

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

MINUTES

AUGUST 13, 2014

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
Mario Ignacio, Chief Accounting Employee
Robert Rozanski, Retiree Member
Marcie L. Edwards, General Manager

Board Members Absent:

Mel Levine, DWP Commissioner
LaTanya Bogin, Regular Member

Staff Present:

Mary C. Higgins, Interim Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney

Mr. Romero called the meeting to order at 9:08 a.m.

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

Public Comments

Mr. Romero introduced Retirement Office employee Rhonda Davis, who was hired to the classification of Senior Clerk Typist in the Investments Section.

1. Investment Reports for June 2014

- a) Summary of Investment Returns as of June 30, 2014**
- b) Market Value of Investments by Fund and Month as of June 30, 2014**
- c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of June 30, 2014**

Mr. Rozanski moved that the Board accept Item 1; seconded by Mr. Poole.

Ayes: Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Bogin, Levine

THE MOTION CARRIED.

2. Discussion of Retirement Plan Manager Position

Ms. Higgins stated that as a candidate for the Retirement Plan Manager position, she would remove herself from the discussion of this item; at which point Ms. Higgins temporarily left the meeting.

Shannon Pascual, Director of Human Resources, presented the report on the status of the selection process for the Retirement Plan Manager position. Mr. Pascual distributed the Personnel Department's examination bulletin for the Retirement Plan Manager position and stated that

interviews would be conducted by the Personnel Department through August 29, 2014. He also stated that once the Personnel Department established a list of eligible candidates it would be automatically certified due to the current emergency appointment. Upon certification of the eligible list, the Department of Water and Power would have 60 days to conduct interviews and make an appointment to the position. Mr. Pascual stated that it is anticipated that the list would be certified by mid to late September.

Mr. Pascual stated that Human Resources staff would be working directly with the panel that will be evaluating the candidates to obtain input on the interview questions and rating factors as it relates to the Retirement Board. Mr. Pascual advised that Human Resources would recommend that the panel consist of two representatives from labor, one representative from management, and one Retiree representative; therefore, there would be a total of four Retirement Board members that would be conducting the selection interview. Mr. Pascual advised that Human Resources staff would immediately begin to work directly with members of the panel to obtain input on the rating sheet, interview questions, and to update any specific members regarding their interview and selection training, well in advance of the actual interviews.

Mr. Pascual further stated that it was anticipated that the panel would interview between six to 12 candidates, depending on the final outcome of their scores. Sixty days from the certification an appointment must be made; the person does not necessarily have to start within the sixty days but a selection and appointment must be made.

Ms. Edwards posed a hypothetical question: should the panel make a selection and hire an outside individual and ran out the sixty days, however, the individual ultimately changed their mind would the panel be allowed to certify a smaller group. In response, Mr. Pascual advised that should the certification period die, the panel would need to re-certify and conduct the interviews all over again.

Mr. Romero recommended that the Human Relations staff work directly with Monette Carranceja.

3. Annual Presentation by Invesco – Active Commodities Manager

Mr. Romero acknowledged Delia Roges, Managing Director, and David Gluch, Client Portfolio Manager, from Invesco.

Ms. Roges presented an overview of the company and noted they were managing over \$800 billion in assets globally. She stated that the team that manages the portfolio has about \$29 billion in the Global Asset allocation and \$7 billion is dedicated to commodities, which was a very important key component in the growth of assets at Invesco.

Mr. Gluch provided an update of the firm's balanced-risk commodity strategy and various drivers of return, discussed the Plan's portfolio performance over the past twelve months and presented their outlook of the portfolio's future performance. He added the portfolio was managed by a team and they managed approximately \$120 million of the Plan's fund.

4. Annual Presentation by Dimensional Fund Advisors – Global Real Estate Investment Trust Manager

Mr. Romero acknowledged Ted Simpson, Vice President, and Grady Smith, Senior Portfolio Manager, from Dimensional Fund Advisors.

Mr. Simpson reported that as of June 30, 2014, the firm's total assets under management was valued at over \$375 billion, with about \$10 billion in REITS in total. He also presented an overview of the global investment team and investment solutions.

Mr. Grady provided an update on the global market environment over the past 12 months for equity and currency. He stated the energy sector recorded the strongest performance in the second quarter of 2014, and on average, currencies over the second quarter positively contributed to non-U.S. developed and emerging market U.S. dollar returns. He also discussed the firm's REIT investment strategy built on specific principles, disciplined, process-driven approach, and low management fees and reduced trading costs, and REIT exclusion rules. Mr. Grady reported that for the quarter the portfolio outperformed its benchmark both gross and net of fees for every time period in the trailing returns.

In response to an inquiry from Mr. Poole, Mr. Grady advised that the average weighting in China through REITS was very minimal.

5. Annual Presentation by Heitman – Global Real Estate Investment Trust Manager

Mr. Romero acknowledged Jerry Ehlinger, Managing Director, from Heitman Real Estate Securities.

Mr. Ehlinger presented an overview of the firm and stated that total assets under management was valued at approximately \$28 billion, with about \$3 billion in REIT securities in both domestic and global strategies.

Mr. Ehlinger discussed the global diversified developed strategy stating the objective of the firm was to create a diversified portfolio of global real estate securities that would generate a solid dividend and capture alpha primarily through bottom-up stock selection. Mr. Ehlinger stated that although it had been less than a year, the portfolio's performance exceeded the benchmark by 140 basis points, net-of-fees by 95 basis points.

In response to an inquiry from Mr. Poole, Mr. Ehlinger advised that the average weighting in Hong Kong was 22 basis points overweight.

1. Investment Reports for June 2014 (Out of Order)

Mr. Wolfson re-opened the item to report for the record that the portfolio had an excellent close of the fiscal year with an absolute return of 17.2%; slightly underperformed the index, however, that was mostly due to the European equity portfolio policy.

6. Discussion of Commission Recapture Mandate

Mr. Wolfson introduced the item to interview three candidates for the Plan's Commission Recapture Mandate. Neil Rue of Pension Consulting Alliance, Inc. (PCA) stated that staff and PCA objectively scored all responses from the RFP and presented the detailed results of the evaluation of the RFP.

The Board then interviewed the following candidates:

- a) Abel/Noser Corp. (Abel Noser)
- b) Russell Implementation Services (Russell)

The Retirement Board recessed the meeting at 10:50 a.m. and reconvened at 11:00 a.m. with the following quorum: Ignacio, Poole, Romero, and Rozanski.

The Board then interviewed the following candidate:

- c) Northern Trust Securities (Northern Trust)

Upon conclusion of the interviews, discussion ensued among the Board Members, staff, and PCA regarding the interviews and the individual Board Member's choices.

Mr. Rozanski moved that the Board approve Resolution No. 15-06 and select Russell Implementation Services for the Plan's Commission Recapture Mandate, subject to successful negotiation; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Bogin, Edwards, Levine

THE MOTION CARRIED.

7. Retirement Plan Manager's Comments

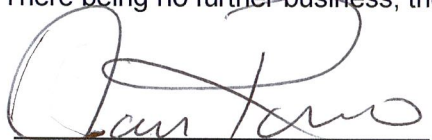
Ms. Higgins, Interim Retirement Plan Manager, advised the Retirement Board on the following:

- Labor Relations Office has requested that Segal Consulting prepare a cost study on extending full membership benefits to new transfers from the City to the Department under the pre-suspension of reciprocity rules. There would be no cost to the Plan as the Department would be charged the fee for the study. This is only notification to the Retirement Board. Ms. McTeague stated that the City Charter requires that Segal conduct the study with respect to changes in the Water and Power Plan. Mr. Romero stated that the cost of the study should be borne by the City and not the Department. Discussion ensued.
- Actuarial Gains from Investment Performance – Would be included in the valuation report that was anticipated to be presented at the end of September.
- Northern Trust Contract – Base agreement has been signed
- Audit Committee – Officially kick-off the audit season before the next Board meeting
- Staffing – Rhonda Davis would be returning to the Retirement Office; Carl Taylor will postpone his retirement.

8 Future Agenda Items

Mr. Romero requested the securities monitoring be discussed at the next meeting.

There being no further business, the meeting adjourned at 11:40 a.m.



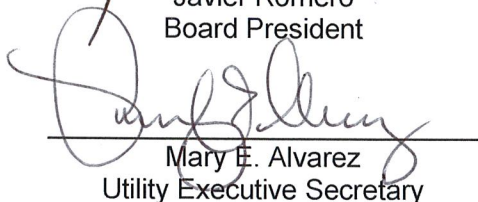
Javier Romero
Board President

11/28/15
Date



Mary C. Higgins
Interim Retirement Plan Manager

11/28/15
Date



Mary E. Alvarez
Utility Executive Secretary

11/28/15
Date