

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

**MINUTES**

**JULY 11, 2012**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Mario Ignacio, Chief Accounting Employee  
Barry Poole, Regular Member

**Board Members Absent:**

Ronald O. Nichols, General Manager  
Robert Rozanski, Retiree Member  
DWP Commissioner - Vacant

**Staff Present:**

Sangeeta Bhatia, 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 9:04 a.m.

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

1. **Request for Approval of Minutes – June 13, 2012, Regular Meeting**
2. **Termination from Rolls**
  - a) **Termination of Monthly Allowance from the June 2012 Retirement Roll**
  - b) **Termination of Robert Andrade from June 2012 PTD Roll**
  - c) **Termination of James A. Arterberry from June 2012 PTD Roll**
  - d) **Termination of Katherine L. Schrock from June 2012 PTD Roll**

*Ms. Coffin moved that the Board approve Items 1 and 2; seconded by Mr. Ignacio.*

*Ayes: Coffin, Ignacio, Poole, Romero*

*Nays: None*

*Absent Nichols, Rozanski*

*THE MOTION CARRIED*

3. **Report of Payment Authorizations for May 2012**
4. **Notice of Deaths for May 2012**
5. **Investment Reports for May 2012**
  - a.i) **Summary of Investment Returns as of May 31, 2012 (new format)**
  - a.ii) **Summary of Investment Returns as of May 31, 2012 (old format)**
  - b) **Market Value of Investments by Fund and Month as of May 31, 2012**
  - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of May 31, 2012**
  - d) **Summary of Contract Expirations**

*Ms. Coffin moved that the Board accept Items 3 through 5; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

**6. Discussion of Report from City Attorney With Respect to the Selection of Outside Tax Counsel**

Ms. Bhatia reported the contract with Ice Miller for tax advice services expired June 15, 2011, and was extended to June 15, 2012, with Board approval. She stated the City Attorney's Office advertised for outside tax counsel through the Request for Proposal process, and she and Mary Higgins participated on the interview panel.

Deputy City Attorney Marie McTeague provided further details and stated the interview panel recommended the selection of two firms, Ice Miller and Steptoe & Johnson, with separate contracts for each firm.

*Ms. Coffin moved that the Board approve the City Attorney's recommendation to enter into contracts with the outside law firms of Ice Miller, LLP; and Steptoe & Johnson, LLP, for tax advice services; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

**7. Ratification of Selection of International Developed Markets Active Equity Manager**

Mr. Bhatia explained this item was to ratify the Board's action of March 7, 2012, to select MFS Institutional Advisors, Inc., as the International Developed Markets Active Equity Manager.

*Ms. Coffin moved that the Board approve Resolution No. 13-05 to ratify the selection of MFS Institutional Advisors, Inc.; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

**8. Discussion of MFS Institutional Advisors, Inc., Active International Guideline Revisions**

Mr. Wolfson provided the background on this request to revise the Active Value International Equity investment guidelines, specific to MFS Institutional Advisors, Inc. (MFS). He stated the revision, specific to MFS, would increase the firm-wide ownership allowance from the original 10% limit to a new maximum of 15% for equity positions in companies owned by MFS.

*Ms. Coffin moved that the Board approve Resolution No. 13-06 to revise the Active Value International Equity Investment Guidelines; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

**9. Discussion of Proposed Amendment to Investment Policy to Revise Watch Criteria for the High Yield Fixed-Income Asset Class**

Mr. Wolfson stated this item recommends the Investment Policy be amended to include separate watch criteria for the Core and High Yield Active Fixed Income asset classes. He indicated the request was prompted by Loomis Sayles (Loomis) to better reflect the high volatility of the High Yield mandate. Mr. Wolfson noted the Plan's consultants at Pension Consulting Alliance (PCA) reviewed the request and recommended the change to the performance-based watch criteria for the high yield mandate. He added Loomis understands the proposed amendment to the watch criteria will not affect their current watch status.

David Sancewich from PCA reviewed the recommended criteria and acknowledged the high yield mandate is more volatile than the other mandates.

*Mr. Ignacio moved that the Board approve Resolution No. 13-07 to amend the Investment Policy to include separate watch criteria for the Plan's Active Fixed Income mandates; seconded by Ms. Coffin.*

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

*THE MOTION CARRIED.*

**10. Discussion of Draft Request for Proposal for Active Commodities Manager**

Mr. Wolfson summarized the history of the Commodities strategy wherein the Board approved a 20% allocation to Commodities within the Real Return asset class in January 2012. He stated Pension Consulting Alliance (PCA) created the draft Request for Proposal (RFP) which was before the Board for review.

David Sancewich from PCA stated PCA reviewed the insurance requirements and determined that given the use of futures and derivatives, insurance is recommended but not required, much like other alternative classes.

He stated PCA expects the current allocation to be roughly \$104 Million (\$90 Million in the Retirement Portfolio and \$14 Million in the Health Portfolio) and, as a result, the minimum requirements are lower than those in the international equity portfolio. He also noted the questions have been expanded for more focus on operational due diligence and audit control.

Mr. Romero asked if a summary of the Minority Business Enterprise/Women's Business Enterprise (MBE/WBE) information will be provided to the Board as a separate packet. Mr. Sancewich replied the RFP contains several MBE/WBE-related questions, and a summary of that information can be provided to the Board.

Ms. Coffin asked if it would be more beneficial for the Board to require the insurance. Mr. Wolfson explained the Retirement Office Staff focuses on receiving whatever amount of insurance they can from alternative managers; however, the Department's Risk Manager has very specific insurance requirements which often are too restrictive for alternative investments and, as a result, top tier alternative managers often do not respond to RFPs. Ms. Bhatia added the Risk Manager asks what the general coverage is just to be aware. She noted insurance provisions are applied in the same manner as Private Equity and Real Estate.

*Ms. Coffin moved that the Board approve the draft Commodities RFP; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

### 11. Retirement Plan Manager's Comments

Ms. Bhatia reported Pension Consulting Alliance will be providing a report on the recently completed transitions to Gateway Investment Advisers, LLC, for the Covered Calls mandate, and to MFS Institutional Advisors, Inc., for the International Developed Markets mandate.

She reported Jeremy Wolfson successfully renegotiated lower fees for the extended contract with Fred Alger Management, Inc. She also reported Staff continues to work on finalizing the contracts with Vontobel Asset Management, Inc., and Los Angeles Capital Management and, despite continued obstacles, appears to be making progress.

Ms. Bhatia stated Staff continues work on reducing the benefits-related backlog.

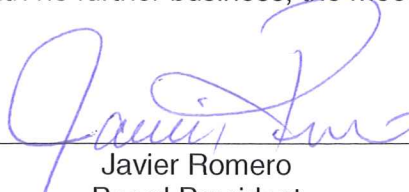
She also reported 269 Department employees retired during Fiscal Year 2011-2012, and the average retiree age was a little over 60 years.

### 12. Future Agenda Items

Mr. Romero asked when the Board could expect the Emerging Manager Educational presentation, and Ms. Bhatia responded it will be scheduled for October.

Mr. Romero requested a discussion on the new Government Accounting Standards Board (GASB) employer reporting requirements.

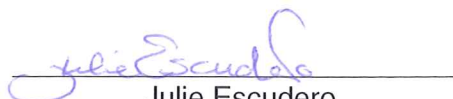
With no further business, the meeting adjourned at 9:26 a.m.

  
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Javier Romero  
Board President

8/8/12  
Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

8/8/2012  
Date

  
\_\_\_\_\_  
Julie Escudero  
Utility Executive Secretary

8.8.12  
Date