

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

**MINUTES**

**DECEMBER 1, 2010**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Barry Poole, Board Member  
Michael Moore, Retiree Member  
Christina Noonan, DWP Commissioner

**Board Members Absent:**

Austin Beutner, Interim General Manager  
Mario Ignacio, Chief Accounting Employee

**Staff Present:**

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

**Others Present:**

Marie McTeague, Assistant City Attorney  
Neil Rue, Pension Consulting Alliance  
Tad Fergusson, Pension Consulting Alliance

President Romero called the meeting to order at 10:07 a.m. following the Pledge of Allegiance. Ms. Bhatia indicated a quorum of the Board was present.

**Public Comments**

Public comments from John Hill were heard at the beginning of Item 12.

Mr. Romero acknowledged Investment Officer Devin Billingsley for successfully negotiating lower fees for The Boston Company. He also acknowledged Ida Torres on her new role as shop steward and thanked the entire Investment Staff.

**1. Termination from Rolls**

- a) Termination of Monthly Allowance from the November 2010 Retirement Roll
- b) Termination of Verda R. Samson from the November 2010 Survivorship Roll

*Ms. Noonan moved for approval of Item 1; seconded by Mr. Moore.*

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

*Nays: None*

*THE MOTION CARRIED.*

**2. Report of Payment Authorizations for October 2010**

**3. Notice of Deaths for October 2010**

#### **4. Investment Reports**

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

#### **5. Report on Status of Insurance as of November 16, 2010**

*Mr. Moore moved for approval of Items 2 through 5 as received and filed, seconded by Ms. Coffin.*

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

*THE MOTION CARRIED.*

#### **6. Presentation by Pension Consulting Alliance, Inc. – Third Quarter Performance Review as of September 30, 2010**

Mr. Rue provided an overview of the performance for both the Retirement Fund and Health Plan Fund portfolios and noted the third quarter was strong for both. He reported investment gains of approximately \$1.3 billion for the year despite an approximate \$1 billion cash outflow.

In response to Mr. Moore's question regarding the net flow of funds, Mr. Wolfson responded a large portion was for expenses such as paying retirees.

Mr. Rue reviewed manager performance and reported all domestic investment managers either met or exceeded their benchmark, and the fixed income managers performed favorably overall. He discussed how the managers on watch status were performing and mentioned possibly removing some from watch status.

In response to Mr. Moore's question concerning fixed income allocation, Mr. Wolfson stated the Plan has begun to reduce its fixed income holdings.

#### **7. Presentation by Pension Consulting Alliance – Second Quarter Private Equity Performance Report for Period Ending June 30, 2010**

Tad Fergusson from Pension Consulting Alliance (PCA) reported the Plan invested \$176 million in committed capital allocated across seven private equity partnerships and had drawn down \$81 million in capital, redistributed \$16 million, and reported a market value of \$66 million as of June 30, 2010. He added the Program has generated a net since-inception internal rate of return (IRR) of 0.5% as of the second quarter of 2010, and the firms continue to generate positive results.

He stated the Program was making progress toward meeting its long-term allocation goal of 5% for private equity and indicated the total Program's exposure was approximately 2.6% of the total Plan assets.

Mr. Fergusson provided a brief market overview and stated the private market returns have outperformed versus the broad public markets.

Mr. Fergusson reported the Portfolio generated a 15.5% return over the latest year and underperformed the public market proxy and the private market industry benchmark; however, the

portfolio outperformed the public market proxy over the three-year and since-inception periods. He also reviewed the portfolio's investment structure diversification and geographic diversification.

In response to Mr. Moore's question of the difference between the data provided in Staff's performance report and data provided by PCA, Mr. Wolfson responded the information for private equity was reported on a lagged basis. He stated PCA and Staff report different discrete timeframes, and Staff will work with PCA to explore different options on how to better report the performance data in the near future.

Mr. Fergusson concluded that the Private Equity program continues to improve compared to 2008-2009.

## **8. Presentation by Pension Consulting Alliance, Inc. for Covered Call Asset Class**

Neil Rue provided information on this potentially new asset class as part of the proposed portfolio restructuring process. He described the pros and cons and noted the volatility is lower with covered call options than that of other investments. He stated this class has been in existence a long time but experienced minimal investor interest prior to the market crisis in 2008.

Mr. Rue explained the covered call class historically generated 85% to 90% of equity returns with only two-thirds of the risk.

Mr. Romero asked what would be considered a reasonable allocation for this class, and Mr. Rue suggested a minimum of 5% and maximum of 10%.

No decision was reached, but the Board expressed a willingness to look at a model.

## **9. Discussion of The Boston Company Asset Management Performance**

Mr. Wolfson provided background on this item which recommended The Boston Company be placed on watch for a period of six to twelve months for failing to meet the Plan's long-term investment criteria. He added that although their long-term performance was poor, their short-term performance was significantly better.

*Mr. Moore moved for approval of Item 9 and Resolution No. 11-42 to place The Boston Company on watch; seconded by Ms. Coffin.*

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

*THE MOTION CARRIED.*

## **10. Discussion of Aetos Alternatives Management Performance**

Mr. Wolfson provided background on this item which recommended placing Aetos Alternatives Management (Aetos) on watch for six to twelve months for failing to meet the Plan's mid-term investment criteria.

Ms. Coffin asked why this was not discussed at Aetos' recent presentation, and David Sancewich from PCA stated the period of concern was the 2008 performance and Aetos' recent presentation was for 2009-2010. He added the performance numbers were not available until after the presentation.

Ms. Coffin and Mr. Romero expressed concerns that this information appeared in the media prior to any Board discussion or action.

Ms. Bhatia stated that only she takes media calls and no information is provided to the media prior to being presented to the Board. She said Staff is very careful not to indicate any recommendation in agenda titles; however, since the complete agenda package is now available online, it is possible the media is getting information from the online documents.

With respect to Aetos representatives being absent and not speaking to the issue, Ms. Bhatia explained it is routine for Staff to notify managers to provide them an opportunity to address any concerns. Mr. Wolfson added Staff is in constant communication with managers and no recommendations are made without the managers' knowledge. He stated it was unclear what happened in this instance.

Discussion ensued on the Board Members' views regarding the recommendation to place Aetos on watch.

*Mr. Moore moved for approval of Item 10 and Resolution No. 11-43 to place Aetos on watch; seconded by Ms. Noonan.*

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

*THE MOTION LOST.*

#### **11. Discussion to Extend the Contract with BNY Mellon**

Mr. Wolfson provided an overview on this item which recommended extending the contract with the Bank of New York Mellon for custodial banking services for the Plan for an additional three years through December 31, 2013. Mr. Wolfson stated the terms of the contract will remain the same with the exception of the fees which are currently being renegotiated.

*Mr. Moore moved for approval of Item 11 and Resolution No. 11-44 to extend the contract with the Bank of New York Mellon, seconded by Ms. Noonan.*

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

*THE MOTION CARRIED.*

#### **12. Discussion of Plan Amendment with Respect to Distribution Methods Available Under the Additional Annuity Program**

Public comment speaker John Hill expressed his thanks and appreciation to the Board, Staff, and all involved for instituting the additional annuity options for employees.

Ms. Bhatia noted the DWP Board of Commissioners approved the Plan Amendment for the additional distribution options on November 16, and it was being brought back to the Retirement Board for adoption and to enable the changes to be incorporated into the Plan. She added Staff was working with JEA to reprogram the system to implement the new distribution options.

Mr. Moore moved for approval of Item 12 and Resolution No. 11-45 to adopt the additional annuity distribution options, seconded by Ms. Coffin.

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

THE MOTION CARRIED.

#### 14. Retirement Plan Manager's Comments (out of order)

Ms. Bhatia reported testing of the new system module to replace the retiree automated payroll system was underway. She stated the personal data component of the system has been tested and distributed to a small group for feedback. She also noted the additional annuity information was provided to JEA for implementation.

She announced Staff had just learned that the project manager for JEA will be leaving the firm. JEA has hired a new senior project manager and the change was not a cause for concern.

She reported Labor Relations staff will be meeting with Union representatives regarding the interest crediting on member accounts and information from that meeting will be brought back to the Board.

She reported Staff just received actuarial valuations of the disability and death benefit funds and they will be provided to the Board at the December 15 meeting.

She also reported on issues with the Retirees' Holiday party with respect to the new security procedures and cost for security overtime.

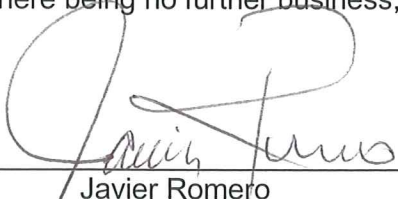
*(The Board met in Closed Session at 12:22 p.m. to discuss the following item.)*

#### 13. CLOSED SESSION PURSUANT TO GOVERNMENT SECTION CODE SECTION 54956.9(c), the Board of Administration will convene in closed session to consider initiating civil litigation

*(The Board met back in Open Session at 12:46 p.m.)*

Mr. Romero reported the Board met and took action to pursue litigation.

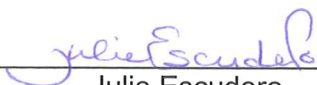
There being no further business, the meeting adjourned at 12:47 p.m.

  
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Javier Romero  
Board President

11/26/11  
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Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

2.1.11  
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Date

  
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Julie Escudero  
Utility Executive Secretary

1-26-11  
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Date