

**REGULAR MEETING OF THE RETIREMENT BOARD OF ADMINISTRATION  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN**

**MINUTES**

**JUNE 23, 2010**

**Board Members Present**

Javier Romero, President  
Cindy Coffin, Vice President  
Barry Poole, Board Member  
Michael Moore, Retiree Member

**Board Members Absent**

Austin Beutner, Interim General Manager  
Lee Kanon Alpert, DWP Commissioner  
Jeff Peltola, Chief Financial Officer

**Staff Present**

Sangeeta Bhatia, Retirement Plan Manager  
Monette Carranceja, Asst. Retirement Plan Manager  
Mary C. Higgins, Asst. Retirement Plan Manager  
Jeremy Wolfson, Chief Investment Officer  
Julie Escudero, Utility Executive Secretary

**Others Present**

Neil Rue, Pension Consulting Alliance  
Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 10:09 a.m. following the Pledge of Allegiance.

Ms. Bhatia indicated a quorum of the Board was present.

**Public Comments**

Mr. Romero acknowledged Valerie Taylor-Ragler's promotion to Principal Clerk Utility in the Death and Disability Section. He also welcomed new employee Lillian Pineda, Senior Systems Analyst, in the Systems Section.

**1. Request for Approval of Minutes:**

- a) **May 12, 2010, Regular Meeting Minutes**
- b) **May 26, 2010, Regular Meeting Minutes**

Mr. Moore requested the second line from the bottom of page 1a.2, (Item 6 of the May 12, 2010, minutes) be changed to read "...the Board's decision with respect to ~~member~~ **employer** contributions..." He also requested the third line in the second paragraph on page 1b.5 (Item 13 of the May 26, 2010, minutes) be changed to read "...that because the interest rate ~~term~~ is defined in the Plan..."

**2. Termination from June 2010 Retirement Roll**

*Mr. Moore moved for approval of Consent Item 1, as amended, and Item 2; seconded by Ms. Coffin, and carried after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**3. Report of Payment Authorizations for May 2010**

**4. Notice of Deaths for May 2010**

- 5. a) Summary of Investment Returns as of May 31, 2010**  
**b) Market Value of Investments by Fund and Month as of May 31, 2010**  
**c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of May 31, 2010**

**6. Report on Status of Insurance as of June 10, 2010**

*Mr. Moore moved for approval of Items 3 through 6 as Received and Filed; seconded by Ms. Coffin and carried after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**7. Educational Presentation by The Segal Company on “Contribution Volatility and Asset Smoothing”**

Mr. Romero acknowledged Paul Angelo from The Segal Company (Segal).

Paul Angelo presented a report on asset smoothing periods and market value (MVA) corridors, as requested by the Retirement Board. Mr. Angelo explained many retirement boards have examined their current policies in light of the severe market downturn and the corresponding impact on employer contributions. He indicated Segal was not recommending a change to the Board's smoothing policy and stated all of Segal's clients who had five-year smoothing without an MVA corridor maintained their policies.

Mr. Angelo explained retirement boards manage volatility through several means, including asset smoothing which reduces the impact of short term asset volatility by recognizing gains and losses over several years. He stressed that asset smoothing only changes the timing of the payments from the Plan Sponsor, and it does not change the Plan's actual costs.

Mr. Angelo also explained the following concepts:

- The requirements of Actuarial Standards of Practice No. 44;
- Why a longer smoothing period would be appropriate for some plans; and
- How an MVA Corridor impacts costs from lower to higher levels and vice versa.

Mr. Angelo illustrated how the Department contributions and the Plan's funded ratio would be impacted by smoothing periods of five, seven, ten, and twelve years. He concluded the presentation by showing the impact on Department contributions and the Plan's funded status when a 20% MVA corridor is applied to the same smoothing periods.

Mr. Moore asked if a single number could be used to describe the Plan's funded status. Mr. Angelo explained that one number could not be used because the funded status is based on both the actuarial and market value of assets and both numbers are important.

## **8. Discussion to Approve the Consent Issued by Mesa West Capital, LLC**

Mr. Wolfson provided background for this item which recommended approval of the Consent issued by Mesa West Capital, LLC, to extend the offering period for limited partnership interests and to create a new parallel fund to enable an existing Limited Partner to invest \$75 million without leverage. He stated the Plan would benefit by receiving a reduction in Mesa West's management fees and receiving increased investment opportunities for the additional \$75 million.

Mr. Wolfson added that Mesa West had already received the required two-thirds approval from its Limited Partners, but Courtland Partners (the Plan's Real Estate Consultant) recommended the Board approve the Consent for record-keeping purposes.

In response to an inquiry from Mr. Moore, concerning the disbursement of management and disposition fees, Bill Foster of Courtland explained that Mesa West would provide a rebate of 50% of the fees they earn back to the main fund investors, a portion of which would be returned to the Plan.

*Mr. Moore moved for approval of the Consent issued by Mesa West Capital, LLC; seconded by Ms. Coffin, and carried after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*

*Nays: None*

## **9. Discussion to Extend the Contract with Pyramis Global Advisors Trust Company, International Developed Markets Manager**

Mr. Wolfson provided background for this item which recommended extending the contract with Pyramis Global Advisors Trust Company for an additional three years from August 1, 2010, through July 30, 2013, after meeting the Plan's short-term performance criteria as stated in the Investment Guidelines. He stated Pyramis was placed on watch for performance reasons on January 2009; however, Pyramis has shown improvement in its short-term performance and has outperformed its benchmark for the quarter, three-year, and since-inception periods ending May 31, 2010.

*Mr. Moore moved to approve extending the contract for Pyramis Global Trust Advisors; seconded by Ms. Coffin, and carried after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*

*Nays: None*

The Board recessed at 11:04 a.m. and reconvened at 11:08 a.m.

## **10. Discussion of the New Security Procedures at the JFB**

Mr. Moore provided the background for his request of this item. He reported that many retirees had expressed their frustration to him regarding the lack of parking at the John Ferraro Building (JFB) and how they now must go through turnstiles and metal detectors to gain admittance into the building to conduct business. He requested this item in order to get a better understanding of the rationale behind the new security procedures and to discuss what could be done to minimize the impact on retirees.

Patrick Findley, Director of Security Services for the Department, addressed the Board and provided a brief history of how the building's security was assessed and explained the objectives of the new security procedures. He stated several consultants, along with the Los Angeles Police Department's Anti-Terrorism Bureau, conducted security assessments, and all reports were consistent in their recommendations to improve building security to deter the potential for criminal and terrorist activity. These included closing the parking lots to the public, installing and repairing security cameras, and installing turnstiles and metal detectors. He added that staffed kiosks with electronic arms were being installed in the parking lots, and employee identification badges will be activated to function as electronic key cards thereby preventing unauthorized access. He reported security staff was in the process of having a visitor management system installed which would create temporary photo identification badges for all non-employee visitors. In conjunction with the visitor management system, he indicated Security Staff will be implementing an escort policy in which Department employees will come to the lobby and escort members of the public to their destination and then escort them back out of the building, thereby preventing visitors from bypassing security and going to any floor they want. He stated this policy is consistent with what other government buildings employ. He pointed out the escort policy would not apply to retirees, and they would continue to have free access in the building; however, they would be required to go through screening and the metal detectors. Only active DWP employees would have electronic access through the turnstiles via their employee badges, and because retirees are no longer employees, their badges would be inoperative. He verified that retirees will have access to parking in Lot 6 and will not be charged.

Mr. Findley also indicated the Department was considering a restacking program which would relocate some offices to a building nearby and result in more available parking space at the JFB. He also stated the JFB cafeteria will be closed to members of the public.

Mr. Moore expressed his displeasure that, with these new procedures, retirees would be treated like the public as opposed to members of the DWP family. Mr. Findley explained that although the Department did not consider retirees a security risk, they were no longer Department employees and accordingly no longer under security's control as far as abiding by the Department's rules and regulations, thus the Department's Security Committee, in conjunction with the General Manager, made the decision to deny them electronic access. He stated the Security Committee was comprised of DWP Commissioners Lee Alpert and Jonathan Parfrey. He noted the other decisions were made with the consent of the previous General Manager, and currently the decisions were being made by the Chief Operating Officer and the DWP Board of Commissioners but, ultimately, the Security Committee.

The Board Members present expressed their concerns with respect to Mr. Findley's comment regarding a proposed Department restacking plan and the possibility of relocating some Department offices. Ms. Coffin asked what would be Mr. Findley's involvement as far as security measures if offices were relocated. Mr. Findley stated the Security Planning Group would carefully examine the plans for the new facility and would make security recommendations. He added he had not yet seen any plans for a possible new facility.

It was the consensus of the Board Members present that these new security measures were unfriendly to retirees, especially since many had been with the Department for numerous years and still considered themselves part of the DWP family.

Mr. Romero suggested the retirees voice their opposition to these changes at a DWP Commission meeting. Mr. Findley said an alternative approach would be to address correspondence to Commissioner Alpert as he was in charge of the Security Committee. With regard to the use of the

cafeteria, he stated the Chief Operating Officer would make the final decision as to who could and could not utilize the facility.

## **11. Retirement Plan Manager's Comments**

Ms. Bhatia reported the retiree payroll module of the new system was currently being tested, and four of the five training sessions scheduled for users have been completed. She stated testing of the component to produce retirement estimates was also ongoing, as was data cleanup. She reported Health Plans staff play a small part in the production of checks, and they have received training with respect to system input, and they will soon be testing the component pertaining to the entry of subsidies, medical related deductions, etc.

Ms. Bhatia reported the item regarding interest crediting to member accounts was being researched by attorney Fred Merkin with respect to the relationship between the interest rate used on member accounts and the investment return assumption, and Staff was expecting to bring that item back at the next meeting.

She reported Staff had not received any new updates or information with respect to suspending the reciprocity program. She stated Staff had provided the materials to the DWP Board of Commissioners and had heard the item had been discussed in closed session, but Staff had not attended the meeting and had not received any updates with respect to the matter. She said Staff was in contact with City Attorney Fred Merkin who was conducting the research. She added Staff had been told they would receive a copy of a report that was to be produced, and Mr. Merkin was working on that. She added that Mr. Merkin would probably attend the July 14 Retirement Board meeting with Assistant Chief City Attorney Pete Echeverria with respect to the governance item.

Ms. Bhatia reported she had received no new updates on the Retirement Office positions being reflected in the Department's Annual Personnel Resolution. Mr. Poole asked that this item remain as a continuing agenda item until it is resolved.

Ms. Bhatia acknowledged the proposed restacking program that Mr. Findley alluded to during the previous item and indicated no specifics had been received yet. In response to a question from the Board, Ms. Bhatia stated no conversations had taken place to date with the Retirement Office regarding needs, impacts, etc., were the office to be moved, and she had not heard if it was a set decision. Mr. Romero requested this be an agenda item for the next meeting.

Regarding the interest rate for members' additional contribution accounts, Mr. Romero asked Ms. Bhatia if she had spoken with Michele Nagin regarding the possible meet and confer issue. Ms. Bhatia stated she had and that Ms. Nagin was waiting for the report from the Legal Division before contacting the unions.

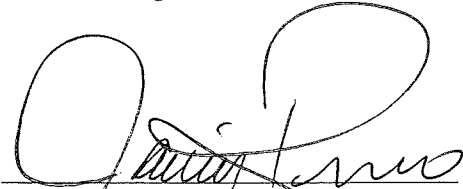
Ms. Bhatia reported Chief Assistant City Attorney Pete Echeverria was scheduled to attend the next meeting to discuss his report on the governance issue with respect to the authority of the Retirement Board.

## **12. Future Agenda Items**

Ms. Bhatia reported the following items will be on the agenda for the next Retirement Board's meeting:

- a) Interest crediting on member accounts – both the regular mandatory contribution and additional voluntary contribution
- b) Governance item regarding City Attorney’s report on the budgetary authority of the Retirement Board
- c) Discussion on the status of the additional positions for the Retirement Office and the Department’s Annual Personnel Resolution
- d) Department’s proposed restacking plan
- e) Status on Medicare reimbursement

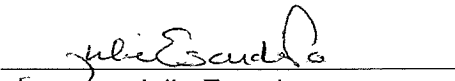
There being no further business, the meeting adjourned at 11:37 a.m.

  
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 Javier Romero  
 Board President

8/18/10  
 Date

  
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 Sangeeta Bhatia  
 Retirement Plan Manager

8/23/10  
 Date

  
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 Julie Escudero  
 Utility Executive Secretary

8-23-10  
 Date