

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

MINUTES

NOVEMBER 27, 2013

Board Members Present:

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

Board Members Absent:

DWP Commissioner – Vacant
Ronald O. Nichols, General Manager

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Scott Vargas, Investment Officer
Carlo Manjikian, Investment Officer
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 9:19 a.m.

Ms. Bhatia stated a quorum of the Board of Administration of the Water and Power Employees' Retirement Plan (Retirement Board) was present.

Public Comments

Ms. Alvarez stated no public comments were received.

Mr. Romero introduced Retirement Office employee Carlo Manjikian. Mr. Manjikian was promoted to the classification of Investment Officer II (Senior Investment Officer).

- 1. Request for Approval of Minutes of October, 2013 Regular Meeting**
- 2. Termination from Rolls**
 - a) Termination of Monthly Allowance from the October 2013 Retirement Roll**
 - b) Termination of Monthly Allowance from the November 2013 Retirement Roll**
 - c) Termination of William Henry Cole from the October 2013 Permanent Total Disability Roll**
 - d) Termination of Troya Lynn Patch from the October 2013 Permanent Total Disability Roll**
 - e) Termination of Patricia A. Raisch from the October 2013 Permanent Total Disability Roll**
 - f) Termination of Phillip Tong from the October 2013 Permanent Total Disability Roll**

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

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

3. Report of Payment Authorizations

a) September 2013

b) October 2013

4. Notice of Deaths

a) September 2013

b) October 2013

5. Investment Reports for September 2013

a) Summary of Investment Returns as of September 31, 2013

b) Market Value of Investments by Fund and Month as of September 31, 2013

c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of September 31, 2013

d) Summary of Contract Expirations

6. Report on Status of Insurance as of October 21, 2013

7. Report on Organizational Changes at Pyramis Global Advisors, Inc.

8. Aetos Alternative Management, LLC, Hedge Fund of Funds – Annual Report

Mr. Rozanski moved that the Board approve Items 3 through 8; seconded by Mr. Poole.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

9. Discussion of Authorization of Payment to Segal Consulting for Cost Studies Regarding the Suspension of Reciprocity and Creation of Tier 2

Ms. Higgins stated that approval of the Memo would authorize payment to Segal Consulting for studies related to the proposed Plan amendment to suspend reciprocity and to create a new tier of benefits. She further stated that the cost of the studies would not exceed \$75,000 and would be reimbursed by the Los Angeles Department of Water and Power.

Mr. Rozanski moved that the Board approve Resolution No. 14-34; seconded by Mr. Poole.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

10. Discussion of New Private Equity Investment (Apollo)

Mr. Wolfson stated that as part of the Retirement Board's private equity allocation, which had a long-term strategic target of 5%, Pension Consulting Alliance, Inc. (PCA), would present information on Apollo Investment Fund VIII, L.P. (Apollo) for the Retirement Board's consideration.

Tad Ferguson of PCA summarized their recommendation for approval stating that Apollo represents an excellent opportunity to invest with a proven firm implementing an attractive and opportunistic investment strategy in the buyout sector. Mr. Ferguson also stated that PCA recommended that the Retirement Board approve an investment of up to \$40 million from the Retirement Fund and up to \$7 million from the Retiree Health Benefits Fund in Apollo.

Andrew Jhavar, Sr. Partner, with Apollo provided an overview of the firm and their approach to investment strategies. Mr. Romero inquired on issues he had researched on the Internet concerning Caesars Palace, the Oregon Pension Plan, and the Rhode Island Pension Plan, specifically fee issues, the hotel workers issues, and in particular the investment. Mr. Jhavar responded by providing a brief history of their investments (relationship?) with Caesar's Gaming Corporation, and added that there were current agreements with the union and any issues had been resolved. He stated that the media had portrayed incorrect information, so there was a miscommunication of the true facts, as it related to the media portrayal of the fees that were taken from the investment.

Mike Moy of PCA confirmed that he was present at public meetings where the issues were discussed and stated that Mr. Jhavar's recitation of how the issues were dealt with, conformed to what PCA had also experienced.

Mr. Rozanski moved that the Board approve Resolution No. 14-37; seconded by Mr. Poole.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

11. Discussion of New Real Estate Investment (Blackstone Opportunistic)

Michael Humphrey and Stanley Kim, representatives from Courtland, presented an overview of Blackstone Real Estate Partners Europe (Blackstone), as an organization, as well as the investment merits of Blackstone Real Estate Partners Europe IV, LP (Fund). They explained how Blackstone has the experience and an established presence in Europe to take advantage of distress within the European real estate markets. Additionally, they noted Blackstone can target deals that others cannot due to their scale (\$4 billion target). Alexandra Hill from Blackstone was on the teleconference line and responded to Retirement Board member's questions regarding the leverage the fund intended to utilize. She emphasized that the Fund would likely not exceed 65-75% in leverage even though the documents permit it and explained their approach to mitigate the risks associated with debt.

Mr. Rozanski moved that the Board approve Resolution No. 14-35; seconded by Ms. Bogin.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

12. Discussion of New Real Estate Investment (DRA VIII)

Mr. Humphrey and Mr. Kim presented an overview of DRA Advisors, LLC's DRA Growth and Income Fund VIII, LP. Courtland noted the good performance of the current investment that the Plan has with DRA (Fund VII) and that the team, strategy or opportunity set will be identical. Courtland emphasized the consultant income returns associated with the value add strategy including the incremental accretive return. DRA's founder Paul McEvoy was on the teleconference line and added very general remarks to close the presentation. He was having difficulty hearing.

Mr. Rozanski moved that the Board approve Resolution No. 14-36; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

13. Discussion of Transition Bench Request for Information

Scott Vargas stated that in 2003, PCA and Staff went through the Request for Information (RFI) process to select the Plan's Bench of Transition Managers. Currently, the bench includes Blackrock, BNY ConvergEx, Mellon Transition Management, Russell Implementation Services, and State Street.

Mr. Vargas stated that in 2009, the Retirement Board approved the Plan's Evolving Allocation Policy, which required an annual transition. The Retirement Board has rotated transition managers for various transitions but the bench has not changed over the years. Therefore, Staff and PCA are recommending the Retirement Board direct Staff to pursue the RFI process to review the existing firms and select the transition managers to be on the bench.

Mr. Rozanski moved that the Board approve Resolution No. 14-38; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

14. Discussion of Fred Alger Management, Inc. – Large Cap Growth Performance

Carlo Manjikian presented the recommendation to the Retirement Board to approve Resolution No. 14-39 to remove Fred Alger Management, Inc., from watch status. Mr. Manjikian provided a brief history on the watch status as previously approved by the Retirement Board.

Mr. Rozanski moved that the Board approve Resolution No. 14-39; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

15. Discussion of Frontier Capital Management Company LLC (Frontier) – Small Cap Growth Performance

Mr. Vargas briefly described Frontier's history with the Plan (hire dates, funding dates, funding amounts, etc.). He stated that Frontier had been on performance watch since the spring 2012 and that their performance, while improving, had not improved enough to prevent the firm from qualifying for long-term watch. In order to be consistent with the Plan's policy, Staff and PCA recommended that the Retirement Board approve terminating Frontier and initiating a Request for Proposal (RFP) to find a replacement while allowing Frontier to compete in the search.

Mr. Romero indicated hesitancy about terminating Frontier given their recent outperformance and how managers/styles tend to come in and out of favor. He didn't want to fire Frontier just as their style was beginning to deliver outperformance. Mr. Romero also stated his concern over the cost of the RFP.

Neil Rue, Pension Consulting Alliance, Inc. (PCA) pointed out that in staying true to the Plan's policy regarding performance watch, keeping managers on watch indefinitely is just not a realistic option. He also noted that since Frontier's performance has improved recommendation is being made that they be included as a participant in the upcoming RFP process. Mr. Rue noted that the timing of the RFP in the 1st or 2nd quarter of 2014 would give Frontier time to continue to build on their momentum and compete with the other respondents at that time.

Mr. Rozanski moved that the Board approve Resolution No. 14-40; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

16. Discussion MFS Institutional Advisors, Inc. – Large Cap Value Performance

Mr. Carlo Manjikian presented the recommendation to the Retirement Board to approve Resolution No. 14-41 to remove MFS Institutional Advisors, Inc., from watch status. Mr. Manjikian provided a brief history on the watch status as previously approved by the Retirement Board.

Mr. Rozanski moved that the Board approve Resolution No. 14-41; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

17. Discussion of Western Asset Management Company – Global Inflation Linked Securities Performance

Mr. Wolfson presented the recommendation to the Retirement Board to approve Resolution No. 14-42 to place Western Asset Management Company, Global Inflation Linked Securities manager on long-term performance watch status for failing to meet the performance criteria as specified in the Plan's Investment Policy.

Mr. Rozanski moved that the Board approve Resolution No. 14-42; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

18. Discussion of the Covered Call Mandate Allocation and Policy

Mr. Wolfson presented the recommendation to the Retirement Board to adopt the proposed changes to the allocation ranges in the investment policy for the Covered Calls portfolios and allow Gateway Investment Advisers, LLC, to increase the active portion of the Covered Calls mandate to 50% and decrease the replication portion to 50% within the Retirement Fund and Retiree Health Benefits Fund.

Mr. Rue concurred with the recommendation to adopt changes.

Mr. Rozanski moved that the Board approve Resolution No. 14-43; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

Mr. Rozanski moved that the Board approve Resolution No. 14-44; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

19. Discussion of Manager Specific Guidelines for Hedge of Funds

Mr. Wolfson presented the recommendation to the Retirement Board to adopt the revisions to the manager specific Investment Guidelines for Hedge Fund of Funds and incorporate them into the Plan's Statement of Investment Objectives, Goals and Guidelines.

Mr. Rozanski moved that the Board approve Resolution No. 14-45; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

20. Presentation by Courtland Partners – 2013 Second Quarter Real Estate Performance Report

Mr. Humphrey presented the report discussing the return of the real estate portfolio and the direction and strategy. He suggested continuing to increase the overweighting in value and because of the current market conditions and taking advantage of the stress in the market through investments like Blackstone. Mr. Humphrey also presented a review of portfolio returns and summarized the core, value and opportunistic net returns.

21. Retirement Plan Manager's Comments

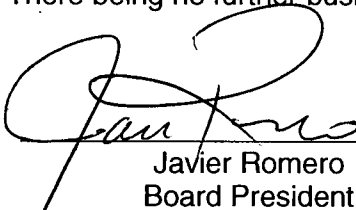
Ms. Bhatia acknowledged and expressed her appreciation to Staff for their work on implementing the Plan amendment within the required timeline. Ms. Bhatia also reported on the following items:

- Pursuant to State law, the Plan amendment would be presented to the LADWP Board of Commissioners for action on December 3, 2013. On December 11, 2013, the item would return to the Retirement Board for approval to become part of the Plan. In addition, in order to ensure functionality is working and implemented on January 1, 2014, Staff have been working closely with the consultant James Evans & Associates (JEA).
- The functionality for Medicare Part B reimbursement was implemented; therefore, the old Retirement Office payroll system will be switched-off as the Health Plans Office is now processing the quarterly checks for approximately 3,000 retirees.
- The release from JEA for functionality related to the disability and death benefit payment has been received, allowing this to be in production.

22. Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 10:33 a.m.



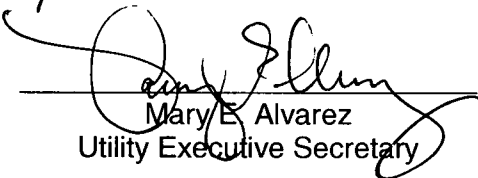
Javier Romero
Board President

1/22/14
Date



Sangeeta Bhatia
Retirement Plan Manager

1/22/14
Date



Mary E. Alvarez
Utility Executive Secretary

1/22/14
Date