

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

**MINUTES**

**MARCH 28, 2012**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Ronald O. Nichols, General Manager  
Barry Poole, Regular Member  
Robert Rozanski, Retiree Member

**Board Members Absent:**

DWP Commissioner - Vacant  
Mario Ignacio, Chief Accounting Employee

**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

President Romero called the meeting to order at 9:03 a.m.

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

**Public Comments**

Ms. Escudero stated no public comments were requested at this time.

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

- a) February 8, 2012, Regular Meeting
- b) March 7, 2012, Special Meeting

**2. Termination from Rolls**

- a) Termination of Monthly Allowance from the March 2012 Retirement Roll
- b) Termination of Samuel Young from the March 2012 Permanent Total Disability Roll
- c) Termination of Michele D. Ray from the March 2012 Permanent Total Disability Roll

*Mr. Rozanski moved that the Board approve Items 1 and 2; seconded by Mr. Nichols.*

*Ayes: Coffin, Nichols, Poole, Romero, and Rozanski*

*Nays: None*

*Absent: Ignacio*

*THE MOTION CARRIED.*

**3. Report of Payment Authorizations for February 2012**

**4. Notice of Deaths for February 2012**

**5. Investment Reports for February 2012**

- a.1) Summary of Investment Returns as of February 29, 2012 (new format)
- a.2) Summary of Investment Returns as of February 29, 2012 (old format)
- b) Market Value of Investments by Fund and Month as of February 29, 2012
- c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of February 29, 2012
- d) Summary of Contract Expirations

**6. Report on Status of Insurance as of March 14, 2012**

*Mr. Rozanski moved that the Board accept Items 3 through 6; seconded by Ms. Coffin.*

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

*THE MOTION CARRIED*

**7. Discussion of Covered Call Investment Guidelines**

Mr. Wolfson reported this item to approve manager-specific guidelines for the Covered Calls mandate was deferred from the previous meeting pending information from the City Attorney. He noted the City Attorney's findings had subsequently been provided to the Board.

*Mr. Rozanski moved that the Board approve Resolution No. 12-63 to adopt the revision to the Covered Calls Investment Guidelines; seconded by Mr. Nichols.*

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

*THE MOTION CARRIED.*

**8. Discussion of Commodities Investment Guidelines**

Mr. Wolfson reported this item requested Board approval of the initial guidelines for the new Commodities mandate that the Board approved as part of the Real Return Asset Class allocation. He stated the guidelines will be included in the Request for Proposals (RFP) and once the manager is selected, manager-specific guidelines will be presented to the Board.

Mr. Nichols asked why the performance objective of the Real Return portfolio was 3% over the Consumer Price Index, as noted in the Staff report. Mr. Rue explained 3% was chosen from practical experience to avoid excessive risk. He pointed out the 3% is a program goal and the commodities managers will have their own individual benchmarks. Mr. Nichols asked that the Board be reminded of this when the time comes to assess the performance.

Discussion ensued regarding the performance objective, and Mr. Rozanski asked if a benchmark will be included in the RFP or if the RFP respondents will propose a benchmark. Mr. Rue stated the RFP will include the benchmark.

*Mr. Nichols moved that the Board approve Resolution No. 12-69 to adopt the initial Commodities Investment Guidelines; seconded by Mr. Rozanski.*

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

*THE MOTION CARRIED.*

## 9. Presentation by Pension Consulting Alliance on Transition Review

Neil Rue from Pension Consulting Alliance (PCA) reported the recent transition rebalanced approximately \$1 billion combined for the Plan's Retirement Fund and Health Plan Fund portfolios. He stated the majority of the funds transitioned would eventually fund the Plan's new Passive International Equity Manager but they also reallocated assets across the individual asset classes to move toward the long term evolving targets. He reported it was a reasonably good transition.

In response to a question posed by Mr. Nichols involving the preliminary cost estimate, Mr. Rue stated no third party objective universe was available to determine the transition costs; however, PCA obtained preliminary cost estimates from several vendors and judged this estimate was in line with what was expected.

## 10. Discussion of General and Private Equity Consulting Services

Ms. Bhatia provided the background on this item to extend the two current contracts with Pension Consulting Alliance (PCA) for General Investment and Private Equity consulting services. She stated Staff conducted an extensive due diligence process in 2011 and, based on finding no significant issues, recommended the Board extend each contract for an additional three years; however, the Board chose to extend each contract for only one year pending resolution of questions from the City Attorney's Office. She stated no new information has been received to date. Because several new and ongoing projects are underway, and because Staff has been satisfied so far with PCA's performance, she stated Staff recommended a two-year extension for each contract with the understanding they will include the same terms and conditions that currently exist as well as the standard termination clause.

Mr. Nichols said he was comfortable with extending the contracts; however, by the end of the two year extension period it will have been five years since the Board evaluated the consultant universe, therefore, he recommended that sometime in 2013, the Board consider initiating the Request for Proposal process to evaluate the competition opportunities for these services.

*Mr. Nichols then moved that the Board approve Resolution No. 12-70 and Resolution No. 12-71 to extend the contracts with PCA for General Investment Consulting and Private Equity Investment Consulting services, respectively; seconded by Mr. Rozanski.*

*Ayes: Coffin, Nichols, Poole, Romero, and Rozanski*

*Nays: None*

*Absent: Ignacio*

*THE MOTION CARRIED.*

## 11. Retirement Plan Manager's Comments

Ms. Bhatia reported the new retiree payroll system will go live with the May 1 checks, and both the previous system and the new system will be maintained for this month. She stated the Health Plans Office discovered a number of data cleanup issues related to health plan deductions and premiums that figure into the retiree checks, and they have been correcting them; however, some retirees may see some changes in their net check because of this. Staff has been working closely with the Health Plans Office and has been informed that Health Plans will address these issues with the small number of affected individuals. Retirement Office Staff has been providing updates on an ongoing basis and will post a message on the Retirement website and on paystubs. She added the membership and retirement estimate modules have already been implemented and implementation of this module has taken a long time due to a number of challenges encountered.

She acknowledged Assistant Retirement Plan Manager Monette Carranceja who spearheaded the effort on this implementation. She added ITS staff provided considerable support, and Retirement Office Staff has also been working diligently on this project.

With respect to the effect the hiring of temporary Meter Readers will have on the retirement benefits, Assistant Retirement Plan Manager Mary Higgins reported the Meter Readers will be hired as limited appointments and may only serve for a maximum period of eight months. City employees who transfer to the Department with at least six months of City service will be deemed full members of the Retirement Plan, which includes eligibility for death and disability benefits. Depending on their length of stay, their contributions to the Los Angeles City Employees' Retirement System (LACERS) may be transferred to the Water and Power Employees' Retirement Plan and transferred back to LACERS when the employees return to the City. She stated unless they receive a regular appointment off a list, they must return to the City.

Ms. Bhatia stated she will report on the feasibility of purchasing iPads for Board Members at the next meeting, and she has asked Chief Information Officer Matt Lampe to attend. She stated Staff has conducted preliminary research, and the Department currently is not issuing or providing technical support for iPads; however, the Department does have a policy regarding the use of personal devices.

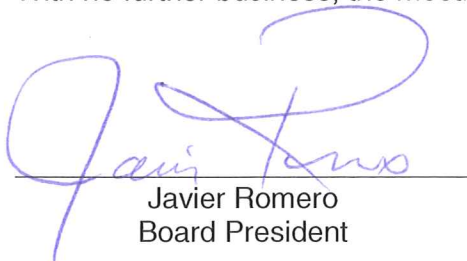
She announced a special meeting of the Retirement Board is scheduled for April 4 to interview candidates for the Active Emerging Markets Manager.

In response to a question from Ms. Coffin with respect to the Vontobel contract, Mr. Wolfson stated Pakistan's exposure was reduced to zero and Vontobel indicated they no longer intend to invest in Pakistan in the near future. As for controlling the funds for the countries in which Vontobel intends to invest, the Board's Governance Committee could choose to set a cap or eliminate an investment because the Board selected a separate account structure for Vontobel and has some control over policy setting.

## 12. Future Agenda Items

Mr. Romero requested a report on actuarial services, the potential for conflicts of interest with using the same actuary for the Department of Water and Power, the Retirement Plan Office, and the City of Los Angeles, and the possibility of contracting out for specific piecemeal work.

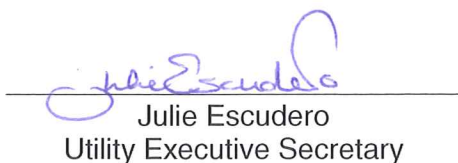
With no further business, the meeting adjourned at 9:37 a.m.

  
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Javier Romero  
Board President

5/9/12  
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Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

5/9/12  
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Date

  
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Julie Escudero  
Utility Executive Secretary

5.9.12  
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Date