provisions

Retired members of the Plan are eligible to receive a medical and dental subsidy based on their age and years of service at retirement. The retirees pay any health and dental plan premiums in excess of Department subsidy limits that they are eligible for.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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June 30, 2008**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Contributions

The DWP Board establishes the funding policy and funding levels of the RHBF. The Department retains the responsibility and obligation to fund the RHBF to the extent necessary and appropriate as recommended by the Department's actuary, based on funding parameters set by the Department on advice of the actuary. During fiscal year 2008, the Department contributed \$157.4 million to fund current and future retiree health benefits liabilities and related costs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The Plan follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statements 25 and 50 for Retirement Fund and the Insured Lives portion of the Death Benefit Fund, and Statement 43 for the RHBF. The financial statements are prepared using the accrual basis of accounting and reflect the overall financial operations of the Plan. Members' and Department's contributions are recognized as revenues in the period in which the employee services are performed and when due, and benefits and refunds are recognized when due and payable in accordance with the terms of each benefit fund.

Other expenses are recognized when corresponding liabilities are incurred. The net appreciation (depreciation) in fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments.

Method Used to Value Investments

The Plan's investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of securities is determined by the published market prices and quotations from major investment dealers. Securities traded on a national or international exchange are valued at the last reported sales price at current currency exchange rates in effect. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. Hedge funds are valued at cost plus accumulated income subject to adjustments, and these are reported as "Alternative Investments" on the statement of plan net assets. The Plan has investments in commingled real estate funds in which real property is its primary underlying investment. These are reported as "Real Estate" on the statement of plan net assets. Unsettled investment trades as of year-end are reported in the financial statements as receivable for pending sales or payable for pending purchases.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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June 30, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists primarily of cash on deposit with the Treasurer of the City of Los Angeles.

Use of Estimates

The preparation financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the fiscal year 2007 amounts to conform to the fiscal year 2008 presentation.

Implementation of New Accounting Pronouncements

The Plan implemented the provisions of GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statement No. 25 and No. 27*, effective July 1, 2007. The objective of this statement is to amend note disclosure and required supplementary information (RSI) standards of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform to applicable changes adopted in GASB No. 43 and No. 45.

In the financial statements for the fiscal year ended June 30, 2007, the Insured Lives portion of the Death Benefits Fund and the Retiree Health Benefits Fund implemented the provisions of GASB Statement No. 25 and GASB Statement No. 43, respectively, effective July 1, 2006.

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WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING

Investment authority is granted to the Plan by the Charter of the City of Los Angeles and is exercised in accordance with the Board's investment policy. The Charter authorizes the form and type of investment vehicles that may be purchased. The Board may invest in common and preferred stocks (including both domestic and international equities), convertible debt, fixed income, alternative investments, and real estate; and it may utilize stock covered call options and securities lending.

Cash

As of June 30, 2008, the Plan's cash balances consist primarily of cash deposit with the Treasurer of the City of Los Angeles.

Investments

As of June 30, 2008, the Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Domestic equities	\$ 3,104,452,430
International equities	1,329,344,849
U.S. Treasuries	511,288,605
U.S. Treasury TIPS	38,472,822
U.S. Agency notes	17,168,217
Municipal bonds	4,340,518
Medium term notes	39,413,271
Preferred securities/convertible bonds	11,762,879
Mortgage and asset backed securities	1,544,230,487
Corporate debt – domestic	665,030,644
Corporate debt - international	6,729,824
Mutual funds	386,518,762
Hedge funds	117,780,030
Real estate	123,299,474
Securities lending short-term collateral investment pool	786,121,705
Total investments	<u>\$ 8,685,954,517</u>

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)

As of June 30, 2007, the Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Domestic equities	\$ 3,705,491,251
International equities	1,477,776,109
U.S. Treasuries	421,359,973
U.S. Treasury TIPS	56,195,667
U.S. Agency notes	16,555,892
Municipal bonds	6,454,070
Medium term notes	38,790,494
Preferred securities/convertible bonds	26,532,537
Mortgage and asset backed securities	1,504,553,041
Corporate debt - domestic	573,724,595
Corporate debt - international	13,559,719
Mutual funds	303,366,957
Hedge funds	87,558,131
Real estate	54,704,256
Securities lending short-term collateral investment pool	<u>924,815,241</u>
Total investments	<u>\$ 9,211,437,933</u>

Credit Risk

The Plan's investment policy is to apply the "prudent person" standards. Investments are made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Plan's investment policy has been designed to produce the most favorable long-term total portfolio return consistent with reasonable levels of risks. Prudent risk-taking is warranted within the context of overall portfolio diversification.

According to the Plan's investment policy for fixed income, the Plan can invest in both investment grade and high yield fixed income securities. Investment grade fixed income securities that are rated by Moody's, S&P, and Fitch, should have a minimum rating of BBB- or Baa3. Investment managers will notify Plan management of subsequent declines in ratings and will develop an investment strategy for investments rated below Baa3 or BBB-.

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)

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

The credit ratings of the Plan's investments at June 30, 2008 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 511,288,605	15.85%
U.S. Treasury TIPS	AAA	38,472,822	1.19%
U.S. Agency notes	AAA	5,988,542	0.19%
	A or better	4,189,635	0.13%
	Not rated	6,990,040	0.22%
Municipal bonds	A or better	2,678,949	0.08%
	BBB	1,661,569	0.05%
Medium term notes	AAA	9,605,910	0.30%
	A or better	15,807,528	0.49%
	B or better	13,999,833	0.43%
Preferred securities/convertible bonds	B or better	1,081,220	0.03%
	Not rated	10,681,659	0.33%
Mortgage and asset backed securities	AAA	615,905,035	19.10%
	A or better	11,959,426	0.37%
	BB or better	11,455,163	0.36%
	Not rated	904,910,863 *	28.06%
Corporate debt - domestic	AAA	29,723,916	0.92%
	A or better	208,920,674	6.48%
	B or better	354,964,051	11.01%
	C or better	39,425,725	1.22%
	Not rated	31,996,278	0.99%
Corporate debt - international	AAA	264,434	0.01%
	A or better	3,001,123	0.09%
	B or better	1,272,831	0.04%
	Not rated	2,191,436	0.07%
Mutual funds	Not Rated	386,518,762	11.99%
Total		<u>\$ 3,224,956,029</u>	<u>100.00%</u>

* Consist of U.S. Government Agency securities.

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2007 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Treasuries	AAA	\$ 421,359,973	14.36%
U.S. Treasury TIPS	AAA	56,195,667	1.91%
U.S. Agency notes	AAA A or better	11,688,944 4,866,948	0.40% 0.17%
Municipal bonds	BBB	6,454,070	0.22%
Medium term notes	AAA A or better B or better Not rated	15,893,581 11,060,414 5,278,552 6,557,947	0.54% 0.38% 0.18% 0.22%
Mortgage and asset backed securities	AAA A or better BB or better Not rated	1,457,860,080 20,314,835 4,881,633 21,496,493	49.68% 0.69% 0.17% 0.73%
Corporate debt - domestic	AAA A or better B or better C or better Not rated	808,836 144,146,444 297,674,935 28,668,876 102,425,504	0.03% 4.91% 10.14% 0.98% 3.49%
Corporate debt - international	AAA A or better BB Not rated	4,095,438 3,075,466 2,352,299 4,036,516	0.14% 0.10% 0.08% 0.14%
Mutual funds	Not rated	303,366,957	10.34%
Total		<u>\$ 2,934,560,408</u>	<u>100.00%</u>

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)

Custodial Credit Risks

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. As of June 30, 2008, the Plan's cash balances consist primarily of cash deposits with the Treasurer of the City of Los Angeles.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment of collateral securities that are in the possession of an outside party. All investments are held by the Plan's custodian in the Plan's name.

Collateral received in securities lending transactions are cash collateral and marketable securities. See Note 4 for further disclosure on securities lending transactions.

Concentration of Credit Risk

According to the Plan's investment policy, except for investment in the fixed income asset class where no more than 10% of investment shall be invested in any one issue, no more than 5% of investments shall be invested in any one issue. United States Treasury or United States Agency issues are exempted from this limitation. As of June 30, 2008, there were no investments holdings of more than five (5) percent in any one issue of each fund's net assets or in the Plan aggregate, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

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Interest Rate Risk

As of June 30, 2008, the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasuries	\$ 511,288,605	9.07
U.S. Treasury TIPS	38,472,822	5.40
U.S. Agency notes	17,168,217	11.49
Municipal bonds	4,340,518	24.30
Medium term notes	39,413,271	8.54
Preferred securities/convertible bonds	11,762,879	12.55
Mortgage and asset backed securities	1,544,230,487	34.63
Corporate debt - domestic	665,030,644	15.30
Corporate debt - international	6,729,824	9.44
Mutual funds	386,518,762	0.08
Total	<u>\$ 3,224,956,029</u>	21.51

As of June 30, 2007, the Plan's exposure to interest rate risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S Treasuries	\$ 421,359,973	9.46
U.S. Treasury TIPS	56,195,667	8.83
U.S. Agency notes	16,555,892	9.54
Municipal bonds	6,454,070	24.94
Medium term notes	38,790,494	6.65
Mortgage and asset backed securities	1,504,553,041	23.59
Corporate debt - domestic	573,724,595	15.33
Corporate debt - international	13,559,719	5.07
Mutual funds	303,366,957	0.07
Total	<u>\$ 2,934,560,408</u>	17.08

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

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NOTE 3 – CASH, INVESTMENTS AND SECURITIES LENDING (Continued)

Foreign Currency Risk

As of June 30, 2008 and 2007 the Plan's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>Investment Type</u>	<u>6/30/08</u> <u>Fair Value</u>	<u>6/30/07</u> <u>Fair Value</u>
Argentina Peso	Government obligations	\$ -	\$ 5,599
Australian Dollar	Equities	12,226,750	14,285,863
	Cash & cash equivalents	397,248	65,798
Brazil Real	Corporate debt	1,762,345	1,701,052
British Pound Sterling	Equities	130,263,781	198,879,836
	Cash & cash equivalents	3,055,036	1,412,716
Canadian Dollar	Equities	18,926,157	29,180,001
	Corporate debt	1,076,947	1,069,204
	Cash & cash equivalents	189,707	107,148
Colombian Peso	Corporate debt	183,653	519,398
Danish Krone	Equities	5,528,103	5,549,309
	Cash & cash equivalents	106,491	8,780
Euro Currency Unit	Equities	216,277,204	245,153,019
	Cash & cash equivalents	1,394,707	1,252,498
Hong Kong Dollar	Equities	21,900,015	21,701,028
	Cash & cash equivalents	33,863	151,684
Indonesian Rupiah	Corporate debt	2,055,589	2,120,158
Japanese Yen	Equities	181,059,835	192,774,084
	Cash & cash equivalents	3,072,770	3,277,576
Mexican New Peso	Corporate debt	3,412,292	3,503,757
	Cash & cash equivalents	-	125,546
New Zealand Dollar	Corporate debt	325,251	319,957
	Cash & cash equivalents	-	19
Norwegian Krone	Equities	5,667,043	5,800,444
S African Comm Rand	Corporate debt	571,599	666,706
Singapore Dollar	Equities	5,115,583	4,347,769
	Cash & cash equivalents	182,437	210,530
Swedish Krona	Equities	22,756,832	23,180,143
	Cash & cash equivalents	202,319	87,376
Swiss Franc	Equities	67,229,613	70,584,270
	Cash & cash equivalents	1,649,420	870,118
Uruguayan Peso	Corporate debt	421,125	-
Total		<u>\$ 707,043,715</u>	<u>\$828,911,386</u>

The Plan's investment policy permits it to invest up to 15 percent of total investments of the Plan in non-U.S. investments. The Plan's position is 8.14 percent and 10.00 percent as of June 30, 2008 and 2007, respectively.

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NOTE 4 – SECURITIES LENDING PROGRAM

The Plan is authorized by the Charter of the City of Los Angeles and the Board's investment policy to lend its investment securities to various brokers, without limit. The lending is managed by the Plan's custodial bank. The Plan or the borrowers can terminate the contract with advance notice. The lending arrangements are collateralized by cash and marketable securities (guaranteed by the full faith and credit of the U.S. Government) at (i) 102% with respect to U.S. Securities; (ii) 105% with respect to foreign securities; or (iii) a percentage mutually agreed of the underlying securities' market value. These arrangements provide for the return of the investments and a share of the interest earned on the collateral. The securities on loan to brokers remain the property of the Plan and continue to be included in their respective accounts on the Statement of Plan Net Assets. As of June 30, 2008, the Plan has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan, and there were no borrower or lending agent default losses.

The Plan's custodian is the authorized agent to handle the Plan's securities lending activity. The Plan's custodian may invest the cash collateral received in connection with securities on loan in investments permitted by the Plan. The Plan bears sole risk of all losses of the invested collateral, including losses incurred in the event of liquidation of the permitted investments. The custodian bank is responsible for the return of loaned securities from borrowers. The Plan does not have the ability to pledge or sell collateral assets unless the borrower is in default of its obligation. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which as of June 30, 2008 has an average maturity of 20 days.

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2008 and 2007 are:

<u>Securities on loan</u>	<u>2008</u>	<u>2007</u>
Common stock	\$ 251,565,126	\$ 368,738,466
Corporate debt	24,341,285	38,106,342
U.S. agency notes	7,094,765	11,429,969
U.S. Treasuries	465,603,502	437,587,670
U.S. Treasury STRIPS	2,536,496	-
U.S. Treasury TIPS	15,494,140	45,504,729
	<hr/>	<hr/>
Total	<u>\$ 766,635,314</u>	<u>\$ 901,367,176</u>

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NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS

Retirement Fund

The Plan engages an independent actuarial firm to conduct annual actuarial valuations to monitor the Plan's funding status for the retirement fund. On December 17, 2003, the Board adopted a change in the actuarial assets valuation method from the four-year smoothing method to recognizing the unrecognized returns for each of the last five years (but not before July 1, 2001) over a five-year period.

The annual valuation performed as of June 30, 2008 and 2007 determined the funding status to be 95.13% and 91.92%, respectively.

The funded status of the retirement fund as of June 30, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 7,247,853,233	\$ 7,619,102,935	\$ 371,249,702	95.13%	\$ 708,731,840	52.38%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2008
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 15-year period commencing July 1, 2004. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market returns and the expected returns on a market value basis, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.29% to 9.46%, including inflation at 3.75%, “across the board” increases of 0.50% plus merit and promotional increases.
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum

Death Benefit Fund – Insured Lives

The funded status of the death benefit fund – insured lives as of July 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 6,528,962	\$ 79,024,241	\$ 72,495,279	8.26%	\$ 670,372,663	10.81%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether

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NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2007
Actuarial cost method	Entry age normal
Amortization method and remaining amortization period	The June 30, 2007 Unfunded Actuarial Accrued Liability is amortized over the 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate 15-year periods.
Asset valuation method	All assets are valued at market as of the valuation date July 1, 2007.
Actuarial assumptions:	
Investment rate of return	A rate of return on the investment of present and future assets of 5% per year compound annually
Projected salary increases	Projected salary increases of 4.25% per year compounded annually, inflation plus real increases; promotional and merit increases of 1% to 5% depending on years of service.

Retiree Health Benefits Fund (RHBF)

The DWP Board of Water and Power Commissioners approved the creation of the RHBF to account for assets placed in an irrevocable trust for the provision of other post employment benefits (OPEB), in September 2006. The latest actuarial valuation of the RHBF (dated May 20, 2008) was as of June 30, 2007. This study was for fiscal year 2008 and indicated a total annual required contribution (ARC) of \$38.7 million. The Department contributed a total \$157.4 million during fiscal year ended June 30, 2008.

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NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

The funded status of the RHBF as of June 30, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 649,115,755	\$ 1,041,721,989	\$ 392,606,234	62.31%	\$ 670,400,000	58.56%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Closed, level percent of pay
Remaining amortization period	28 years remaining as of June 30, 2007
Asset valuation method	The actuarial value of assets is defined as the market value of assets.
Actuarial assumptions:	
Discount rate	8.00%
Projected salary increases	4.25%
Inflation rate	3.75%
Healthcare cost trend rates:	
Medical	8.5% in 2007/2008, decreasing by 0.5% for each year for seven years until it reaches an ultimate rate of 5%.
Dental	5% per year

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NOTE 6 – ACTUARIAL VALUATION – DISABILITY AND DEATH BENEFIT FUNDS

Actuarial studies are performed annually on the disability and death benefit funds to determine the appropriate contribution rates and the benefit reserves levels needed to fund the current and future benefit liabilities. The results of the most recent annual actuarial reviews for both funds at fiscal year ended June 30, 2007 found that the funds' accumulated reserves had met the recommended reserve levels. The actuarial recommendations for the contribution rates, reserve levels, and general reserve transfers were approved by the Board.

Disability fund

The actuary recommended that the Department's contribution rate on permanent total disability remain at \$0 per \$100 of covered payroll. The actuary recommended an increase in the Department's contribution rate on temporary disability from \$1.55 per \$100 of covered payroll as of June 30, 2006 to \$2.18 per 100 of covered payroll as of June 30, 2007. The rate change was approved by the Board in December 2007 and it was implemented the same month.

Death benefit fund

No contribution changes are recommended based on the actuarial valuation as of June 30, 2007. Department contributions for contributing members' death benefits remain suspended. The Department's contribution rate for non-contributing members' death benefits is maintained at \$1.30 per \$100 of monthly retiree payroll.

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NOTE 7 – RESERVES AND DESIGNATED BALANCES

Reserve accounts are established to cover all deferred liabilities as they accrue. Reserves are established from members' and Department contributions and the accumulation of investment income after satisfying investment and administrative expenses. The Plan has four major classes of reserves and designated accounts.

Member contribution accounts represent the balance of member contributions. Additions include member contributions and interest. Deductions include refunds of member contributions and transfers to the reserve for retirement allowances, the reserve for death benefit and the members' account at the City Employees' Retirement System under the Plan's reciprocity provision.

Department contribution accounts represent the balance of department contributions for future retirement payments to current active members. Additions include contributions from the Department and related earnings. Deductions include transfers to the reserve for retirement allowances and reserve for death benefit.

Estimated benefit liabilities reserves represent the balance of transfers from member contribution and/or Department contribution accounts and related earnings less payments to retired members, members on disability and beneficiaries.

General reserves represent reserves accumulated for future earnings deficiencies, investment losses and other contingencies. Additions include investment income and other revenue. Deductions include investment expense, interest allocated to member and department contribution accounts, and interest allocated to the estimated benefits liabilities reserves accounts.

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NOTE 7 – RESERVES AND DESIGNATED BALANCES (Continued)

The Retirement Plan reserves and designated balances at June 30, 2008 and 2007 are as follows:

	2008	2007
<u>Retirement Fund - Reserves and Designated Balances</u>		
Reserve for retirement allowances	\$ 4,240,797,538	\$ 4,085,445,244
Contributions:		
Members' contributions	880,343,492	811,705,433
Department contributions	(1,038,834,320)	(943,773,758)
Total contributions	(158,490,828)	(132,068,325)
Reserve for investments gains/(losses)	11,461,740	5,727,264
General reserve	2,313,207,740	2,156,261,691
Total reserves and designated balances	6,406,976,190	6,115,365,874
Unrealized appreciation/(depreciation) in the fair value of investments	516,954,625	1,302,461,922
Total reserves and designated balances at fair value	\$ 6,923,930,815	\$ 7,417,827,796
<u>Disability Fund - Reserves and Designated Balances</u>		
Estimated liability for temporary & permanent disability cases	\$ 14,312,829	\$ 13,526,881
General reserve	25,532,148	22,768,123
Total reserves and designated balances	39,844,977	36,295,004
Unrealized appreciation/(depreciation) in the fair value of investments	(208,844)	(769,603)
Total reserves and designated balances at fair value	\$ 39,636,133	\$ 35,525,401
<u>Death Benefit Fund - Reserves and Designated Balances</u>		
Estimated liability for family allowances	\$ 1,398,011	\$ 1,679,146
Contribution account - Family allowances	10,816,688	10,626,318
General reserve	10,031,427	13,049,296
Total reserves and designated balances	22,246,126	25,354,760
Unrealized appreciation/(depreciation) in the fair value of investments	(150,768)	(689,392)
Total reserves and designated balances at fair value	\$ 22,095,358	\$ 24,665,368

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NOTE 7 – RESERVES AND DESIGNATED BALANCES (Continued)

The RHBF reserves and designated balances at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
<u>Retiree Health Benefits Fund - Reserves and Designated Balances</u>		
Department contributions (net of insurance premiums payment)	\$ 725,104,927	\$ 625,104,927
General reserve	<u>21,484,858</u>	<u>6,186,019</u>
Total reserves and designated balances	746,589,785	631,290,946
Unrealized appreciation/(depreciation) in the fair value of investments	<u>(26,953,043)</u>	<u>17,824,809</u>
Total reserves and designated balances at fair value	<u>\$ 719,636,742</u>	<u>\$ 649,115,755</u>

NOTE 8 – PLAN AMENDMENTS

The Plan is periodically amended to meet changes in economic conditions and sound business practices. The following is a summary of the more significant Plan amendments approved during the fiscal years ended June 30, 2008 and 2007:

Fiscal year ended June 30, 2008

There were no significant Plan amendments for the fiscal year ended June 30, 2008.

Fiscal year ended June 30, 2007

The Plan was amended by the Board on September 6, 2006 to include the RHBF. The RHBF was established for the sole purpose of funding the benefits provided under the Department's Postemployment Healthcare Benefit Plan.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008**

NOTE 9 – CONTINGENT LIABILITIES

At June 30, 2008, several legal actions/divorces were pending against the Plan as codefendant. Legal counsel for the Department and the Plan has indicated adverse decisions in these cases would not materially affect the financial statements. In the event of legal settlement, the settlement and legal costs would be charged to the Department.

NOTE 10 – SUBSEQUENT EVENTS

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the subprime mortgage crisis and current financial market events, changes in the values of investment could materially affect the amounts reported in the financial statements.

EXHIBIT I

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND – SCHEDULE OF FUNDING PROGRESS
(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
July 1, 2008	\$ 7,247,853,233	\$ 7,619,102,935	\$ 371,249,702	95.13%	\$ 708,731,840	52.38%
July 1, 2007	6,864,084,006	7,467,285,349	603,201,343	91.92%	670,372,663	89.98%
July 1, 2006	6,447,763,436	7,046,571,241	598,807,805	91.50%	635,728,131	94.19%
July 1, 2005	6,331,047,528	6,763,079,839	432,032,311	93.61%	616,270,095	70.10%
July 1, 2004	6,251,421,125	6,421,813,922	170,392,797	97.35%	581,038,783	29.33%
July 1, 2003	6,128,375,723	6,042,086,785	(86,288,938)	101.43%	527,787,469	0.00%
July 1, 2002	5,790,262,948	5,714,524,649	(75,738,299)	101.33%	430,397,884	0.00%
July 1, 2001	5,833,274,582	5,306,262,736	(527,011,846)	109.93%	403,265,472	0.00%
July 1, 2000	5,605,856,078	5,082,960,078	(522,896,000)	110.29%	368,000,000	0.00%
July 1, 1999	5,254,093,071	4,911,443,303	(342,649,768)	106.98%	355,000,000	0.00%

*Not less than zero

EXHIBIT II

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREMENT FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

<u>Plan Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>	<u>Percentage of APC Contributed</u>
2008	\$ 134,651,427	\$ 140,061,851	\$ 141,862,126	105.4%	101.3%
2007	134,504,482	140,328,366	129,154,539	96.0%	92.0%
2006	110,268,590	116,651,020	101,556,257	92.1%	87.1%
2005	80,784,677	87,615,788	75,490,143	93.4%	86.2%
2004	44,128,205	50,773,126	55,804,924	126.5%	109.9%
2003	40,910,999	47,823,973	40,560,882	99.1%	84.8%
2002	-	6,132,578	27,241,801	-	444.2%
2001	-	5,378,281	25,763,218	-	479.0%
2000	-	34,578,361	24,426,465	-	70.6%

EXHIBIT III

**CITY OF LOS ANGELES
 WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
 DEATH BENEFIT INSURANCE PLAN
 INCLUDING RETIREE HEALTH BENEFITS FUND**

**DEATH BENEFIT FUND (INSURED LIVES) – SCHEDULE OF FUNDING PROGRESS
 (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
July 1, 2007	\$6,528,962	\$79,024,241	\$72,495,279	8.26%	\$670,372,663	10.81%

EXHIBIT IV

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND**

**RETIREE HEALTH BENEFITS FUND – SCHEDULE OF FUNDING PROGRESS
(Unaudited)**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liabilities	(3) Unfunded Actuarial Accrued Liabilities UAAL/(Surplus) (2)-(1)	(4) Funded Ratio (1) divided by (2)	(5) Annual Covered Payroll	(6) UAAL/(Surplus) As a Percentage of Covered Payroll (3) divide by (5)
June 30, 2007	\$ 649,115,755	\$ 1,041,721,989	\$ 392,606,234	62.31%	\$ 670,400,000 (1)	58.56%

(1) Estimated compensation reported by the Department.

EXHIBIT V

**CITY OF LOS ANGELES
 WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
 DEATH BENEFIT INSURANCE PLAN
 INCLUDING RETIREE HEALTH BENEFITS FUND**

RETIREE HEALTH BENEFITS FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS
 (Unaudited)

Year Ended June 30	Annual Required Contributions (ARC)	Actual Contributions	Percentage Contributed
2008	\$ 40,144,629	\$ 157,359,628	391.98%
2007	\$ 78,040,857	\$ 641,989,342	822.63%

The Annual Required Contributions (ARC) includes an interest adjustment to the end of the Plan year.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
SUPPLEMENTARY INFORMATION
RETIREMENT FUND**

**SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES
For the Years Ended June 30, 2008 and 2007**

	Current Service	Minimum Pension	Cost of Living Adjustments	Continuance to Eligible Spouse	Department of Water and Power Total	Members' Total	Combined Total	Estimated Liabilities for Retirement Allowances
Balance at June 30, 2006	\$ 739,424,827	\$ (1,127,902,140)	\$ (491,580,576)	\$ 13,192,570	\$ (866,865,319)	\$ 738,918,305	\$ (127,947,014)	\$ 3,938,183,416
Contributions received	46,305,084	86,543,714	-	-	132,848,798	47,049,554	179,898,352	-
Contributions refunded	(3,694,259)	-	-	-	(3,694,259)	(3,546,079)	(7,240,338)	-
Net Contributions	42,610,825	86,543,714	-	-	129,154,539	43,503,475	172,658,014	-
Transfers from contribution accounts for retiring members	(28,422,531)	(60,130,103)	(42,653,174)	(5,496,684)	(136,702,492)	(30,609,734)	(167,312,226)	167,312,226
Installment payment from early retired employees								10,892
Transfers to/(from) reserve for retirement allowances (from)/to contribution accounts for actuarial adjustments								(338,340,501)
Retirement allowances paid								
Transfers (to)/from general reserve								
Interest at 8% per annum	59,862,271	(89,201,672)	(40,878,009)	856,923	(69,360,487)	59,893,387	(9,467,100)	318,279,211
Balance at June 30, 2007	813,475,392	(1,190,690,201)	(575,111,759)	8,552,809	(943,773,759)	811,705,433	(132,068,326)	4,085,445,244
Contributions received	48,294,058	100,001,669	-	-	148,295,727	48,683,048	196,978,775	-
Contributions refunded	(6,433,601)	-	-	-	(6,433,601)	(6,232,954)	(12,666,555)	-
Net Contributions	41,860,457	100,001,669	-	-	141,862,126	42,450,094	184,312,220	-
Transfers from contribution accounts for retiring members	(31,409,568)	(70,079,962)	(46,472,148)	(6,263,892)	(154,225,570)	(33,531,390)	(187,756,960)	187,756,960
Installment payment from early retired employees								10,999
Transfers to/(from) reserve for retirement allowances (from)/to contribution accounts for actuarial adjustments								(353,178,785)
Retirement allowances paid								
Transfers (to)/from general reserve								
Interest at 8% per annum	59,729,237	(94,757,522)	(48,066,197)	397,365	(82,697,117)	59,719,355	(22,977,762)	320,763,120
Balance at June 30, 2008	\$ 883,655,518	\$ (1,255,526,016)	\$ (669,650,104)	\$ 2,686,282	\$ (1,038,834,320)	\$ 880,343,492	\$ (158,490,828)	\$ 4,240,797,538

See accompanying independent auditor's report.

**CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
SUPPLEMENTARY INFORMATION**

**DEATH BENEFIT FUND
SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR
FAMILY ALLOWANCES
For the Years Ended June 30, 2008 and 2007**

	Members'	Department of Water and Power	Combined Total	Estimated Liability for Family Allowances
Balances at June 30, 2006	\$ 4,351,787	\$ 6,038,814	\$ 10,390,601	\$ 1,965,243
Contributions received	88,782	-	88,782	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	-	(398,645)	(398,645)	398,645
Family allowances paid	-	-	-	(773,630)
Interest transferred from general reserve at 5% per annum	253,036	292,545	545,581	88,888
Balances at June 30, 2007	4,693,605	5,932,714	10,626,319	1,679,146
Contributions received	91,815	-	91,815	-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year	-	(437,690)	(437,690)	437,690
Family allowances paid	-	-	-	(793,878)
Interest transferred from general reserve at 5% per annum	253,083	283,161	536,244	75,053
Balances at June 30, 2008	\$ 5,038,503	\$ 5,778,185	\$ 10,816,688	\$ 1,398,011

See accompanying independent auditor's report.

CITY OF LOS ANGELES
WATER AND POWER EMPLOYEES' RETIREMENT, DISABILITY, AND
DEATH BENEFIT INSURANCE PLAN
INCLUDING RETIREE HEALTH BENEFITS FUND
SUPPLEMENTARY INFORMATION

RETIREMENT FUND
Schedule of Revenues by Source and Expenses by Type
June 30, 2008
(Unaudited)

Revenues by Source

Fiscal Year	Members' Contributions	Department Contributions*	Investment Income**	Total
2008	\$ 48,683,048	\$ 148,295,728	\$ 206,722,244	\$ 403,701,020
2007	\$ 47,049,554	\$ 136,398,522	\$ 196,008,022	\$ 379,456,098
2006	\$ 41,324,895	\$ 108,020,866	\$ 159,450,534	\$ 308,796,295
2005	\$ 38,855,089	\$ 82,287,706	\$ 126,531,298	\$ 247,674,093
2004	\$ 38,045,999	\$ 61,926,829	\$ 130,311,380	\$ 230,284,208
2003	\$ 36,490,767	\$ 47,277,187	\$ 184,616,510	\$ 268,384,464
2002	\$ 30,002,271	\$ 33,837,427	\$ 208,529,336	\$ 272,369,034
2001	\$ 27,688,883	\$ 30,813,290	\$ 235,096,893	\$ 293,599,066
2000	\$ 26,128,536	\$ 31,042,231	\$ 224,680,749	\$ 281,851,516
1999	\$ 24,781,774	\$ 68,848,769	\$ 205,607,813	\$ 299,238,356

Expenses by Type

Fiscal Year	Benefits	Administrative Expenses***	Refunds****	Total
2008	\$ 353,178,785	\$ 22,960,041	\$ 12,666,556	\$ 388,805,382
2007	\$ 338,340,501	\$ 20,136,513	\$ 7,202,784	\$ 365,679,798
2006	\$ 325,873,101	\$ 16,612,880	\$ 6,979,706	\$ 349,465,688
2005	\$ 311,551,053	\$ 12,268,060	\$ 8,241,859	\$ 332,060,972
2004	\$ 302,063,849	\$ 3,842,561	\$ 7,258,857	\$ 313,165,267
2003	\$ 295,587,105	\$ 2,612,142	\$ 8,072,065	\$ 306,271,312
2002	\$ 290,243,650	\$ 2,202,790	\$ 8,618,684	\$ 301,065,124
2001	\$ 275,870,558	\$ 2,282,401	\$ 5,641,742	\$ 283,794,701
2000	\$ 271,559,094	\$ 2,374,325	\$ 8,085,954	\$ 282,019,373
1999	\$ 254,253,462	\$ 2,660,477	\$ 17,374,946	\$ 274,288,885

* Represents Department contributions before reversions and includes contributions towards administrative expenses.

** Represents "booked" investment income and excludes "net appreciation (depreciation) in fair value of investment."

*** Represents investment and administrative expenses.

**** Represents both refunds on members' contributions and reversions on Department contributions.

See accompanying independent auditor's report.