

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

**MINUTES**

**JANUARY 26, 2011**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Barry Poole, Board Member  
Michael Moore, Retiree Member  
Mario Ignacio, Chief Accounting Employee  
Christina Noonan, DWP Commissioner  
Ronald O. Nichols, General Manager

**Board Members Absent:**

None

**Staff Absent:**

Sangeeta Bhatia, Retirement Plan Mgr.

**Staff Present:**

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

**Others Present:**

Marie McTeague, Deputy City Attorney  
Garrett Zdolshek, Courtland Partners  
Bill Foster, Courtland Partners  
Neil Rue, Pension Consulting Alliance

President Romero called the meeting to order at 10:03 a.m. following the Pledge of Allegiance.

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

**Public Comments**

Fred Barker suggested more retirement training opportunities be made available. He also inquired if the Additional Contributions are treated the same as the rest of the portfolio. Mr. Romero requested that Staff make an appointment with Mr. Barker to discuss his contributions in private.

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

- a) November 10, 2010, Regular Meeting
- b) December 1, 2010, Special Meeting

**2. Termination from Rolls**

Termination of Monthly Allowance from the January 2011 Retirement Roll  
Termination of Dorothy F. Goldsworthy from the December 2010 Survivorship Roll  
Termination of Faye S. Thomas from the January 2011 Family Death Benefit Roll  
Termination of Briana Franco and Servando Franco from the January 2011 Family Death Benefit Roll

*Ms. Coffin moved for approval of Items 1 and 2; seconded by Mr. Moore.*

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

*Nays: None*

THE MOTION CARRIED.

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

4. **Notice of Deaths for December 2010**
5. **Investment Reports for November 2010**
  - a) Summary of Investment Returns as of November 30, 2010
  - b) Market Value of Investments by Fund and Month as of November 30, 2010
  - c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of November 30, 2010
6. **Investment Reports for December 2010**
  - a) Summary of Investment Returns as of December 31, 2010
  - b) Market Value of Investments by Fund and Month as of December 31, 2010
  - c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of December 31, 2010
7. **Report on Status of Insurance as of December 16, 2010**
8. **Report on Glass, Lewis and Company, LLC, Strategic Agreement with PROXY Governance, Inc.**
9. **Report Confirming Courtland Partners' Recommendation Regarding Bristol Value Fund II**
10. **Report on Personnel Changes at BlackRock, Inc.**
11. **Report on Fee Structure Change at T. Rowe Price International Equity Commingled Trust**

*Mr. Poole moved for approval of Items 3 through 11 as received and filed, seconded by Ms. Coffin.*

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

THE MOTION CARRIED

## **12 Presentation by Courtland Partners, Ltd –Third Quarter 2010 Real Estate Portfolio Performance**

The Board recognized Garret Zdolshek and Bill Foster from Courtland Partners.

Mr. Zdolshek reported the portfolio's target allocation is \$380 million, and \$170 million has been committed to date. He stated Courtland will bring in a portfolio model in the next month or so.

Mr. Foster reported on the portfolio's performance and stated the gross return for the third quarter was 5.5%. He also detailed the performance for each fund. He reviewed the portfolio's total gross returns and reported it was now outperforming both NCREIF and Courtland's custom and proprietary index.

In response to a question from Mr. Moore regarding Courtland's index and risk/returns, Mr. Foster replied the index is matched with the portfolio's risk/return profile; however, they are unable to separate the sub-sectors. Mr. Zdolshek added the leverage profile will be similar.

In response to Ms. Noonan's request, Mr. Zdolshek explained why they found Mesa West to be an attractive investment.

Mr. Foster commented on risk/returns and described the portfolio's property diversification.

In response to a question from Mr. Nichols, Mr. Zdolshek reviewed the portfolio's diversification over the years and described how the recent investment with Invesco Core Real Estate will rebalance the portfolio's core allocation.

Mr. Foster reviewed the portfolio's leverage position and stated the leverage levels continue to improve as managers pay down debt.

### **13. Update from Courtland Partners with Respect to Direct Asset Acquisition**

Garret Zdolshek and Bill Foster from Courtland Partners provided the background for this item to explore the idea of the Plan purchasing an office building in downtown Los Angeles and possibly sharing the space with the Los Angeles City Employees' Retirement System (LACERS) and other tenants.

Mr. Zdolshek informed the Board that Courtland had approached LACERS about a joint effort and LACERS was open to discussing the possibility.

Mr. Romero shared his view that the political environment has changed since he first suggested partnering with LACERS, and he no longer believes a joint venture would be in the Plan's best interest at this time.

Mr. Moore stated he was absent at the time of the original discussion, and he stressed that he was strongly opposed to this proposal, especially considering the possibility of political ramifications.

Mr. Poole expressed his view that the Department has a vested interest in supporting the Los Angeles economy and added he would like to continue to look at assets in Los Angeles but not as a joint venture with LACERS.

Mr. Zdolshek affirmed that Courtland would interpret this to be of no immediate interest to the Board; however, Courtland would be mindful of future opportunities.

### **14. Presentation by Pension Consulting Alliance - Real Return Asset Class Review**

Neil Rue from Pension Consulting Alliance explained this item was part of the series of presentations with respect to the portfolio restructuring process, and it included a model of suggestions for the Real Return Asset class. He added this asset class would help provide a stable increment over inflation over time, and its strategy would hedge against inflation risks and diversify the Plan's investments. He further added this asset class has performed well considering the market volatility.

In response to a question from Mr. Nichols regarding the availability of historical information with respect to the volatility of this class, Mr. Rue said PCA would provide that information to the Board.

Mr. Rue explained this class is not generic and can be customized to fit the Plan.

Discussion ensued regarding leverage, volatility, commodities, and whether core real estate could be included in this class.

Mr. Wolfson stated it would be challenging to introduce core real estate into the real return class because the Plan's real estate funds are commingled.

Mr. Rue suggested timber be considered as a potential component of this class, and extensive discussion followed with respect to timber.

*(Mr. Nichols left the meeting at 11:08 a.m. and rejoined the meeting at 11:10 a.m.)*

Additional discussion occurred regarding commodities and risk tolerance.

Following the exchange of ideas and the various models presented, Mr. Rue recommended the Balanced Plus allocation for this class, which will be included into the asset liability study.

### **15. Discussion of Performance of Wells Capital Management Fixed Income Core**

Mr. Wolfson reviewed the background for this item which recommended the Wells Capital Management Fixed Income Core manager (WCM) be removed from watch status due to their continued positive performance.

*Mr. Moore moved for approval of Resolution No. 11-58 to remove WCM from watch status; seconded by Ms. Coffin.*

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

*Nays: None*

THE MOTION CARRIED.

*(Ms. Noonan stepped out at 11:14 a.m. and returned at 11:15 a.m.)*

### **16. Discussion of Performance of Wells Capital High Yield Fixed Income**

Mr. Wolfson provided the background on this item which recommended the watch status for the Wells Capital High Yield Fixed income account (Wells Cap HY) be extended due to continued underperformance.

*Mr. Moore moved for approval of Resolution No. 11-59 to extend the watch status for Wells Cap HY; seconded by Ms. Noonan.*

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

*Nays: None*

THE MOTION CARRIED.

### **17. Discussion of Contract with Loomis Sayles High Yield Fixed Income**

Mr. Wolfson gave the background on this item which recommended the contract for the Loomis Sayles High Yield Fixed Income mandate (Loomis) be extended as a result of their continued outperformance.

*Mr. Moore moved for approval of Resolution No. 11-60 to extend the contract with Loomis for an additional three years; seconded by Mr. Ignacio.*

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

*Nays: None*

THE MOTION CARRIED.

**18. Discussion of Request from Wells Capital for an Additional Extension of the Investment Policy Exception Regarding Equity Exposure**

Mr. Wolfson reviewed the background for this third request from Wells Capital Management's Sutter High Yield team (Wells Cap HY) to extend the holding period of equity shares in Tropicana Las Vegas Hotel and Casino, Inc., for an additional six months.

*Mr. Moore moved for approval of Resolution No. 11-61 to extend the holding period for Wells Cap HY for an additional six months; seconded by Mr. Ignacio, and carried after the following vote:*

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

THE MOTION CARRIED.

**19. Update on the Change in Regular Interest Rate for Member Accounts**

Ms. Higgins updated the Board with respect to the status of the interest rate change for member accounts. She noted the City Attorney was working on the Plan amendment. She reported Department Staff had met with all of the affected bargaining units and was awaiting receipt of the acknowledgement letter from IBEW.

**21. Retirement Plan Manager's Comments (Out of order)**

Ms. Higgins reported Ms. Bhatia would provide the 2010 overview at the next meeting.

Ms. Higgins reported the 1099Rs were printed using the old system and would be mailed tomorrow. She explained the data clean-up process and indicated Staff determines whether a global fix is possible if errors are detected; if not, Staff cleans the data and corrects the data problems when it completes estimates and retirement certifications. She added overtime is also available for data clean-up.

She reported the Retiree Cost of Living Adjustment (COLA) for this year will be 1.2%, and the report will be available at the next Retirement meeting.

She reported the Department will resume planning for the relocation of the Retirement Office. She indicated she thought the planning might begin in January 2012.

She reported the completion of the Summary Plan Description booklet was in the final review stages. She added that Kendrick Mah was taking "test" photographs at today's meeting, and the official photographs would be taken at the next meeting.

Ms. Higgins stated a meeting with City staff was scheduled for January 27, 2011, to determine the cost study design for the Reciprocity Arrangement. She noted a cost study must accompany both the Plan amendment and the ordinance. In response to Mr. Romero's question, Ms. Higgins stated the City, as the Plan Sponsor, was taking the lead but wanted LACERS involved, and all were committed to moving the cost study forward.

Ms. Carranceja provided the system update. She reviewed the JEA contract extension and assignment as well as the implementation of Additional Annuity and testing of the COLA functionality.

Mr. Romero requested a status update for the Nossaman contract invoices that had been held up in payment. He stressed his displeasure with the contract delay.

Ms. Higgins provided an update on retirement training. She explained that due to limited available staff, it was difficult to develop and present additional training classes; however, the Retirement Office would begin a new Early/Mid career training program in March 2011.

Former Retirement Board Member Lilly Calvache, who is currently a Union Representative from IBEW, spoke of the importance of an Early/Mid Career training program and how it was important even back when she was a member of the Board. She informed the Board of the Joint Labor Management Committee (JLMC) and their goal to market the services of the Retirement Office to employees. She also mentioned she had attended a pilot session of the new Early/Mid Career class and found it to be extremely informative.

**22. Future Agenda Items (Out of Order)**

Ms. Coffin requested a schedule of PCA's on-site visits for next year. She also requested a similar schedule of Staff's on-site visits.

Mr. Romero officially welcomed General Manager Ronald O. Nichols to the Retirement Board.

*(The Board recessed at 11:45 a.m. and reconvened at 11:50 a.m.)*

The Board met in Closed Session at 11:50 a.m. to discuss the following item.

**20. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b), to Confer with Legal Counsel Regarding a Matter in Which, Based on Existing Facts and Circumstances, there is a Significant Exposure to Litigation Against the Board, and Pursuant to Government Code Section 54956.9(c), to Confer with Counsel in Considering Whether to Initiate Litigation in that Matter**

The Board met back in Open Session at 12:06 p.m.

Mr. Romero reported the Board took no action other than to make quarterly payments.

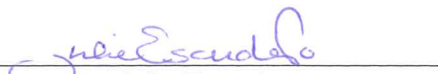
There being no further business, the meeting adjourned at 12:07 p.m.

  
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Javier Romero  
Board President

2/23/11  
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Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

2/23/11  
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Date

  
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Julie Escudero  
Utility Executive Secretary

2.23.11  
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Date