

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

**MINUTES
JUNE 22, 2011**

Board Members Present:

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

Board Members Absent:

None

Staff Present:

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

Others Present:

Alan Manning, Assistant City Attorney
Neil Rue, Pension Consulting Alliance

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

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

Public Comments

There were no comments from the general public.

Board President Javier Romero thanked Mike Moore as Mr. Moore stepped down from his role as the Retiree Member on the Retirement Board. He acknowledged Mr. Moore's eight years of service and dedication to the Board and his commitment to safeguarding the Retirement Plan. Mr. Romero read a resolution which he presented to Mr. Moore on behalf of the Retirement Board, the Retirement Office Staff, and the active and retired members of the Plan commending Mr. Moore for his distinguished service on the Retirement Board.

Mr. Nichols praised Mr. Moore for his counsel and input and said he was very pleased that Mr. Moore had honored the Board with his service.

Mr. Moore thanked everyone and expressed his appreciation. He said it has been a pleasure serving on the Board and he will treasure his experience. He also said he was very pleased with the selection of Robert Rozanski as the new Retiree Member.

(Mr. Nichols left the meeting at 10:10 a.m.)

- 1. Request for Approval of Minutes – May 11, 2011, Regular Meeting**
- 2. Termination of Monthly Allowance from the June 2011 Retirement Roll**

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

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

Nays: None

Absent: Nichols

THE MOTION CARRIED.

RECEIVED AND FILED

3. **Report of Payment Authorizations for May 2011**
4. **Notice of Deaths for May 2011**
5. **Investment Reports for May 2011**
 - a) **Summary of Investment Returns as of May 31, 2011**
 - b) **Market Value of Investments by Fund and Month as of May 31, 2011**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of May 31, 2011**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of June 14, 2011**
7. **Report on Loomis, Sayles & Company Holding**
8. **Report on Change to INVESCO Core Real Estate – USA Corporate Structure**
9. **Reports from Pension Consulting Alliance on Site Visits to T. Rowe Price**

With regard to Item 3 (Payment Authorizations), Ms. Coffin asked how someone who was no longer with the Department could qualify for disability benefits. Ms. Bhatia said the Retirement Office is very strict about following the provisions of the Plan, and the only way someone could be placed into the disability system would be if s/he was an active employee on the payroll. She said very specific steps must occur, including a medical review, before someone could be placed in the disability system, and the Retirement Office followed the strict provisions of the Plan. She stated the Retirement Office was not included in the specific terms of the employee's agreement; but the employee in question did qualify for disability benefits. She added there may be others who can speak to this issue.

Ms. Coffin said she did not want to approve the employee's disability benefit payment. She expressed her extreme discomfort with this issue and asked for answers to her concerns. Ms. Noonan agreed and asked that the people involved with the employee's exit agreement meet with the Retirement Board to explain the situation.

The Board requested additional information regarding the disability benefit payment.

Assistant City Attorney Alan Manning said he would look into whether the item should be discussed in a closed session. As for approving the item, he said Received and Filed items are just received by the Board and do not require the Board's action.

Mr. Moore moved that the Board acknowledge receipt of Items 3 through 9; seconded by Ms. Coffin.

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

Nays: None

Absent: Nichols

THE MOTION CARRIED.

REGULAR

10. Discussion of Mesa West Capital Solicitation of Consent

Mr. Wolfson provided the background on this item to consider approval of a Solicitation of Consent distributed by Mesa West requesting approval to 1) enter into a joint venture with Cohen Financial Group to provide loan servicing for its Fund I and Fund II; and 2) to create a new Core lending fund.

Mr. Wolfson explained Staff had trouble with both elements of the original Consent. He said Staff was concerned about a potential conflict of interest with Mesa West having a 90% ownership in the joint venture and about the terms and conditions of the fees. He further said that with the creation of the new Core lending fund, Staff was concerned that Mesa West would not have sufficient resources to maintain its focus on the Plan's investment in Fund II.

He reported Staff and Pension Consulting Alliance (PCA) had multiple discussions with Mesa West and were able to negotiate changes to the Consent. He reviewed the revised Consent that was provided to the Board Members, wherein Mesa West agreed to a unanimous vote by its advisory board for any and all changes to the term sheet for the joint venture and to keep the fees cost neutral. He added that after several discussions with Mesa West, Staff and PCA were comfortable that Mesa West will be able to maintain its focus on the Plan's investment.

Mr. Moore moved that the Board approve Resolution No. 11-95 to consent to Mesa West establishing a joint venture loan servicing arrangement and establishing a Core lending fund; seconded by Ms. Coffin.

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

THE MOTION CARRIED.

11. Discussion of Ratification of the Board's Action with Respect to the Strategic Asset Allocation Targets

Mr. Moore moved that the Board approve Resolution No. 11-96 to ratify the Board's action regarding the overall asset allocation structure for the Retirement Fund and the Retiree Health Benefits Fund; seconded by Ms. Noonan.

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

THE MOTION CARRIED.

12. Discussion of Strategic Target Implementation and Policy Benchmark Extension to Third Quarter 2011

Mr. Wolfson reported this item requested approval of the implementation of the long term strategic targets approved by the Board. He explained Staff requested approval of the evolution phases of the implementation plus approval of an extension of the benchmark from the original date of July 1, 2011, now to October 1, 2011, so staff can plan the implementation and transition of the funds.

Mr. Rue walked the Board through the evolution process to phase into the long term strategic allocation.

Mr. Romero asked how the funds will be moved to the new Covered Calls class and whether a transition manager will be utilized. Mr. Rue said Covered Calls is a relatively liquid class, and Staff and PCA believe the class can be fully funded by October 1, 2013. Mr. Wolfson added that once the Board approves the Covered Calls Request for Proposal and selects a manager, Staff will likely use a transition manager which would be more effective, but it is not necessarily required.

In response to an inquiry by Mr. Romero regarding keeping the cost down for Covered Calls, Mr. Rue explained the fees will be similar to index fees and might be somewhere between 15 to 25 basis points. As for the cost of the transition, Mr. Rue explained the various components to consider when selecting a transition manager, and Mr. Wolfson explained the transition process.

Mr. Moore asked how much of the Real Return asset class will be in Treasury Inflation-Protected Securities (TIPS). Mr. Rue indicated the overwhelming majority at the outset of the Real Return class will be in TIPS, and shortly afterward, PCA will come back to the Board and recommend structural enhancements.

Ms. Bhatia mentioned the Department contributes to the Retiree Health Fund every year, and she asked Mr. Rue to explain the manner in which the contribution will be allocated. She also stated once the funds have been allocated, Staff will bring a report to the Board (as Received and Filed) describing the allocation. Mr. Rue said once the contribution is initially funded and initially allocated (as he and Mr. Wolfson have discussed), PCA will cut the numbers at June 30 and make the transition at that point. Mr. Wolfson said it is preferred that the funds do not remain in cash; they will be moved prior to the actual transition. He added this allows for a quick rebalance and may help reduce the overall transition costs.

In response to a question from Mr. Ignacio regarding how often the allocation is rebalanced, Mr. Rue explained it is triggered by the performance of an asset class.

Mr. Moore moved that the Board approve Resolution No. 11-97 to adopt the new evolving Investment Policy allocations and implementation; seconded by Ms. Coffin.

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

Nays: None

Absent: Nichols

THE MOTION CARRIED.

13. Retirement Plan Manager's Comments

Ms. Bhatia reported testing continues with respect to the new computer system, and several data clean-up and validation issues have surfaced. Staff is also testing the Cost of Living Adjustment functionality which is expected to be implemented next year. She said the focus is currently on testing the entire process of retirement leading up to printing the retirement checks. She indicated a design change to the 1099s may be necessary, and the new design would show all allowances received by a retiree in one 1099 form as opposed to having separate 1099 forms for individual allowances.

She reported the Board of Water and Power Commissioners confirmed the appointment of Robert Rozanski as the new retiree representative on the Retirement Board, and his term will begin July 1. An orientation package will be sent to him next week.

To Mr. Moore, she said it has been a great honor and pleasure working with him and learning from him. On behalf of the Retirement Office staff, she thanked Mr. Moore for all of his invaluable support and guidance and wished him the best.

Regarding the recommendations by PCA and Courtland to adjust the Placement Agent Policy, Ms. Bhatia said Assistant City Attorney Alan Manning was working on it, to which Mr. Manning stated he hoped to have his comments within the next week or two.

Ms. Bhatia reminded the Board that a Special meeting regarding a Closed Session item was scheduled to immediately follow the adjournment of this meeting.

14. Future Agenda Items

None requested.

With no further business, the meeting adjourned at 10:54 a.m.



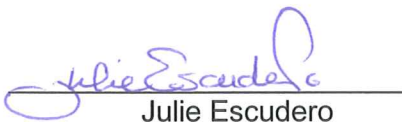
Javier Romero
Board President

8/10/11
Date



Sangeeta Bhatia
Retirement Plan Manager

8/10/11
Date



Julie Escudero
Utility Executive Secretary

8-10-11
Date