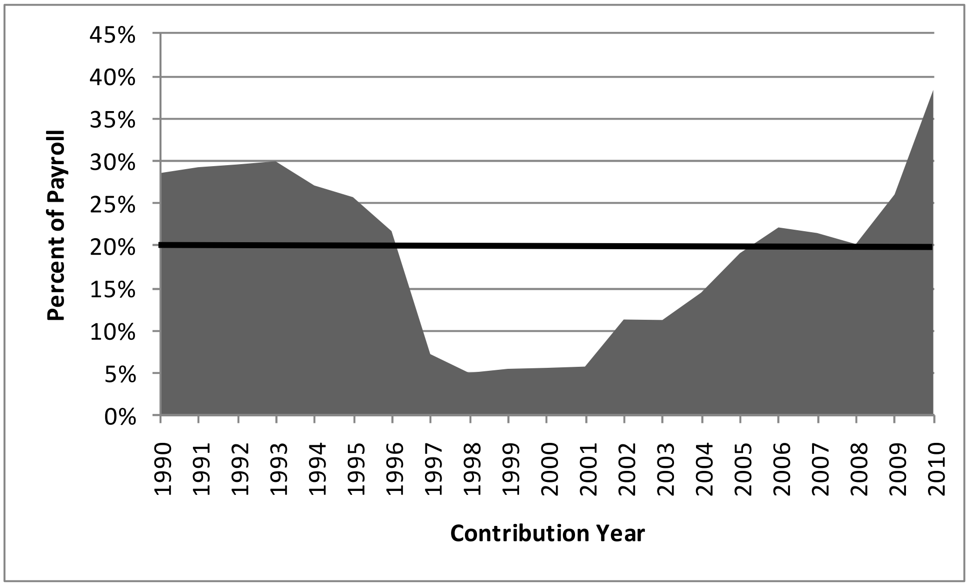
Exhibit 27. 1990 to 2010 WPERP Contributions Compared to a 20% Benchmark



Source: Department Contribution Rate as a Percentage of Pay, schedule prepared by WPERP management for this assessment.

As part of this assessment, a meeting was held with the employee relations managers at DWP. During this meeting, managers were asked whether management intends to meet and discus with DWP employee bargaining groups potential modifications of aspects of the retirement benefit package in an effort to reduce costs. The response was that they were not aware of any such initiatives, which contrasts sharply with public statements made by the Mayor and other elected officials for City employee groups whose members are served by LACERS.

To the extent that costs are not reduced through the collective bargaining process, the DWP ratepayers will continue to subsidize retirement benefits provided to DWP employees at historically high levels. In addition, DWP's ability to make the required annual transfer to the City's General Fund could be compromised.

OTHER POST EMPLOYMENT BENEFITS

DWP provides Other Post Employment Benefits (OPEB) to its employees through the Retiree Health Benefits Fund, which is a defined benefit plan that subsidizes health insurance for employees after retirement. Although investments are managed by the WPERP, by agreement with the Department, authority for policy and funding decisions is held by the DWP Board of Commissioners and has not been assigned to the WPERP Board of Administrators.

Governmental Accounting Standards Board (GASB) Statement No. 27 describes the standards for reporting pension obligations by State and local governments. For governmental funds, such as the General Fund of a jurisdiction, the amount of the Net Pension Obligation (NPO) is recognized on a modified accrual basis and reported in the general long-term debt group. In contrast, for Proprietary or Enterprise funds the NPO is recognized on an accrual basis and is reported as a liability against the fund assets. Hence, the standard for an enterprise operation's Proprietary, or Enterprise funds, such as the DWP, differ from the standard for the General Fund of a jurisdiction. These standards apply to all categories of retirement obligations, including OPEB.

These differences affect the reporting of fund balance (Governmental Funds) and net fund assets (Proprietary Funds) on the balance sheet for the 2 categories of funds. Because only the current portion of the NPO is recognized for governmental funds using the modified accrual basis, a General Fund balance sheet does not show long-term obligations. Instead, the long-term obligations are reported in subsidiary schedules shown as an adjustment for purposes of presenting the combined governmental funds statement and are only recognized as a liability on the fund balance sheet when it becomes due.[40] However, the reporting of the full amount of the NPO on an accrual basis for an enterprise operation, such as the DWP, directly impacts the reporting of net fund assets on the balance sheet. For example, the City's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009 held $784,749,000 in non-current assets in its Water and Power Enterprise Funds that were restricted to pay for the funds' net pension obligations, effectively reducing the amount of unrestricted net fund assets by the same amount.

As a result, accelerating payment to the OPEB trust fund does not affect the amount of available net fund assets. Discussions with DWP management indicate that the decision to accelerate OPEB funding has been made by the General Manager in each of the past 3 fiscal years, based on cash balances available in the Water and Power Enterprise Funds. According to management, approximately 32% of the contributions are made by the Water Enterprise and 68% of the contributions are made by the Power Enterprise. There has neither been a specific DWP Board of Commissioners action nor a stated Citywide policy or DWP policy to accelerate funding of the OPEB UAAL above levels required by GASB. The CGJ was advised that this pattern of accelerated payment is likely to continue again in FY 2011-2012 at the slightly reduced level of approximately $75 million.

The degree of acceleration has been significant. During the past 3 years, the DWP management has chosen to contribute in excess of 250% of the ARC to its RHBF. The accelerated contributions are unnecessary, and payments could be reduced substantially by DWP. The Governmental Accounting Standards Board (GASB) Statement No. 45's plain language publication states that:

> The process for determining how much should be set aside now in order to provide for future benefits in a defined benefit plan utilizes actuarial methods and assumptions . . . The actuarial calculations are required to take into account not only benefits *expected to be earned* by employees in the future (future normal costs), but also those benefits the employees *have already earned. . . .* The portion of the actuarial present value allocated to prior years of employment---and thus not provided for by future normal costs---is called the *actuarial accrued liability* (AAL). . . . The excess of the AAL over the actuarial value of assets is the *unfunded actuarial accrued liability* (UAAL or unfunded liability). **The unfunded liability would be amortized (spread) over a period of up to 30 years. . . . The normal cost and the portion of the UAAL to be amortized in the current period together make up the *annual required contribution* (ARC).** (Bold and underlined emphasis added).

When the DWP actuaries prepared their analysis according to GASB rules, they isolated and spread the unfunded liability over a period that would allow the plan to fully fund employee benefits over time before expenses become due and payable. However, DWP chose to follow a funding plan that differed from the actuary's minimum requirements and chose to accelerate payments to levels substantially above these requirements as shown in Exhibit 28:

[40] The City of Los Angeles CAFR reflects this reporting standard and states, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the (individual) funds."