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, 2013 and 2012 WATER AND POWER EMPLOYEES' RETIREE HEALTH BENEFITS FUND FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION For the Years Ended June 30, 2013 and 2012



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U.S. BANK TOWER 633 WEST 5TH STREET, SUITE 3320 LOS ANGELES, CA 90071 (213) 736-6664 TELEPHONE (213) 736-6692 FAX www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON CERTIFIED PUBLIC ACCOUNTANTS

> FOUNDING PARTNERS BRAINARD C. SIMPSON, CPA MELBA W. SIMPSON, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of plan net position 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, 2013 and 2012, and the related statements of changes in plan net position for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.





Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position available for benefits of the Retirement Plan and RHBF as of June 30, 2013 and 2012, and the changes in net position available for benefits of the Retirement Plan and RHBF for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18, the Schedules of Funding Progress on pages 52, 54, and 55, and the Schedules of Employer Contributions on pages 53 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the Plan's financial statements. The supplementary information as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Retirement Fund -Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund - Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund - Schedule of Revenues by Source and Expenses by Type are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Retirement Fund - Schedule of Contribution Accounts and Estimated Liability for Retirement Allowances, Death Benefit Fund - Schedule of Contribution Accounts and Estimated Liability for Family Allowances, and Retirement Fund – Schedule of Revenues by Source and Expenses by Type are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jumpson i Sempson

Los Angeles, California November 20, 2013

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 (Plan) and the Retiree Health Benefits Fund (RHBF) for the years ended June 30, 2013 and 2012. The Retirement Plan and the RHBF are collectively known as the Plan.

FINANCIAL HIGHLIGHTS

- The net position at the close of the fiscal year ending June 30, 2013 were \$8,304,011,429, \$46,454,846, \$25,020,132, and \$1,377,819,588 for the Retirement, Disability, Death Benefit, and Retiree Health Benefits Funds, respectively. All of the net positions were available to meet the Plan's obligations to Plan participants and their beneficiaries.
- Total net position increased by \$919,867,553 or 12.46%, \$263,579 or 1.06% and \$152,039,719 or 12.40% for the Retirement Fund, Death Benefit Fund, and Retiree Health Benefits Fund, respectively. Total net position decreased by \$1,179,406 or 2.48% for Disability Fund.
- As of July 1, 2013 the date of the Retirement Fund's last actuarial valuation, the funding ratio of the fund was approximately 78.84%.
- As of June 30, 2013, the date of the Retiree Health Benefits Fund's latest actuarial valuation, the funding ratio was approximately 76.40%.
- Additions to the Retirement Fund's Plan net position increased from \$393,806,154 to \$1,362,131,790 over the prior year or approximately 245.89% due mostly to the increase in the fair value of investments in 2013 over 2012.
- Deductions from Retirement Fund's Plan net position increased from \$419,999,200 to \$442,264,237 over the prior year, or approximately 5.30% due mostly to the cost of living allowance increase granted to pension benefits effective July 2012.
- The assets of the Retiree Health Benefits Fund were invested under the oversight of the Retirement Board. The RHBF assets were up 12.40% from \$1,225,779,869 to \$1,377,819,588.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 Position
- 2. Statement of Changes in Plan Net Position
- 3. Notes to the Financial Statements

The Statement of Plan Net Position 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 this time.

The Statement of Changes in Plan Net Position reports additions to and deductions from the plan net position 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 market 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 27 to 51 of this report.

Required Supplementary Information: This report presents certain required supplementary information concerning the Retirement Fund, the Retiree Health Benefits Fund, 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 52 to 56 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 57 to 59 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FINANCIAL ANALYSIS

Retirement Fund

Plan Net Position

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

	C	ondensed S				
		2013	 2012	 2011	2012-13 % Change	2011-12 % Change
Cash	\$	9,497	\$ 12,175	\$ 9,070	-22.00%	34.23%
Prepaid expense		3	3	-	0.00%	0.00%
Receivables		360,275	211,953	517,730	69.98%	-59.06%
Investments		3,637,738	 7,875,126	 8,241,771	9.68%	-4.45%
Total assets	Ç	9,007,513	8,099,257	8,768,571	11.21%	-7.63%
Liabilities		703,501	 715,113	 1,358,234	-1.62%	-47.35%
Total plan net position	\$ 8	3,304,012	\$ 7,384,144	\$ 7,410,337	12.46%	-0.35%

Fiscal year ended June 30, 2013

Net position increased by \$919.9 million, or 12.46% to \$8.3 billion over the prior fiscal year. Investments were up \$762.6 million or 9.68% due mostly to the appreciation in the fair value of investments. Receivables were up \$148.3 million or 69.98% from fiscal year 2012 mainly because of an increase in pending trades at year-end.

Fiscal year ended June 30, 2012

Net position decreased by \$26.2 million, or 0.35% to \$7.4 billion over the prior fiscal year. Investments were down \$366.6 million or 4.45% due mostly to the decrease in investments associated with securities lending activities and the depreciation in the fair value of investments. Receivables were down \$305.8 million or 59.06% from fiscal year 2011 mainly because of a decrease in pending sales at year-end. Liabilities were down \$643.1 million or 47.35% due mostly to a decrease in pending investment purchases at year-end and decrease in liabilities associated with securities lending transactions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retirement Fund (Continued)

Changes in Plan Net Position

Changes in Plan Net Positio	n							
Condensed Statement of Changes in Plan Net Position								
		(In Thousands)						
				2012-13	2011-12			
	2013	2012	2011	% Change	% Change			
Additions								
Members' contributions	\$ 69,634	\$ 60,089	\$ 65,955	15.88%	-8.89%			
Employer contributions	372,819	325,997	291,268	14.36%	11.92%			
Net investment income	919,679	7,720	1,189,239	11812.94%	-99.35%			
Total additions	1,362,132	393,806	1,546,462	245.89%	-74.54%			
Deductions								
Benefit payment	432,708	410,814	396,125	5.33%	3.71%			
Refund	5,819	5,527	2,382	5.28%	132.03%			
Administrative expenses	3,737	3,658	3,893	2.16%	-6.04%			
Total deductions	442,264	419,999	402,400	5.30%	4.37%			
Net increase (decrease)								
in plan net position	919,868	(26,193)	1,144,062	3611.88%	-102.29%			
Net position beginning	7,384,144	7,410,337	6,266,275	-0.35%	18.26%			
Net position ending	\$ 8,304,012	\$ 7,384,144	\$ 7,410,337	12.46%	-0.35%			

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retirement Fund (Continued)

Additions to Plan Net Position

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, 2013

Member contributions for fiscal year 2013 were \$69.6 million, up \$9.5 million or 15.88% over the prior fiscal year. The increase in contributions was due primarily to the increase in number of employees transferred from the other City departments to DWP. Department contributions for fiscal year 2013 were \$372.8 million, up \$46.8 million or 14.36% over the prior fiscal year. The main cause of this increase was the 4.26% increase in the actuarial contribution rate of the Department from 41.82% of covered compensation a year ago to 46.08% of covered compensation in fiscal year 2013.

Net investment income increased from \$7.7 million to \$919.7 million in fiscal year 2013. The increase in net investment income was attributable to the net appreciation in the fair value of investments.

Fiscal year ended June 30, 2012

Member contributions for fiscal year 2012 were \$60.1 million, down \$5.9 million or 8.89% over the prior fiscal year. The decrease in contributions was due primarily to the decrease in number of employees hired by DWP. Department contributions for fiscal year 2012 were \$326.0 million, up \$34.7 million or 11.92% over the prior fiscal year. The main cause of this increase was the 3.37% increase in the actuarial contribution rate of the Department from 38.45% of covered compensation a year ago to 41.82% of covered compensation in fiscal year 2012.

Net investment income amounted to \$7.7 million, down 99.35% from fiscal year 2011. The decrease in net investment income was attributable to the net depreciation in the fair value of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retirement Fund (Continued)

Deductions from Plan Net Position

Costs associated with this Plan include benefit payments as designated by the Retirement Plan, refund of contributions due to terminations and member deaths, and administrative costs of operating the Plan.

Fiscal year ended June 30, 2013

Deductions for the fiscal year ended June 30, 2013 totaled \$442.3 million, up \$22.3 million or 5.30% over 2012. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 2012.

Fiscal year ended June 30, 2012

Deductions for the fiscal year ended June 30, 2012 totaled \$420.0 million, up \$17.6 million or 4.37% over 2011. The increase was mostly due to the cost-of-living adjustments made to pension benefits starting July 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Disability Fund

Plan Net Position

The Disability Insurance Plan's net position is summarized below:

	С	ondensed S				
		2013	 2012	 2011	2012-13 % Change	2011-12 % Change
Cash Receivables Investments	\$	2,558 6,457 37,711	\$ 1,750 7,337 38,681	\$ 537 6,804 39,859	46.17% -11.99% -2.51%	225.88% 7.83% -2.96%
Total assets Liabilities		46,726 271	 47,768 134	 47,200 141	-2.18% 102.24%	1.20% -4.96%
Total plan net position	\$	46,455	\$ 47,634	\$ 47,059	-2.48%	1.22%

Fiscal year ended June 30, 2013

The Disability Insurance Plan's net position decreased by approximately \$1.2 million, or 2.48%, in fiscal year 2013. Cash increased by \$0.8 million or 46.17% from the prior fiscal year, to provide plan benefit payments.

Fiscal year ended June 30, 2012

The Disability Insurance Plan's net position increased by approximately \$0.6 million, or 1.22%, in fiscal year 2012. Cash increased by \$1.2 million or 225.88% from the prior fiscal year, to provide plan benefit payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Disability Fund (continued)

Changes in Plan Net Position

	Condensed Statement of Changes in									
	<u></u>	Plan Net	t Posi	ds)						
							2012-13	2011-12		
		2013		2012		2011	% Change	% Change		
Additions										
Members' contributions	\$	447	\$	453	\$	466	-1.32%	-2.79%		
Employer contributions		14,524		13,584		12,195	6.92%	11.39%		
Net investment income		182		3,375	<u></u>	2,011	-94.61%	67.83%		
Total additions		15,153		17,412		14,672	-12.97%	18.68%		
Deductions										
Benefit payment		15,577		16,005		14,798	-2.67%	8.16%		
Administrative expenses		755		832	<u></u>	850	-9.25%	-2.12%		
Total deductions		16,332		16,837		15,648	-3.00%	7.60%		
Net increase (decrease)										
in plan net position		(1,179)		575		(976)	-305.04%	158.91%		
Net position beginning		47,634		47,059		48,035	1.22%	-2.03%		
Net position ending	\$	46,455	\$	47,634	\$	47,059	-2.48%	1.22%		

Additions to Plan Net Position

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

Fiscal year ended June 30, 2013

Employer contributions for fiscal year 2013 totaled \$14.5 million, up approximately \$0.9 million or 6.92% from a year ago. The increase was due to the increase in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2013 was \$1.52 per \$100.00 of covered compensation, while the rate was \$1.43 per \$100.00 of covered compensation in fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Disability Fund (continued)

Net investment income declined by \$3.2 million, or 94.61%, from fiscal year 2012. The difference is mainly attributed to the depreciation in the fair value of investments during fiscal year 2013.

Fiscal year ended June 30, 2012

Employer contributions for fiscal year 2012 totaled \$13.6 million, up approximately \$1.4 million or 11.39% from a year ago. The increase was due to the increase in the Department's actuarial contribution rate for temporary disability benefits. The Department's actuarial contribution rate for fiscal year 2012 was \$1.43 per \$100.00 of covered compensation, while the rate was \$1.29 per \$100.00 of covered compensation in fiscal year 2011.

Net investment income totaled \$3.4 million, up 67.83% from fiscal year 2011. The difference is mainly attributed to the appreciation in the fair value of investments during fiscal year 2012.

Deductions from Plan Net Position

The costs associated with this Plan include disability benefit payments and administrative expenses incurred to operate the Plan.

Fiscal year ended June 30, 2013

Fiscal year 2013 benefit payments decreased by \$0.4 million, down 2.67% from a year ago. The decrease was primarily due to a decrease in the temporary disability benefits paid.

Fiscal year ended June 30, 2012

Fiscal year 2012 benefit payments increased \$1.2 million, up 8.16% from a year ago. The increase was attributable to an increase in the temporary disability benefits and industrial disability supplement paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Death Benefit Insurance Fund

The Death Benefit Plan's net position is summarized below:

	Condensed Statement of Plan Net Position (In Thousands)											
		2013		2012		2012-13 % Change	2011-12 % Change					
Cash Receivables Investments	\$	920 880 26,927	\$	1,032 985 25,736	\$	1,282 1,644 22,981	-10.85% -10.66% 4.63%	-19.50% -40.09% 11.99%				
Total assets Liabilities		28,727 3,707		27,753 2,996		25,907 3,465	3.51% 23.73%	7.13% -13.54%				
Total plan net position	\$	25,020	\$	24,757	\$	22,442	1.06%	10.32%				

Fiscal year ended June 30, 2013

The Fund's net position increased slightly by \$0.3 million or 1.06% when compared with prior year's net position of \$24.8 million. Liabilities at June 30, 2013 were up \$0.7 million, or 23.73% against last year. This is mostly attributable to the higher death benefit claims outstanding at fiscal year end.

Fiscal year ended June 30, 2012

The Fund's net position increased by \$2.3 million or 10.32% when compared with prior year's net position of \$22.4 million. Correspondingly, investments at June 30, 2012 were up \$2.8 million, or 11.99% against last year. Receivables were down \$0.7 million or 40.09% versus fiscal year 2011. This is mainly because of a decrease in pending investment sales at year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Death Benefit Insurance Fund (continued)

Changes in Plan Net Position

	Condensed Statement of Changes in								
		Plan Net	t Posi	ds)					
							2012-13	2011-12	
		2013		2012		2011	% Change	% Change	
Additions									
Members' contributions	\$	318	\$	322	\$	327	-1.24%	-1.53%	
Employer contributions		7,972		8,045		8,003	-0.91%	0.52%	
Net investment income		57		2,075		1,056	-97.25%	96.50%	
Total additions		8,347		10,442		9,386	-20.06%	11.25%	
Deductions									
Benefit payment		7,179		7,235		7,834	-0.77%	-7.65%	
Administrative expenses		905		892		1,018	1.46%	-12.38%	
Total deductions		8,084		8,127		8,852	-0.53%	-8.19%	
Net increase									
in plan net position		263		2,315		534	-88.64%	333.52%	
Net position beginning		24,757		22,442		21,908	10.32%	2.44%	
Net position ending	\$	25,020	\$	24,757	\$	22,442	1.06%	10.32%	

Additions to Plan Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Death Benefit Insurance Fund (continued)

Fiscal year ended June 30, 2013

Net investment income decreased by \$2.0 million, or 97.25%, from fiscal year 2012. The decrease is attributed to the decline in the fair value of investments during fiscal year 2013.

Fiscal year ended June 30, 2012

Net investment income totaled \$2.1 million, up 96.50% from fiscal year 2011. The increase is attributed to the appreciation in the fair value of investments during fiscal year 2012.

Deductions from Plan Net Position

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

Fiscal year ended June 30, 2013

Total deductions were consistent against prior fiscal year; it was only down 0.53% versus fiscal year 2012.

Fiscal year ended June 30, 2012

Benefit payments were down \$0.6 million, or 7.65%. The decrease was due to the decrease in the amount of insured life death benefit cases processed this fiscal year as compared with the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retiree Health Benefits Fund

The DWP Board of Water and Power commissioners approved the creation of the Retiree Health Benefits Fund in September 2006 to defray current and future retiree health benefit liabilities and related costs incurred by the fund. The Retirement Board has the fiduciary responsibility for investing the assets of the Health Fund 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.

Health Fund assets amounting to \$642.0 million were transferred to the Retirement Plan to establish the fund during fiscal year 2007. As of June 30, 2013 the net position of the fund totaled approximately \$1.4 billion. A condensed statement of the fund's plan net position and a condensed statement of changes in plan net position, is as follow:

	Co	ondensed S	State (In					
	2	2013		2012		2011	2012-13 % Change	2011-12 % Change
Cash	\$	798	\$	918	\$	509	-13.07%	80.35%
Receivables		57,071		33,893		86,414	68.39%	-60.78%
Investments	1,	451,419		1,317,756		1,335,831	10.14%	-1.35%
Total assets	1,	,509,288		1,352,567		1,422,754	11.59%	-4.93%
Liabilities	·	131,468		126,787	-	248,009	3.69%	-48.88%
Total plan net position	<u>\$ 1</u> ,	,377,820		1,225,780	\$	1,174,745	12.40%	4.34%

Plan Net Position

Fiscal year ended June 30, 2013

Net position increased by \$152.0 million or 12.40% to \$1.4 billion over the prior fiscal year. Investments were up \$133.7 million or 10.14% due mostly to the appreciation in the fair value of investments. Receivables were up \$23.2 million or 68.39% from fiscal year 2012 mainly because of an increase in pending trades at year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retiree Health Benefits Fund (continued)

Fiscal year ended June 30, 2012

Total receivables decreased by \$52.5 million or 60.78% mainly because of the decrease in pending investment sales at fiscal year end. Total liabilities decreased by \$121.2 million or 48.88%. This is due to a decrease in pending investment purchases at year-end and decrease in liabilities associated with securities lending transactions.

Changes in Plan Net Position

	Condense Plan Ne		•				
	 2013	2012		2011		2012-13 % Change	2011-12 % Change
Additions							
Employer contributions	\$ 68,180	\$	102,326	\$	140,746	-33.37%	-27.30%
Net investment income	 151,941		13,341		172,299	1038.90%	-92.26%
Total additions	 220,121		115,667		313,045	90.31%	-63.05%
Deductions							
Benefit payment	67,563		64,221		65,132	5.20%	-1.40%
Administrative expenses	517		412		419	25.49%	-1.67%
×							
Total deductions	 68,080		64,633		65,551	5.33%	-1.40%
Net increase	 152 041		51.024		247 404	107 029/	70.280/
in plan net position	152,041		51,034		247,494	197.92%	-79.38%
Net position beginning	 1,225,779		1,174,745	<u> </u>	927,251	4.34%	26.69%
Net position ending	\$ 1,377,820	\$	1,225,779	\$	1,174,745	12.40%	4.34%

Additions to Plan Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Retiree Health Benefits Fund (continued)

Fiscal year ended June 30, 2013

Employer contributions were down \$34.1 million or 33.37% due to a reduction in funding above the Annual Required Contribution in fiscal year 2013. Net investment income increased \$138.6 million to \$151.9 million. This is attributed to the net appreciation in fair value of investments.

Fiscal year ended June 30, 2012

Employer contributions were down \$38.4 million or 27.30% due to a reduction in funding above the Annual Required Contribution in fiscal year 2012. Net investment income declined by \$159.0 million or 92.26%. This is attributed to the net depreciation in fair value of investments.

Deductions from Plan Net Position

Deductions represent medical and dental insurance premiums paid for the benefit of retirees and the cost associated with the operation of the fund.

Fiscal year ended June 30, 2013

Insurance premiums paid from the fund for the benefit of retirees increased \$3.3 million or 5.20% in 2013 when compared with 2012.

Fiscal year ended June 30, 2012

Total deductions in fiscal year 2012 were fairly consistent compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 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

RETIREMENT FUND STATEMENT OF PLAN NET POSITION As of June 30

	2013	2012		
ASSETS				
Cash (Notes 2 and 3)	\$ 9,496,666	\$ 12,174,358		
Prepaid Expense	3,310	3,310		
Receivables				
Accrued investment income	19,076,213	21,919,418		
Department of Water and Power	51,374,267	43,142,660		
Pending investment sales	285,172,317	144,617,256		
Other	4,652,052	2,273,310		
Total receivables	360,274,849	211,952,644		
Investments, at fair value (Notes 2, 3, and 4)				
Fixed income (amortized cost \$2,021,799,390 in 2013				
and \$1,972,298,738 in 2012)	2,015,837,548	2,030,007,946		
Common stock (cost of \$4,229,927,905 in 2013				
and \$4,039,450,036 in 2012)	5,189,194,044	4,433,727,723		
Short-term investments (cost approximates fair value)	297,515,895	240,293,599		
Alternative investments	580,295,599	481,078,845		
Real estate	241,802,050	199,990,468		
Securities lending - short-term collateral investment pool	313,092,487	490,027,647		
Total investments	8,637,737,623	7,875,126,228		
Total assets	9,007,512,448	8,099,256,540		
LIABILITIES				
Payables				
Pending investment purchases	377,554,033	213,476,355		
Other	12,854,499	11,608,662		
Securities lending - collateral payable (Note 4)	313,092,487	490,027,647		
Total liabilities	703,501,019	715,112,664		
Net position held in trust for pension benefits	\$ 8,304,011,429	\$ 7,384,143,876		

RETIREMENT FUND

STATEMENT OF CHANGES IN PLAN NET POSITION

For the Years Ended June 30

	2013	2012	
ADDITIONS			
Members' contributions	\$ 69,633,449	\$ 60,088,614	
Department of Water and Power contributions towards:			
Benefit (net of reversions)	368,426,348	321,688,919	
Administrative expenses	4,392,846	4,308,437	
Total contributions	442,452,643	386,085,970	
Investment income			
Net appreciation (depreciation) in fair value of investments	748,924,297	(166,352,568)	
Interest	88,458,815	111,719,555	
Dividends	86,760,743	72,539,059	
Income from real estate investments	14,190,284	7,844,394	
Income (loss) from alternative investments	836,711	(998,576)	
Securities lending (Note 4)	1,597,698	3,398,752	
Total investment income	940,768,548	28,150,616	
Less: securities lending expenses (Note 4)	(282,446)	(575,204)	
Less: investment expenses	(23,496,492)	(20,488,839)	
Net investment income	916,989,610	7,086,573	
Other income	2,689,537	633,611	
Total additions	1,362,131,790	393,806,154	
DEDUCTIONS			
Retirement benefits paid	432,708,113	410,814,067	
Refund of members' contributions	5,819,253	5,526,896	
Administrative expenses	3,736,871	3,658,237	
Total deductions	442,264,237	419,999,200	
Net increase (decrease) in plan net position Net position held in trust for pension benefits	919,867,553	(26,193,046)	
Beginning of year	7,384,143,876	7,410,336,922	
End of year	\$ 8,304,011,429	\$ 7,384,143,876	

DISABILITY FUND

STATEMENT OF PLAN NET POSITION

As of June 30

	2013	2012
ASSETS		
Cash (Notes 2 and 3)	\$ 2,557,613	\$ 1,749,930
Receivables		
Accrued investment income	72,851	97,593
Department of Water and Power	2,412,467	2,612,733
Other	660,949	1,315,872
Contingent disability benefit advance	3,310,339	3,310,339
Total receivables	6,456,606	7,336,537
Investments, at fair value (Notes 2 and 3) Fixed income (amortized cost \$32,576,401 in 2013 and		
\$33,080,525 in 2012)	36,692,449	38,063,938
Short-term investments (cost approximates fair value)	1,018,733	617,372
Total investments	37,711,182	38,681,310
Total assets	46,725,401	47,767,777
LIABILITIES		
Payables		
Pending investment purchases	72,739	97,510
Other	197,816	36,015
Total Liabilities	270,555	133,525
Net position held in trust for disability benefits	<u>\$</u> 46,454,846	\$ 47,634,252

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

	2013	2012
ADDITIONS		
Department of Water and Power contributions towards:		
Temporary disability benefits	\$ 12,173,356	\$ 11,050,295
Supplemental disability benefits	1,593,124	1,697,905
Administrative expenses	757,910	835,317
Total department contributions	14,524,390	13,583,517
Contributions from members for:		
Temporary disability benefits	224,649	227,353
Permanent total disability benefits	222,040	225,892
Total members' contributions	446,689	453,245
Net appreciation (depreciation) in fair value of investments	(733,753)	2,033,714
Investment income	963,654	1,388,604
Less: investment expenses	(48,319)	(47,676)
Net investment income	181,582	3,374,642
Total additions	15,152,661	17,411,404
DEDUCTIONS		
Benefits provided:		
Temporary disability	11,735,737	12,106,184
Extended temporary disability	394,778	363,648
Permanent total disability	1,853,493	1,837,781
Supplemental disability	1,593,124	1,697,355
Total benefits provided	15,577,132	16,004,968
Administrative expenses	754,935	831,912
Total deductions	16,332,067	16,836,880
Net increase (decrease) in plan net position Net position held in trust for disability benefits	(1,179,406)	574,524
Beginning of year	47,634,252	47,059,728
End of year	\$ 46,454,846	\$ 47,634,252

DEATH BENEFIT FUND

STATEMENT OF PLAN NET POSITION

As of June 30

	2013		2012	
ASSETS				
Cash (Notes 2 and 3)	\$	919,762	\$	1,031,942
Receivables				
Department of Water and Power		807,853		901,230
Accrued investment income		52,035		63,446
Other		20,587		20,044
Total receivables		880,475		984,720
Investments, at fair value (Notes 2 and 3)				
Fixed income (amortized cost \$23,988,712 in 2013 and \$22,021,150 in 2012)		26,208,830		24,719,737
Short-term investments (cost approximates fair value)		717,742		1,016,499
Short-term investments (cost approximates fair value)	-	/1/,/42		1,010,499
Total investments		26,926,572		25,736,236
Total assets		28,726,809		27,752,898
LIABILITIES				
Payables				
Pending investment purchases		51,956		63,326
Other		745,578		455,570
Death claims in process - insured lives		2,909,143		2,477,449
Total liabilities		3,706,677		2,996,345
Net position held in trust for death benefits	\$	25,020,132	\$	24,756,553

DEATH BENEFIT FUND

STATEMENT OF CHANGES IN PLAN NET POSITION

For the years ended June 30

	2013		2012	
ADDITIONS				
Department of Water and Power contributions towards: Active members	ው	0.040.550	ው	2 1 4 9 5 4 5
Active members Retired members (non-contributing)	\$	2,043,553	\$	2,148,545
Administrative expenses		5,021,181 907,307		5,001,416 894,757
Administrative expenses		907,307		094,757
Total department contributions		7,972,041		8,044,718
Contributions from members for:				
Insured lives death benefit		222,040		225,880
Supplemental family death benefit	<u></u>	96,809	·	96,631
Total members' contributions		318,849		322,511
Net appreciation (depreciation) in fair value of investments		(569,713)		1,228,991
Investment income		660,008		876,223
Less: investment expenses		(33,232)		(30,306)
Net investment income		57,063		2,074,908
Total additions		8,347,953		10,442,137
DEDUCTIONS				
Benefits provided for:				
Death benefits (active/retired members)		6,643,747		6,647,365
Family allowances		535,444		587,470
Total benefits provided		7,179,191		7,234,835
Administrative expenses		905,183		892,492
Total deductions		8,084,374		8,127,327
Net increase in plan net position Net position held in trust for death benefits		263,579		2,314,810
Beginning of year		24,756,553		22,441,743
End of year	\$	25,020,132		24,756,553

RETIREE HEALTH BENEFITS FUND

STATEMENT OF PLAN NET POSITION

As of June 30

ASSETS	2013		2012	
Cash and cash equivalents (Notes 2 and 3)	\$	797,696	\$	918,273
Receivables				
Accrued investment income		3,278,342		3,656,063
Department of Water and Power		1,318		13,201
Pending investment sales		53,791,251		30,223,292
Total receivables		57,070,911		33,892,556
Investments, at fair value (Notes 2, 3 and 4) Fixed income (amortized cost \$376,026,674 in 2013 and \$363,133,218 in 2012)		374,845,086		374,656,408
Common stock (cost of \$713,075,846 in 2013				
and \$675,387,702 in 2012)		882,859,586		726,702,077
Short-term investments (cost approximates fair value)		40,996,180		67,425,083
Alternative investments		79,875,069		67,767,651
Real estate		19,158,536		11,145,758
Securities lending - short-term collateral investment pool		53,684,636		70,058,948
Total investments	1	,451,419,093	<u></u>	1,317,755,925
Total assets	1	,509,287,700		1,352,566,754
LIABILITIES				
Payables				
Accounts payable		4,396,442		2,084,608
Pending investment purchases		73,387,034		54,643,329
Security lending - collateral payable (Note 4)	·	53,684,636		70,058,948
Total liabilities		131,468,112		126,786,885
Net position held in trust for retiree health benefits	<u>\$ 1</u>	,377,819,588		1,225,779,869

RETIREE HEALTH BENEFITS FUND

STATEMENT OF CHANGES IN PLAN NET POSITION

For the Year Ended June 30

	2013	2012	
ADDITIONS			
Department of Water and Power contributions towards:			
Retiree health benefits	\$ -	\$ 37,500,000	
Insurance premiums	67,562,881	64,220,586	
Adminstrative expenses	616,670	605,265	
Total department contributions	68,179,551	102,325,851	
Investment income			
Net appreciation (depreciation) in fair value of investments	123,583,536	(15,807,543)	
Interest and dividends	30,516,202	31,289,123	
Gain (loss) from alternative investments	161,955	(26,560)	
Real estate income	1,026,738	290,768	
Securities lending (Note 4)	216,757	502,167	
Total investment income	155,505,188	16,247,955	
Less: securities lending expenses (Note 4)	(38,758)	(86,768)	
Less: investment expenses	(3,525,813)	(2,820,164)	
Net investment income	151,940,617	13,341,023	
Total additions	220,120,168	115,666,874	
DEDUCTIONS			
Retiree health benefits paid (insurance premiums)	67,562,881	64,220,586	
Administrative expenses	517,568	411,850	
Total deductions	68,080,449	64,632,436	
Net increase in plan net position Net position held in trust for retiree heath benefits	152,039,719	51,034,438	
Beginning of year	1,225,779,869	1,174,745,431	
End of year	\$ 1,377,819,588	\$ 1,225,779,869	

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The Retirement Board of Administration (Retirement 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 Retirement 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 subsidies. 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 Retirement Board approved the creation and establishment of the RHBF for the purpose of funding the benefits provided under the Retiree Health Benefits Plan.

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, 2013 and 2012:

	2013	2012
Retirees, beneficiaries*	8,859	8,709
Terminated vested	853	697
Terminated non-vested	1,098	971
Inactive-non-contributing employees	110	117
Active-contributing employees:		
Vested	8,589	8,777
Non-vested	412	319
Total	19,921	19,590

*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

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 unused portion of the retirement fund contributions upon death (if 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.

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 Retirement 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 was maintained at \$0.25 per \$100 of payroll for fiscal years 2012 and 2013. In addition, the Department currently contributes to the IDB for non-contributing members at \$1.35 and \$1.44 per \$100 of retirement benefits paid for fiscal years 2013 and 2012, respectively.

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, 2013 and 2012:

	2013	2012
Current retirees and beneficiaries	7,326	7,485
Current active members	8,831	8,855
Total	16,157	16,340

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.

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 years 2013 and 2012, the Department contributed \$68.2 million and \$102.3 million, respectively, 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) Statement Nos. 25 and 50 for Retirement Fund and the Insured Lives portion of the Death Benefit Fund, and GASB Statement No. 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 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 initially recorded at cost and subsequently valued at fair value, and these are reported as "Alternative Investments" on the statement of plan net position. The Plan has investments in commingled real estate funds in which real property is its primary underlying investment. These are reported as "Real Estate" at fair value on the statement of plan net position. Fair values of real estate investments are estimated by fund managers based upon property appraisal reports both internally and externally. Purchases and sales of securities are recorded on a trade-date basis. Unsettled investment trades as of year end are reported in the financial statements as receivable for pending sales or payable for pending purchases.

Cash

Cash consists primarily of cash on deposits in the City Treasury under the City's general and special investment pool program.

Derivatives

To the extent permitted by policy and individual agreements, investment managers are authorized to use derivatives for risk management purposes. Accordingly, derivatives held are not held for trading purposes. Derivative securities are instruments whose value is derived from an underlying security or index. They include options, futures, swaps, forwards, structured notes, and stripped securities. These instruments offer unique characteristics and risks that assist the investment managers with meeting their investment strategies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of New GASB Pronouncements

The Plan adopted the Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* in the fiscal year 2012-2013. Issued in June 2011, this statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position. This statement requires reporting of net position, rather than net assets, as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

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 Retirement Board's investment policy. The Charter authorizes the form and type of investment vehicles that may be purchased. The Retirement 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.

<u>Cash</u>

As of June 30, 2013 and 2012, the Plan's cash balances consist primarily of cash deposits in the City Treasury. The Plan's participation in the program is less than 1% at June 30, 2013 and 2012. The cash balance in the Retiree Health Benefit Fund is in the City's general investment pool program for the purpose of maximizing interest earnings through pooled investment activities. Interest earned on such pooled investments is allocated to the participating funds based on each fund's average daily cash balance during the allocation period.

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

Investments

As of June 30, 2013 and 2012, the Plan had the following investments:

Investment Type	June 30, 2013 Fair Value			June 30, 2012 Fair Value
Domestic equities	\$	4,012,632,462	\$	3,822,964,743
International equities	Ŧ	2,040,420,231	•	1,315,935,365
U.S. Treasuries		493,009,348		550,921,728
U.S. Agency notes		780,819,458		836,248,316
Medium term notes	-			218,528
Preferred securities/convertible bonds/other	47,810,849			40,793,943
Mortgage and asset backed securities	394,012,708			315,625,081
Corporate debt - domestic		681,756,147		674,468,710
Corporate debt - international		12,275,059		7,917,740
Mutual funds		403,149,831		372,136,228
Hedge funds		660,170,668		548,846,496
Real estate		260,960,586		211,136,226
Securities lending short-term collateral investment pool		366,777,123		560,086,595
Total investments		10,153,794,470		9,257,299,699

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, Standard & Poor's, and Fitch, should have a minimum rating of BBB- or Baa3 by two or more rating agencies. Investment managers for investment grade fixed income securities will notify Plan management of subsequent declines in ratings and

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

will develop an investment strategy for investments rated below Baa3 or BBB-. Active high yield fixed income investment is composed primarily of non-investment grade securities as rated by Moody's, Standard & Poor's or Fitch.

Investment Type	Credit Rating	Fair Value		% of Portfolio
U.S. Treasuries	AAA	\$ 493	3,009,348	17.53%
U.S. Agency notes	AAA		4,630,335	25.41%
	A or better		3,790,654	0.49%
	Not rated	52	2,398,469 *	1.86%
Preferred securities/convertible bonds/other	A or better	:	2,089,376	0.07%
	B or better	2	0,284,936	0.72%
	C or better		4,567,803	0.16%
	Not rated	2	0,868,734	0.74%
Mortgage and asset backed securities	AAA	31	8,333,669	11.32%
	A or better		6,593,219	0.59%
	B or better		1,377,702	1.83%
	C or better	:	2,146,669	0.08%
	D or better		364,396	0.01%
	Not rated		5,197,053	0.18%
Corporate debt - domestic	AAA		2,648,311	0.09%
•	A or better	18	7,632,281	6.67%
	B or better	43	7,608,306	15.55%
	C or better	4	3,747,320	1.56%
	Not rated	1	0,119,929	0.36%
Corporate debt - international	AAA		705,945	0.03%
I	A or better		1,860,825	0.07%
	B or better		9,708,289	0.35%
Mutual funds	Not rated	40	3,149,831_**	14.33%
Total		\$	2,833,400	100.00%

The credit ratings of the Plan's investments at June 30, 2013 are as follows:

* Consist of U.S. government agency securities.

** Consist of money market fund or short-term investment fund investing in the fixed income securities.

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

Credit Risks (Continued)

The credit ratings of the Plan's investments at June 30, 2012 are as follows:

Investment Type	Credit Rating	Fair Value	% of Portfolio
U.S. Treasuries	AAA	\$ 549,427,805	19.63%
	Not rated	1,493,923	0.05%
U.S. Agency notes	AAA	777,779,972	27.79%
	A or better	12,312,996	0.44%
	Not rated	46,155,348 *	* 1.65%
Medium term notes	B or better	218,528	0.01%
Preferred securities/convertible bonds/other	A or better	1,881,684	0.07%
	B or better	13,881,273	0.50%
	C or better	3,809,480	0.14%
	Not rated	21,221,506	0.76%
Mortgage and asset backed securities	AAA	211,100,159	7.54%
	A or better	33,656,720	1.20%
	B or better	62,181,943	2.22%
	C or better	2,373,700	0.08%
	Not rated	6,312,559	0.23%
Corporate debt - domestic	AAA	8,702,969	0.31%
	A or better	197,735,637	7.07%
	B or better	416,581,038	14.89%
	C or better	42,137,069	1.51%
	Not rated	9,311,997	0.33%
Corporate debt - international	AAA	347,425	0.01%
	A or better	1,653,569	0.06%
	B or better	5,916,746	0.21%
Mutual funds	Not rated	372,136,228	**13.30%
Total		\$ 2,798,330,274	100.00%

* Consist of U.S. government agency securities.

** Consist of money market fund or short-term investment fund investing in the fixed income securities.

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, 2013 and 2012, the Plan's cash balances consist primarily of cash deposits in the City Treasury.

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, no more than 5% of investments shall be invested in any one issue, except for investment in the fixed income asset class where no more than 10% of investment shall be invested in any one issue. United States Treasury or United States Agency issues are exempted from this limitation. As of June 30, 2013 and 2012, there were no investments holdings of more than 5% in any one issue of each fund's net position or in the Plan aggregate, except investments issued or guaranteed by the U.S. Government and investments in commingled funds.

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

Interest Rate Risk

As of June 30, 2013, the Plan's exposure to interest rate risk is as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasuries	\$ 493,009,348	5.72
U.S. Agency notes	780,819,458	22.18
Preferred securities/convertible bonds	47,810,849	5.41
Mortgage and asset backed securities	394,012,708	12.69
Corporate debt - domestic	681,756,147	9.45
Corporate debt - international	12,275,059	11.97
Mutual funds	403,149,831	0.00
Total	\$ 2,812,833,400	11.37

As of June 30, 2012 the Plan's exposure to interest rate risk is as follows:

Investment Type	 Fair Value	Weighted Average Maturity (Years)
U.S. Treasuries	\$ 550,921,728	7.75
U.S. Agency notes	836,248,316	21.36
Medium term notes	218,528	2.67
Preferred securities/convertible bonds	40,793,943	5.48
Mortgage and asset backed securities	315,625,081	14.50
Corporate debt - domestic	674,468,710	9.52
Corporate debt - international	7,917,740	9.10
Mutual funds	 372,136,228	0.06
Total	\$ 2,798,330,274	11.95

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.

Foreign Currency Risk

As of June 30, 2013 and 2012, the Plan's exposure to foreign currency risk is as follows:

Currency	Investment Type	June 30, 2013 Fair Value	June 30, 2012 Fair Value		
Australian Dollar	Cash & cash equivalents	\$ 46,288	\$ 694,946		
	Equities	45,103,378	73,205,420		
	Corporate debt	3,862,187	674,008		
Brazil Real	Cash & cash equivalents	3,560	-		
	Equities	14,867,408	-		
	Corporate debt	2,191,220	2,330,705		
Canadian Dollar	Cash & cash equivalents	406,329	1,026,149		
	Equities	49,215,797	94,953,969		
	Corporate debt	11,645,711	10,849,474		
Chilean Peso	Corporate debt	198,186			
Danish Krone	Cash & cash equivalents		33,804		
	Equities	15,865,001	15,051,948		
Euro Currency Unit	Cash & cash equivalents	25,482,234	17,124,137		
Euro currency cint	Equities	269,953,541	286,009,681		
	Corporate debt	93,705,341	88,958,842		
Hong Kong Dollar	Cash & cash equivalents	71,013	208,337		
Hong Kong Donai	Equities	42,300,355	30,089,348		
Indonesion Dunich			50,009,540		
Indonesian Rupiah	Cash & cash equivalents	3,006 6,870,603	-		
Januali Chalcal	Equities Cash & cash equivalents	0,870,005	-		
Israeli Shekel	•	-	11,044		
1 37	Equities	1	1,965,633		
Japanese Yen	Cash & cash equivalents	2,413,706	3,141,888		
	Equities	292,342,200	316,796,078		
	Corporate debt	8,528,696	10,539,660		
Malaysian Ringgit	Equities	14,508,287	-		
Mexican New Peso	Cash & cash equivalents	115,766	65,698		
	Equities	11,414,773	-		
	Corporate debt	3,145,531	1,865,818		
New Turkish Lira	Equities	1,083,535	-		
New Zealand Dollar	Cash & cash equivalents	3,092	-		
	Equities	504,188	694,603		
Norwegian Krone	Cash & cash equivalents	-	205,967		
-	Equities	9,466,920	12,825,632		
South African Rand	Cash & cash equivalents				
Philippines Peso	Equities	2,257,898	-		
••	Corporate debt	1,372,025	782,190		
Pound Sterling	Cash & cash equivalents	619,087	1,854,934		
	Equities	252,262,474	304,356,623		
	Corporate debt	100,056,211	83,553,933		
S. African Comm Rand	Cash & cash equivalents	8,486	-		
5. Fundari Commi Kand	Equities	29,704,719	-		
Singapore Dollar	Cash & cash equivalents	59,804	1,255,461		
Singapore Donai	Equities	11,871,340	12,051,582		
South Korean Won	Equities	7,281,187	12,001,002		
Swedish Krona			290 151		
Swedish Krona	Cash & cash equivalents	45,695	380,151		
	Equities	22,881,088	27,946,793		
0	Corporate debt	17,591,960	10,642,081		
Swiss Franc	Cash & cash equivalents	1,143,453	2,943,399		
	Equities	115,337,495	124,636,539		
Thailand Baht	Equities	9,247,683	-		
Uruguayan Peso	Corporate debt	474,515	381,721		
Total		\$ 1,497,532,973	\$ 1,540,108,196		

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

The Plan's investment policy permits it to invest up to 21 percent of total investments of the Plan in non-U.S. investments. The Plan's position is 14.75 percent and 16.64 percent as of June 30, 2013 and 2012, respectively.

Derivative Instruments

The fair value balances and notional amounts of derivatives instruments outstanding at June 30, 2013 and 2012, classified by type, and the changes in fair values of such derivative instruments for the years then ended as reported in the 2013 and 2012 financial statements are as follows:

			2013		
	Changes in F	air Value	Value Fair Value		
Туре	Classification	Amount	Classification	Amount	Notional Amount
Forward Contracts	Investment Income / (Loss)	\$ (1,253,278)	Investment	\$ 5,271,600	\$ 418,163,095
Call Options	Investment Income / (Loss)	\$ (661,055)	Investment	\$ 9,207,240	\$ 494,734,240
		2012			
	Changes in F	air Value	Fair Va		
Туре	Classification	Amount	Classification	Amount	Notional Amount
Forward Contracts	Investment Income / (Loss)	\$ 3,660,333	Investment	\$ 6,524,878	\$ 365,297,632
Call Options	Investment Income / (Loss)	\$ (1,788,942)	Investment	\$ 12,003,620	\$ 466,402,994

At June 30, 2013 and 2012, the Plan had direct commitments to purchase and/or sell foreign currency in the forms of forward contracts as part of the strategy of hedging its currency risk. The fair values of forward contracts were based on the market price. At June 30, 2013, the Plan also had written S&P 500 call options as part of its asset allocation strategy. The fair value of the call options is based on market prices.

NOTE 4 – SECURITIES LENDING PROGRAM

The Plan is authorized by the Charter of the City of Los Angeles and the Retirement 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 Position. As of June 30, 2013 and 2012, the Plan has no credit risk exposure because the value of the collateral received exceeded the value of the securities on loan. Related borrower or lending agent default losses were recognized in the financial statements.

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 has an average maturity of 28 days and 34 days as of June 30, 2013 and 2012, respectively.

Securities on loan	 2013	2012		
Common stock	\$ 88,674,729	\$	104,535,382	
Corporate debt	17,026,385		20,018,206	
U.S. Treasuries	 251,257,332		421,866,810	
Total	\$ 356,958,446	\$	546,420,398	

The fair values of the underlying securities on loan, collateralized by cash and securities as of June 30, 2013 and 2012 are:

NOTE 5 - FUNDED STATUS AND FUNDING PROGRESS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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.

The annual valuation performed as of June 30, 2013 and 2012 determined the funding status to be 78.84% and 78.14% respectively.

The funded status of the retirement fund as of June 30, 2013, 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)
(a) \$ 7,958,487,587	\$10,094,867,871	\$ 2,136,380,284	78.84%	\$ 900,254,454	237.31%

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization

NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Remaining amortization period	The July 1, 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 effective with that valuation.
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	7.75%
Inflation rate	3.50%
Projected salary increases	5.35% to 10.50%, includes inflation at 3.50%, "across the board" increases of 0.75% plus merit and promotional increases
Cost-of-living adjustments (COLA)	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum
Mortality rate:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

Death Benefit Fund – Insured Lives

The funded status of the death benefit fund – insured lives as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Va	Actuarial alue of Assets (a)	Actuarial Accrued bility (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)
\$	10,358,504	\$ 95,907,085	\$ 85,548,581	10.80%	\$ 886,539,366	9.65%

NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar amortization
Remaining amortization period	The July 1, 2007 Unfunded Actuarial Accrued Liability is amortized over a closed 15-year period commencing July 1, 2007. Any subsequent changes in Unfunded Actuarial Accrued Liability are amortized over separate closed 15-year periods effective with that valuation.
Asset valuation method	The market value of the Death Benefit Fund at valuation date, less the Reserves for Benefits Granted and Contribution Accounts for the Family Death Benefit and Supplemental Family Death Benefit, and the Insured Lives General Reserve for Contributing Members (Mean Funds).
Actuarial assumptions: Investment rate of return	5.00%
Inflation rate	3.50%
Projected salary increases	5.35% to 10.50%, including inflation at 3.50%, "across the board" increases of 0.75% plus merit and promotional increases
Cost of living adjustments (COLA) Mortality rate:	Contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

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 ARC of \$49.5 million and \$53.7 million for fiscal years 2012-13 and 2011-12 were determined by the actuarial valuation of OPEB as of June 30, 2012 and 2011, respectively. The Department contribution, excluding administrative expenses reimbursement, during the fiscal years 2012-13 and 2011-12, amounted to \$67.6 million and \$101.7 million, respectively. The June 30, 2013 actuarial valuation determines the annual required contribution (ARC) for the fiscal year 2013-14 to be \$60.7 million.

The funded status of the RHBF as of June 30, 2013, the most recent actuarial valuation date, is as follows:

	Actuarial Accrued	Unfunded			UAAL as a Percentage
Actuarial	Liability (AAL)	AAL	Funded	Covered	of Covered
Value of Assets	- Entry Age	(UAAL)	Ratio	Payroll	Payroll
(a)	(b)	 (b) - (a)	(a)/(b)	 (c)	[(b)-(a)]/(c)
\$ 1,332,135,662	\$ 1,743,726,715	\$ 411,591,053	76.40%	\$ 900,254,454	45.72%

The Patient Protection and Affordable Care Act (Act) was signed into law in March 2010. One key provision of the legislation is the assessment of a 40% excise tax on the cost of health plans for plans that exceed certain threshold. The impact of this potential excise tax imposed by the Act was reflected in the June 30, 2013 and 2012 actuarial valuations. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are \$11,850 for single coverage and \$30,950 for family coverage. For all other retirees the thresholds in 2018 are \$10,200 for single coverage and \$27,500 for family coverage. Thresholds in 2019 are indexed and for the purpose of this valuation, they are assumed to increase by 4.5% over those in 2018. After 2019, the thresholds are assumed to increase by 3.5% (assumed CPI inflation) per year. Also in this valuation, the allocation of excise tax to the RHBF and retirees was based on the proportion of the health care cost expected to be paid by each party. The allocation is subject to future change based on composition of participant data. The estimated impact of any potential excise tax imposed by the Act is continually reflected in the actuarial valuation.

NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30-year amortization closed, level percent of pay
Remaining amortization period	22 years remaining as of June 30, 2013
Asset valuation method	Before June 30, 2008, the actuarial value of assets was defined as the market value of assets. After June 30, 2008 valuation, any actual investment gains and losses that are above or below 8% annual return assumed in the valuations prior to July 1, 2010 are recognized over 5-year periods. After the June 30, 2010 valuation, any actual investment gains or losses that are above or below the 7.75% assumption are recognized over 5-year periods.
Actuarial assumptions:	
Discount rate	7.75%
Projected salary increases	4.25%
Inflation rate	3.50%
Healthcare cost trend rates:	
Medical	8.00%, graded down to an ultimate rate of 5.00% over 6 years
Dental and Medicare part B	5.00%
Mortality rate:	
After service retirement and pre-retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females
After disability retirement	RP-2000 Combined Healthy Mortality Table with ages set back two years for males and one year for females.

NOTE 6 - ACTUARIAL VALUATION - DISABILITY AND DEATH BENEFIT FUNDS

Actuarial studies are performed annually on the disability and death benefit funds to determine and recommend 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 (as of July 1, 2012 and July 1, 2011) for the death and disability funds found that both 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 Retirement Board.

Disability fund

For the Permanent Total Disability Fund, the Department's contribution rate remains at \$0 per \$100 of covered payroll. As for the Temporary Disability Fund, the Department's contribution rate was increased from \$1.43 per \$100 of covered payroll to \$1.52 of covered payroll. The rate change was approved by the Board in December 2012 and it was implemented the same month.

Death benefit fund

For fiscal year 2013, the Department's contribution rate for contributing active members' Insured Life Death Benefit was maintained at the prior year rate of \$0.25 per \$100 of payroll. Furthermore, the Department's contribution rate for non-contributing members' Insured Life Death Benefit was lowered from \$1.44 to \$1.35 per \$100 of monthly retired payroll. The rate change was approved by the Board in December 2012 and it was implemented the same month.

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.

<u>Member contribution accounts</u> 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.

<u>Department contribution accounts</u> 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.

<u>General reserves</u> 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.

NOTE 7 – RESERVES AND DESIGNATED BALANCES (Continued)

The Retirement Plan reserves and designated balances at June 30, 2013 and 2012 are as follows:

	2013	2012
<u>Retirement Fund - Reserves and Designated Balances</u> Reserve for retirement allowances Contributions:	\$ 5,374,580,442	\$ 5,064,085,844
Members' contributions Department contributions	1,344,895,376 (1,194,768,340)	1,258,944,366 (1,193,305,313)
Total contributions	150,127,036	65,639,053
Reserve for investments gains	5,484,082	5,484,082
General reserve	1,830,298,150	1,791,501,931
Total reserves and designated balances Unrealized appreciation in the fair value of investments	7,360,489,710 943,521,719	6,926,710,910 457,432,966
Total reserves and designated balances at fair value	\$ 8,304,011,429	\$ 7,384,143,876
Disability Fund - Reserves and Designated Balances Estimated liability for temporary & permanent disability cases General reserve	\$ 13,473,287 28,865,511	\$ 14,234,311 28,416,527
Total reserves and designated balances Unrealized appreciation in the fair value of investments	42,338,798 4,116,048	42,650,838 4,983,414
Total reserves and designated balances at fair value	\$ 46,454,846	\$ 47,634,252
<u>Death Benefit Fund - Reserves and Designated Balances</u> Estimated liability for family allowances Contribution account - family allowances General reserve	\$ 4,303,031 6,816,833 11,680,192	\$ 4,244,926 7,095,718 10,717,323
Total reserves and designated balances Unrealized appreciation in the fair value of investments	22,800,056 2,220,076	22,057,967 2,698,586
Total reserves and designated balances at fair value	\$ 25,020,132	\$ 24,756,553
<u>Retiree Health Benefits Fund - Reserves and Designated Balances</u> Department contributions (net of insurance premiums payment) General reserve	\$ 1,037,604,927 169,707,743	\$ 1,037,604,927 120,856,957
Total reserves and designated balances Unrealized appreciation in the fair value of investments	1,207,312,670 170,506,918	1,158,461,884 67,317,985
Total reserves and designated balances at fair value	\$ 1,377,819,588	\$ 1,225,779,869

NOTE 8 – PLAN AMENDMENTS

The Plan is periodically amended to meet changes in economic conditions and sound business practices. There were no significant Plan amendments for the fiscal year ended June 30, 2013 and 2012.

NOTE 9 – RISKS AND UNCERTAINTIES

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 level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position. Department's contributions and actuarial valuations are reported based on certain assumptions pertaining to interest rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements

NOTE 10 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through November 20, 2013, the date the financial statements were available to be issued, and has determined that no other significant subsequent events have occurred through that date.

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, 2013	\$	7,958,487,587	\$	10,094,867,871	\$	2,136,380,284	78.84%	\$	900,254,454	237.31%
July 1, 2012		7,573,885,754		9,692,602,852		2,118,717,098	78.14%		886,539,366	238.99%
July 1, 2011		7,465,183,643		9,297,204,318		1,832,020,675	80.29%		870,203,423	210.53%
July 1, 2010		7,244,429,689		8,893,618,433		1,649,188,744	81.46%		856,089,559	192.64%
July 1, 2009		7,248,721,252		8,057,060,950		808,339,698	89.97%		805,137,795	100.40%
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%

*Not less than zero

RETIREMENT FUND – SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)

Plan Year	Ar	inual Required		Annual		Actual	Percentage	Percentage of APC
Ended June 30	Cont	ributions (ARC)	Pens	sion Cost (APC)		Contributions	Contributed	Contributed
	¢		¢	000 417 000	۴		07.00/	
2013	\$	376,667,610	\$	380,417,306	\$	368,426,348	97.8%	96.8%
2012		336,874,865		341,366,670		321,688,919	95.5%	94.2%
2011		304,431,910		309,794,712		286,699,384	94.2%	92.5%
2010		200,578,278		206,025,133		201,034,807	100.2%	97.6%
2009		141,291,589		146,768,606		145,941,276	103.3%	99.4%
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%

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

Actuarial Valuation Date	aluation of Assets		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, 2012	\$	10,358,504	\$	95,907,085	\$	85,548,581	10.80%	\$	886,539,366	9.65%
July 1, 2011		8,273,263		94,627,428		86,354,165	8.74%		870,203,423	9.92%
July 1, 2010		7,186,971		92,173,753		84,986,782	7.80%		856,089,559	9.93%
July 1, 2009		5,261,536		95,302,626		90,041,090	5.52%		805,137,795	11.18%
July 1, 2008		4,732,078		94,445,113		89,713,035	5.01%		708,731,840	12.66%
July 1, 2007		6,528,962		79,024,241		72,495,279	8.26%		670,372,663	10.81%

DEATH BENEFIT FUND (INSURED LIVES) – SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)

Plan Year Ended June 30	nual Required ibutions (ARC)	Annual <u>Pension Cost (APC)</u>		Actual Contributions		Percentage Contributed	Percentage of APC Contributed	
2013	\$ 11,862,188	\$	10,679,472	\$	5,021,181	42.3%	47.0%	
2012	11,379,225		10,449,289		5,001,416	44.0%	47.9%	
2011	10,717,090		9,993,189		5,552,771	51.8%	55.6%	
2010	10,708,915		10,221,070		5,133,632	47.9%	50.2%	
2009	10,084,010		9,846,797		4,445,208	44.1%	45.1%	
2008	8,937,748		8,937,748		3,825,394	42.8%	42.8%	

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Ac	funded Actuarial crued Liabilities AAL/(Surplus) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL/(Surplus) As a Percentage of Covered Payroll [(b) - (a)] / (c)
June 30, 2013	\$1,332,135,662	\$ 1,743,726,715	\$	411,591,053	76.40%	\$ 900,254,454	45.72%
June 30, 2012	1,244,039,107	1,566,059,276		322,020,169	79.44%	886,539,366	36.32%
June 30, 2011	1,132,928,966	1,550,895,584		417,966,618	73.05%	870,203,423	48.03%
June 30, 2010	987,475,976	1,631,916,204		644,440,228	60.51%	856,089,559	75.28%
June 30, 2009	849,955,427	1,390,810,591		540,855,164	61.11%	805,137,795	67.18%
June 30, 2008	719,636,742	1,358,103,498		638,466,756	52.99%	708,732,000	90.09%
June 30, 2007	649,115,755	1,041,721,989		392,606,234	62.31%	670,400,000	58.56%

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

Year Ended June 30	Annual Required Contributions (ARC)		C	Actual ontributions	Percentage Contributed
2013	\$	49,496,185	\$	67,562,881 (1)(2)	136.50%
2012		53,691,399		101,720,586 (1)(2)	189.45%
2011		68,705,252		140,132,520 (1)(2)	203.96%
2010		58,502,789		160,236,897 ⁽¹⁾⁽²⁾	273.90%
2009		60,976,358		159,412,621 ⁽¹⁾⁽²⁾	261.43%
2008		40,144,629		157,359,628	391.98%
2007		78,040,857		641,989,342	822.63%

(1) The Actual Contributions do not include interest adjustment to the end of the Plan year.

(2) The Actual Contributions do not include administrative expense reimbursement.

RETIREMENT FUND SCHEDULE OF CONTRIBUTION ACCOUNTS AND ESTIMATED LIABILITY FOR RETIREMENT ALLOWANCES For the Years Ended June 30, 2013 and 2012

	_	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, 2011	\$_	1,184,011,768 \$	(1,334,376,247) \$	(1,023,409,764) \$	(21,760,967) \$	(1,195,535,211) \$	1,174,202,075 \$	(21,333,136) \$	4,816,565,276
Contributions received Contributions refunded Net Contributions	-	54,244,321 (5,278,691) 48,965,630	272,723,289	-		326,967,610 (5,278,691) 321,688,919	60,088,614 (5,526,896) 54,561,718	387,056,224 (10,805,587) 376,250,637	
Transfers from contribution accounts for retiring members		(57,678,643)	(90,890,436)	(72,052,993)	(10,194,894)	(230,816,966)	(60,572,844)	(291,389,810)	291,389,810
Retirement allowances paid									(410,814,067)
Interest at 7.75% per annum		91,274,437	(96,616,504)	(81,340,054)	(1,959,934)	(88,642,055)	90,753,417	2,111,362	366,944,825
Balance at June 30, 2012	_	1,266,573,192	(1,249,159,898)	(1,176,802,811)	(33,915,795)	(1,193,305,313)	1,258,944,366	65,639,053	5,064,085,844
Contributions received Contributions refunded Net Contributions		61,764,192 (5,296,382) 56,467,810	311,958,537	- 	- 	373,722,729 (5,296,382) 368,426,347	69,633,449 (5,819,253) 63,814,196	443,356,178 (11,115,635) 432,240,543	-
Transfers from contribution accounts for retiring members Retirement allowances paid		(70,060,980)	(111,656,020)	(87,286,291)	(12,087,292)	(281,090,583)	(74,548,361)	(355,638,944)	355,638,944 (432,708,113)
Interest at 7.75% per annum		97,009,941	(89,079,570)	(93,739,980)	(2,989,182)	(88,798,791)	96,685,175	7,886,384	387,563,767
Balance at June 30, 2013	\$_	1,349,989,963 \$	(1,137,936,951) \$	(1,357,829,082) \$	(48,992,269) \$	(1,194,768,340) \$	1,344,895,376 \$	150,127,036 \$	5,374,580,442

EXHIBIT VIII

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, 2013 and 2012

	Members'			partment of Water and Power	(Combined Total	L	Estimated iability for Family Illowances
Balances at June 30, 2011	\$	5,320,971	\$	1,886,727	\$	7,207,698	\$	4,406,825
Contributions received Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year		96,631		- (208,611)		96,631 (208,611)		- 208,611
- · ·		-		(200,011)		(200,011)		, ,
Family allowances paid		-		-		-		(587,470)
Interest transferred from general reserve at 5% per annum		_	. <u> </u>	_		-		216,960
Balances at June 30, 2012		5,417,602	5	1,678,116		7,095,718		4,244,926
Contributions received		96,809		-		96,809		-
Transfers to estimated liability for family allowances from contribution accounts for members deceased during the year		(109,043)		(266,651)		(375,694)		375,694
Family allowances paid		-		-		-		(535,444)
Interest transferred from general reserve at 5% per annum						_		217,855
Balances at June 30, 2013	\$	5,405,368		1,411,465		6,816,833	\$	4,303,031

EXHIBIT IX

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, 2013

Revenues by Source

Fiscal Year	Members' Contributions		Department Contributions*		Investment Income**		Total	
2013	\$	69,633,449	\$	378,115,576	\$	191,561,805	\$	639,310,830
2012	\$	60,088,614	\$	331,276,047	\$	193,927,979	\$	585,292,640
2011	\$	65,954,329	\$	293,311,870	\$	201,657,143	\$	560,923,342
2010	\$	71,240,553	\$	208,518,237	\$	180,881,790	\$	460,640,580
2009	\$	59,394,076	\$	154,140,202	\$	192,121,861	\$	405,656,139
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

Expenses by Type

Fiscal Year	Benefits		Administrative Expenses***		Refunds****		Total	
2013	\$	432,708,113	\$	27,233,363	\$	11,115,635	\$	471,057,111
2012	\$	410,814,067	\$	24,147,076	\$	10,805,587	\$	445,766,730
2011	\$	396,124,862	\$	25,146,053	\$	4,425,116	\$	425,696,031
2010	\$	377,051,650	\$	20,790,611	\$	6,028,583	\$	403,870,844
2009	\$	363,691,635	\$	17,842,282	\$	8,062,235	\$	389,596,152
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

- * 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.