

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

MINUTES

JUNE 12, 2013

Board Members Present:

Javier Romero, President
Mario Ignacio, Chief Accounting Employee
Robert Rozanski, Retiree Member
Barry Poole, Regular Member

Board Members Absent:

Ronald O. Nichols, General Manager
DWP Commissioner – Vacant
Vice President - Vacant

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Mary Higgins, Asst. Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan
Manager
Jeremy Wolfson, Chief Investment Officer
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 9:00 a.m.

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

PUBLIC COMMENTS

Ms. Alvarez reported no public comments.

President Romero acknowledged and presented a resolution to Ms. Julie Escudero, Utility Executive Secretary, upon her retirement after 36 years of service to the City of Los Angeles.

1. Approval of Minutes for May 15, 2013, Special Meeting

Mr. Ignacio requested that Item No. 18 of Minutes be amended to reflect the motion to second the item. Ms. Bhatia also requested that the first sentence of page 1.3 be amended to change "billion" to "million."

Mr. Ignacio moved that the Board approve Item 1; seconded by Mr. Poole.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

2. Report of Payment Authorizations for April 2013

3. Investment Reports for April 2013

a) Summary of Investment Returns as of April 2012

b) Market Value of Investments by Fund and Month as of April 2013

- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of April 2013**
- d) **Summary of Contract Expirations**

4. Report on Organizational Change at JP Morgan Investment Management, Inc. – Fixed Income Manager

5. Report on Manual Proxy Vote Related to JP Morgan Chase & Co. Holdings

Glass Lewis, the Plan’s Proxy Service Provider, was directed to move forward with the recommendation, which was in the best interest of the Plan from a fiduciary perspective.

6. Report on Manual Proxy Vote Related to Caterpillar, Inc. Holdings

In response to an inquiry from Mr. Poole, Mr. Wolfson advised that there were two proxies that came to staff’s attention that were kicked out of the system for manual votes. Mr. Wolfson further advised that Glass Lewis would come in at a later date and address the issue with the Board, recommend a policy change that would try to automate that whole process consistent with the Board’s privacy policy.

President Romero acknowledged the challenges of obtaining a quorum.

In response to an inquiry from Mr. Rozanski, Ms. Bhatia advised the item is for receive and file only.

Mr. Poole inquired about the follow-up process and Mr. Wolfson advised that the current process is to engage the highly restricted firms that were listed on the Conflict Risk Network (CRN) report.

Ms. Bhatia advised that the Board has adopted a policy that addresses the issue which may be worth revisiting. Mr. Wolfson explained staff does monitor the exposure. Investment managers have full discretion to manage the portfolio in accordance with the guidelines that are in place, which includes a human rights policy.

Mr. Rozanski moved that the Board accept Items 2 through 6; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

7. Discussion of Contract with European Investors, Inc. – Real Estate Investment Trust (REIT) Manager

Mr. Wolfson provided a brief overview to the Board and recommended the Board select a new manager to replace European Investors, Inc. (EII), for the Global Real Estate Securities Mandate. He presented options to move forward with the mandate.

Representatives from Courtland Partners, Ltd. (Courtland), recommended the Board terminate the contract with EII and select a replacement from the list of four finalists that remained from the original manager interviews for the Global Real Estate Securities mandate.

Mr. Rozanski moved that the Board approve Resolution No. 13-84, Option No. 1: "Terminate the contract with EII and revisit proposals from the remaining four finalists interviewed (with updated information) and select a replacement for EII"; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

8. Discussion of Amendment to the Real Estate Investment Policy

Ms. Bhatia introduced the item to recommend the Board amend the Real Estate Investment Policy to widen the target allocation ranges for Core real estate to 50-100%; for Value-Add to 0-40%; and for Opportunistic real estate to 0-20%, in accordance with recommendations from Courtland.

Mr. Rozanski moved that the Board approve Resolution No. 13-85 to amend target allocations in the Real Estate Investment Policy; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

9. Discussion of Contract with Earnest Partners, LLC. – Active Small Cap Domestic Equity Investment Manager

Mr. Wolfson provided a brief overview and recommended the Board extend the contract with Earnest Partners, LLC, for an actively managed small cap value equity mandate. He noted the extension will be from September 1, 2013, through August 31, 2016.

Mr. Rozanski moved that the Board approve Resolution No. 13-86 to extend the contract with Earnest Partners, LLC; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

10. Presentation by Courtland Partners, Ltd. – 2012 Fourth Quarter Real Estate Performance Report

Michael Humphrey and Bill Foster presented Courtland's fourth quarter performance report for the Plan's real estate portfolio.

Mr. Humphrey reported the one-year, two-year, and three-year income returns for the real estate portfolio significantly exceeded the benchmark. He noted the portfolio has a strong income return along with strong appreciation.

Mr. Foster reviewed the summary of net returns and noted the Core portfolio was up 9%, Value-Add was up 17.9%, and Opportunistic was up 33.4%. His review also covered capital commitments, target levels, diversification, and leverage.

11. Presentation by Pension Consulting Alliance, Inc. – 2013 First Quarter Performance Report

Neil Rue presented the first quarter performance report. He stated the total portfolio had a strong first year return of 5.4% for the first quarter, was in line with the policy benchmark for the 1-year period, and there were mixed results for the longer term performance. However, the 5-year number outperformed with 4.9% versus a policy benchmark of 4.6%. Results were similar for the Retiree health benefit fund, with a strong first quarter, strong 1-year, challenging 3-year, but very decent returns versus policy on the 5-year number.

Mr. Rue also presented an overview of the risk/return analysis for the last 5 years, the performance attribution tables for the Retirement Plan vs. Policy Benchmark and Median Public Fund for the first quarter of 2013 and the trailing 12 month period. He also reviewed the Retirement Plan investment manager performance advising that the majority of investment managers have outperformed, including the international equity managers, fixed income managers, real return managers, and private equity and real estate managers.

12. Presentation by Pension Consulting Alliance, Inc. – 2013 First Quarter Real Return Performance Report

David Sancewich presented the first quarter real return performance report. He reported the portfolio was outperforming the Tbills + 3% benchmark over the five year period.

Mr. Sancewich also reported on the Global Inflation Linked portfolio advising that they underperformed over the quarter, year-to-date, 2-year, and since inception number; however, they did have a positive 1-year return net of fees. Mr. Sancewich also advised there were no manager turnover in the Aetos portfolio and no significant concerns.

13. Annual Presentation by Vontobel Asset Management, Inc. – Emerging Markets Investment Manager

John Hauswirth and Douglas Bennett presented their annual update for the Emerging Markets Equity Mandate. Mr. Hauswirth reported that the emerging markets had not performed well in the first four months of 2013, but the portfolio outperformed, as they typically do in these types of markets.

Mr. Bennett reported on the Emerging Market Equity Strategy for the first quarter of 2013. He advised that the emerging markets were experiencing increased volatility resulting from fears of rising interest rates which caused investors to pull back their investments in emerging markets, particularly affecting the currency, bond, and equity markets. However, he further advised that the trends in place for the longer term, in terms of global economic growth, are still there and will continue. He also discussed the growth outlook for China, India, Brazil, Mexico, and Japan.

Mr. Bennett also presented an overview of the Plan's Country Allocation and Sector Allocation as of April 30, 2013. He advised that the Plan did have good performance in the first four months of the year.

14. Annual Presentation by Los Angeles Capital Asset Management, Inc. – Emerging Markets Investment Manager

Lara Clarke, Daniel Allen, and Laina Ceddia, presented the annual performance report for Los Angeles Capital Asset Management, Inc. Ms. Clarke stated as of April 30, 2013, the combined assets for both portfolios was \$252 million, and the performance since inception was 380 basis points above the index.

Mr. Allen presented an overview of the firm and the stability of the organization. He also provided information on the "Investor Preference Theory" identifying factors in the market.

Ms. Ceddia presented the Emerging Markets overview stating that emerging market equities are reasonably priced relative to their developed market counterparts and also relative to their historic average which presents good long term growth prospects.

Mr. Allen reviewed the portfolio and stated the investments were in 21 emerging markets.

Ms. Ceddia provided an overview of returns and the performance attribution focusing on fundamental factors. She also discussed various portfolio characteristics such as country weights and sector weights.

15. Retirement Plan Manager's Comments

Ms. Bhatia reported on the following items:

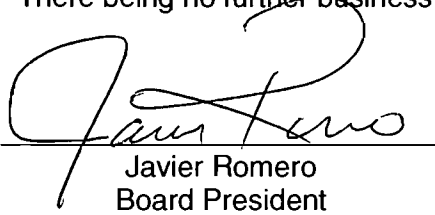
- The City Clerk has begun the election process and the ballot packets are scheduled to be mailed out on June 19, 2013, and the election results are expected to be certified by July 18, 2013. The item is expected to be presented to the Board of Commissioners on August 6, 2013. In response to an inquiry from Mr. Romero, Ms. Bhatia advised that there are four candidates.
- Staff has developed a retirement calculator that has been posted on the website. This information along with the link to the website will be posted in the Retirement Newsletters.
- There is an Investment Officer vacancy and we are pursuing filling it via an emergency appointment which will go outside of the City. It is a limited term emergency appointment and the incumbent will be expected to take the exam.
- The next meeting is scheduled for June 26, 2013, and a quorum has been confirmed.
- The Actuarial Experience Study will be scheduled at the Board's June 26, 2013, meeting.

Mr. Romero requested that news of the retirement of Ms. Julie Escudero be included in the upcoming Retirement Newsletter.

16. Future Agenda Items

None requested at this time.

There being no further business, the meeting adjourned at 10:16 a.m.



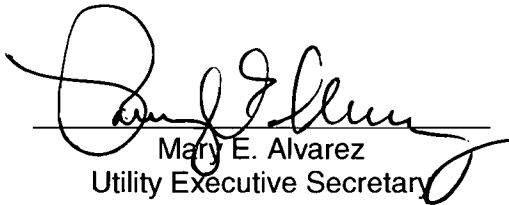
Javier Romero
Board President

7/10/13
Date



Sangeeta Bhatia
Retirement Plan Manager

7/10/13
Date



Mary E. Alvarez
Utility Executive Secretary

7/10/13
Date