

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

MINUTES

OCTOBER 12, 2011

Board Members Present:

Javier Romero, President *
Cindy Coffin, Vice President
Ronald O. Nichols, General Manager
Mario Ignacio, Chief Accounting Employee
Robert Rozanski, Retiree Member

Board Members Absent:

Barry Poole, Regular Member
DWP Commissioner - Vacant

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:

Marie McTeague, Deputy City Attorney

In the absence of President Romero at the start of the meeting, Vice President Coffin called the meeting to order at 9:06 a.m. following the Pledge of Allegiance.

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

Public Comments

No public comments were received.

Consent Items

1. Request for Approval of Minutes - August 17, 2011, Special Meeting

Mr. Rozanski moved for approval of Item 1; seconded by Mr. Ignacio.

Ayes: Coffin, Nichols, Ignacio, and Rozanski

Nays: None

Absent: Poole and Romero

THE MOTION CARRIED.

Received and Filed Items

2. Request from Board Member to Attend Conference

3. Report on Organizational Change at INVESCO Global Asset Management

Mr. Rozanski moved to accept Items 2 and 3; seconded by Mr. Ignacio.

Ayes: Coffin, Nichols, Ignacio, and Rozanski

Nays: None

Absent: Poole and Romero

THE MOTION CARRIED.

Regular

4. Annual Presentations by International Developed Equity Managers

a) The Boston Company Asset Management, Inc.

The Board acknowledged John Havens and Will Adams from The Boston Company (TBC). Messrs. Havens and Adams presented TBC's annual report which included an overview of the company and market conditions; a review of the firm's investment process and discipline; and a review of the Plan's portfolio performance, country weights, structure, and holdings. They reported the portfolio gained approximately 130 basis points of relative performance over the past month and, as of August 31, 2011, the total portfolio value for the Retirement Plan and the Retiree Health Benefits Fund was approximately \$415 million.

b) INVESCO Global Asset Management, Inc.

The Board acknowledged Delia Roges, Kirk Holland, Steve McGowan, and Anuja Singha from INVESCO Global Asset Management, Inc. (INVESCO).

*(*Mr. Romero entered the meeting at 9:28 a.m.)*

The INVESCO representatives presented their annual report which included an overview of the company, the investment team, and market conditions; and a review of the portfolio's performance summary, characteristics, holdings, and allocations. They reported the Retirement Fund's year-to-date performance through August 31, 2011, was ahead of the benchmark with gross excess returns of approximately 77 basis points and quarter-to-date gross excess returns of 94 basis points. They also noted the third quarter performance through the end of September 2011 was 164 basis points, and the year-to-date gross excess return was 155 basis points.

Mr. Nichols asked if INVESCO planned to change its strategy as a result of the market volatility. Mr. McGowan responded they believe their strategy is well positioned with several inherent safeguards in their process, to which Mr. Holland added the strategy would not change but market conditions might have them place more emphasis in certain areas than in others.

(Vice President Coffin transferred the chair to President Romero at this time.)

c) Pyramis Global Advisors Trust Company

The Board acknowledged Sue Curran, Brian Hoesly, and Michael Strong from Pyramis Global Advisors Trust Company (Pyramis). The Pyramis group provided an overview of the firm and its institutional investors. They reviewed the investment process and the market environment with considerable discussion on Europe -- Greece in particular. They reviewed the portfolio's characteristics, holdings, and performance and reported the portfolio outperformed the benchmark by 226 basis points net-of-fees for the period ended June 30. Through September, the portfolio added an additional 14 basis points. For the longer term, they noted the portfolio continued to outperform in the one-year, two-year, and five-year periods net of fees as well as since inception in 2004.

(The Board recessed at 10:19 and reconvened at 10:29 a.m.)

6. Discussion of Private Equity Investment Opportunity (**OUT OF ORDER**)

Mr. Wolfson reported Pension Consulting Alliance (PCA) was recommending an investment opportunity in a middle market buyout firm, and Pension Consulting Alliance (PCA) representatives would introduce the firm.

The Board acknowledged Tad Fergusson and Ahman Dirks from PCA.

Before presenting PCA's reasons for recommending this investment, Mr. Fergusson explained that investment managers in the private markets raise capital over different time periods and are not in the marketplace at the same time. He stated the various opportunities each have distinct and unique investment strategies that are developed at various times in the investment cycle which makes it difficult to utilize the traditional Request for Proposal process for these types of investments; that is why PCA's private equity investment opportunities are presented to the Board in this manner.

Mr. Fergusson explained why PCA was recommending the Board invest \$25 million from the Retirement Fund and \$5 million from the Retiree Health Benefits Fund in Vista Equity Partners Fund IV, L.P.

The Board then acknowledged Brian Sheth, president of Vista Equity Partners. Mr. Sheth provided background on the firm and explained Vista is a direct buyout company that invests in software businesses as well as technology businesses they refocus to become software companies. He reviewed Vista's investment returns and stated they use very little leverage and their focus is on value capture.

Mr. Nichols moved to approve Resolution No. 12-29 to invest \$25 million from the Retirement Fund and \$5 million from the Retiree Health Benefits Fund in Vista Equity Partners Fund IV, L.P.; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

The Board recessed at 11:22 a.m. and reconvened in Closed Session at 11:27 a.m. to discuss the following items:

(OUT OF ORDER)

11. **CLOSED SESSION to Confer with Counsel Pursuant to Government Code Sections 54956.9(b)(1) and/or 54956.9(c) (one case)**
9. **CLOSED SESSION Pursuant to Government Code Section 54956.9(c) to Confer with Counsel Regarding Whether to Initiate Litigation (One Case)**

(Mr. Nichols left the meeting at 12:18 p.m.)

10. **CLOSED SESSION to Confer with Counsel Pursuant to Government Code Section 54956.9(b)(2)**

The Board recessed at 1:28 p.m. and reconvened in Open Session at 1:34 p.m.

Mr. Romero reported the Board took action on Item 9 and took no action on Items 10 and 11.

5. **Presentation by Pension Consulting Alliance - Real Return Educational Session on Commodities and Timber (OUT OF ORDER)**

The Board acknowledged David Sancewich from Pension Consulting Alliance (PCA). Mr. Sancewich stated this item was to educate the Board on Timber and Commodities which were recently introduced into the Real Return portfolio which was modeled into the asset allocation study. He introduced Dillon Lorda from PCA and Jolanta Wysock from Mountain Pacific Group.

Mr. Lorda explained the benefits and concerns associated with investing in timber. Ms. Wysock explained the benefits and concerns associated with investing in commodities.

7. Discussion of Status of Contract with Vontobel Asset Management

Mr. Wolfson reported this item was presented for consideration of Vontobel's request for manager specific guidelines. He stated the main difference in Vontobel's guidelines permits them to have up to 25% in non-benchmark securities, with a maximum 10% tracking error.

He stated the contract is ready for execution pending the Board's approval of the guidelines; however, PCA recommended the Board postpone funding Vontobel until 90% of the foreign brokerage accounts were open, which could take at least six to ten weeks. Mr. Wolfson stated the funds will remain with the recently terminated T. Rowe Price until they can be transitioned to Vontobel.

In response to a question from Mr. Ignacio regarding the cost to open the foreign brokerage accounts, Mr. Wolfson stated the Plan will have to pay a nominal cost to initially open them. Mike Ferguson from BNY Mellon (the Plan's custodian bank) said the cost to open an account varies for every country with no way to determine the cost up front.

Mr. Rozanski pointed out the resolution presented here for the Board's approval did not reflect that the transition would not begin until the 90% threshold was met. Ms. Bhatia said Staff would add that to the resolution.

Mr. Rozanski moved to approve Resolution No. 12-30 to adopt the manager specific guidelines for Vontobel as amended to include the timing of the funding; seconded by Mr. Ignacio.

Ayes: Coffin, Ignacio, Romero, and Rozanski

Nays: None

Absent: Nichols and Poole

THE MOTION CARRIED.

8. Discussion of Draft Request for Proposal Document

Mr. Wolfson stated the attached draft Request for Proposal (RFP) document was provided for the Board's review and input. He stated the language pertaining to the minimum qualifications (MQs) may be changed and, if so, Staff will come back to the Board with the changes.

Ms. Bhatia explained that Staff intended to discuss the MQs with Pension Consulting Alliance (PCA) and, if any changes were required for this particular RFP, they would bring them back to the Board for approval.

Neil Rue from PCA agreed with coming back at the next meeting with revised MQ language if necessary.

Mr. Rozanski asked if language should be included regarding the insurance requirements. Ms. Bhatia stated that was already one of the MQs, and Mr. Rue said those attachments are included with the RFP.

Mr. Rozanski also asked if the insurance requirements for the alternative investments should specify the MQs, and Staff responded that the RFP process is not followed for the alternative investments due to the nature of that asset class.

Mr. Wolfson confirmed Staff will bring the revised MQs back to the Board for approval.

12. Investment Reports as of August 31, 2011

- a) Summary of Investment Returns
- b) Market Value of Investments by Fund and Month
- c) Market Value of Retirement, Death, and Disability Funds and Retiree Health Care Fund
- d) Summary of Contract Expirations

These items were provided for reference only and no discussion transpired.

13. Retirement Plan Manager's Comments

Ms. Bhatia reported the Mid-Career Retirement Seminar was held for the Customer Services Group last week in the JFB Auditorium, and many positive comments received. The seminar for the Owens Valley and Bishop facilities is planned for the end of November. She stated IBEW representatives asked that a clerical employee accompany the seminar presenter.

Ms. Bhatia reported Systems staff is busy with parallel testing and discovered several issues with the Health Plans functionality and the related deductions. She stated Staff is working with the vendor and Health Plans staff to assess the situation and resolve the concerns.

Investment staff is busy with the transition to the new asset classes, various ongoing RFP processes, preparation of new contractors, monitoring contracts, etc.

She reported Staff and IBEW representatives have not yet been able to schedule another meeting with respect to the scanning process, so no updates were available at this time.

Ms. Bhatia reported the Board has a Special meeting scheduled for October 19.

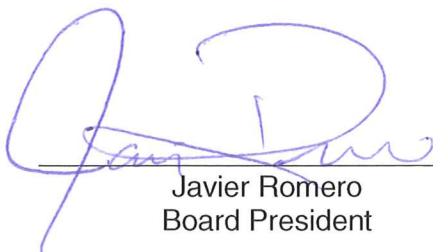
Mr. Romero asked Ms. Bhatia to convey to Conney Williams the Board's thanks for his Mid-Career Planning class.

14. Future Agenda Items

Mr. Romero asked for the schedule for the upcoming election of the three employee representatives to the Retirement Board.

Mr. Rozanski asked for an item pertaining to due diligence requirements.

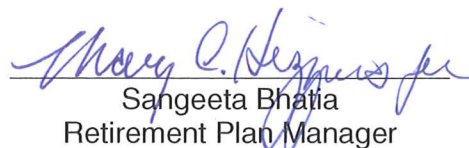
With no further business, the meeting adjourned at 2:55 p.m.



Javier Romero
Board President

12/14/11

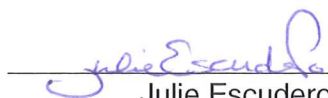
Date



Sangeeta Bhatia
Retirement Plan Manager

12/14/11

Date



Julie Escudero
Utility Executive Secretary

12-14-11

Date