

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

**MINUTES**

**November 12, 2014**

**Board Members Present:**

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

**Board Members Absent:**

Marcie L. Edwards, General Manager  
Mel Levine, DWP Commissioner  
Robert Rozanski, Retiree Member

**Staff Present:**

Mary C. Higgins, Interim Retirement Plan Manager  
Monette Carranceja, Asst. Retirement Plan Manager  
Scott Vargas, Senior Investment Officer  
Carlo Manjikian, Senior Investment Officer  
Will Feng, Senior Utility Accountant  
Veronica Salumbides, Utility Administrator  
Veronica Mendez, Utility Administrator  
Kendrick Mah, Management Analyst  
Mary E. Alvarez, Utility Executive Secretary

**Others Present:**

Marie McTeague, Asst. City Attorney

Mr. Romero called the meeting to order at 9:05 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**

Ms. Alvarez stated no requests for public comment were received.

Mr. Romero introduced Retirement Plan Office employee Patrick Braganza, who was hired to the classification of Clerk Typist in the Membership Section, effective September 8, 2014.

**1. Termination from Rolls**

- a) **Termination of William J. Gropp from the September 2014 Permanent Total Disability Roll**
- b) **Termination of Richard L. Head from the September 2014 Permanent Total Disability Roll**
- c) **Termination of Monthly Allowance from the November 2014 Retirement Roll**

**2. Investment Reports for September 2014**

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

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

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

*THE MOTION CARRIED.*

### **3. Report on MFS Institutional Advisors, Inc., On-Site Due Diligence Visit**

Mr. Romero stated he accompanied Mr. Manjikian to the on-site due diligence visit with MFS Institutional Advisors, Inc., and was impressed with Mr. Manjikian's conduct. He commented positively on the efforts of the Investments staff at this and previous due diligence visits, as they often conduct the visits on behalf of the Retirement Board members.

Mr. Romero requested that an item be added to future due diligence agendas to discuss diversity within the fund managers.

*Mr. Poole moved that the Board receive and file Item 3; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

*THE MOTION CARRIED*

### **4. Discussion of Designation of Trustee for Incompetents for William R. Groner**

Ms. Salumbides, Retirement Section, presented the report to appoint Daphne Bartlett as the trustee for her brother, William R. Groner, and approve the release of benefits that had been previously withheld.

*Mr. Poole moved that the Board approve Resolution No. 15-28; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

*THE MOTION CARRIED*

### **5. Discussion of the Guidelines for the Election of Active Member Representatives to the Retirement Board**

Ms. Mendez and Mr. Mah of the Administrative Services Section presented the guidelines for the election of the active member representatives to the Retirement Board. Ms. Mendez stated that Article 11, Section 1104(d) of the Los Angeles City Charter requires an election every three years for the three active employee members of the Retirement Board, and presented the procedures and rules for the election.

Mr. Mah stated that the notifications for the election would potentially be sent out in February. Mr. Romero requested that Mr. Mah forward him a copy of the last campaign statement.

*Mr. Poole moved that the Board approve Resolution No. 15-29; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

*THE MOTION CARRIED*

**6. Presentation by Segal Consulting**

**a) Governmental Accounting Standards (GAS) 67 Actuarial Valuation of the Insured Lives Death Benefit Fund for Noncontributing Members as of June 30, 2014**

**b) Governmental Accounting Standards (GAS) 27 Disclosure of the Insured Lives Death Benefit Fund for Noncontributing Members as of June 30, 2014**

Mr. Feng provided a brief overview of the pension reporting requirements of the Governmental Accounting Standards Board (GASB), and the valuations completed by the Plan's actuary, Segal Consulting (Segal).

John Monroe of Segal presented the GASB 67 actuarial valuation for retired members. He stated that the valuation was strictly for Plan financial reporting, and would not be used for funding purposes or to determine a contribution rate. He presented a historical background on the assumptions and methods used in the previous valuation, and discussed assumptions and methods for the June 30, 2014, valuation.

*Mr. Poole moved that the Board approve Resolution No. 15-30; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

**7. Change in the Investment Return Assumption for Funding Reviews for the Death Benefit and Disability Funds**

Ms. Carranceja presented the report, stating that Segal recommended a change in the investment return assumption from 5% to 4%. She stated previous actuarial valuations had always used 5% for the Death Benefit and Disability Funds. The reason for the change was that virtually all investments for these two funds were in Fixed Income, and the total expected return would be 4%. In response to an inquiry from Mr. Poole, staff reported that if 4% were used in the prior valuation, the annual increase would have been approximately \$80,000.

*Mr. Poole moved that the Board approve Resolution No. 15-31; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

**8. Discussion of Request for Proposal Responses for the U.S. Bank Loans Mandate**

Mr. Manjikian briefed the Retirement Board on the history of the request for proposal (RFP) responses for the U.S. Bank Loans Mandate within the Fixed Income asset class. He stated that

this was the second and final phase of the structural change to the Fixed Income portfolio that was approved by the Retirement Board at its Special meeting held on June 26, 2013.

Discussion ensued regarding responses to the RFP issued in January 2014. Mr. Manjikian stated that staff and Pension Consulting Alliance, Inc. (PCA), conducted independent reviews of the responses and based on their discussion, concurred on the three firms to be interviewed.

Ms. Higgins stated that the intent was to conduct the interviews at the December 10, 2014, meeting.

*Mr. Poole moved that the Board approve Item 8; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

#### **9. Discussion of Performance of Western Asset Management Company – Global Inflation Linked Securities Manager**

Mr. Manjikian presented the report to extend the performance watch status for Western Asset Management Company (WAMCO) up to an additional six months, pursuant to the recommendation of PCA. WAMCO had been placed on performance watch status as of November 27, 2013, for failing to meet the Plan's long-term performance criteria. Discussion ensued regarding WAMCO's performance since the watch period and since inception, and the steps that would be taken should performance improve or decline during the watch period.

*Mr. Poole moved that the Board approve Resolution No. 15-32; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

#### **10. Discussion of JP Morgan Strategic Property Fund – Real Estate Manager**

Mr. Manjikian stated that staff and Courtland Partners, Ltd. (Courtland), recommended removing JP Morgan Strategic Property Fund (JP Morgan) from organizational watch status. The fund had been placed on watch status in October 2013 when the previous fund manager retired. Discussion ensued regarding JP Morgan's performance since the watch period began.

*Mr. Poole moved that the Board approve Resolution No. 15-33; seconded by Ms. Bogin.*

*Ayes: Bogin, Ignacio, Poole, Romero*

*Nays: None*

*Absent: Edwards, Levine, Rozanski*

#### **11. Annual Presentation by Morgan Stanley AIP – Hedge Fund of Funds Manager**

Mr. Vargas introduced Robert Harkins and Jose Gonzalez-Heres of Morgan Stanley AIP. Mr. Harkins provided a brief overview of the company and a summary of its key resources.

Mr. Gonzalez-Heres reviewed the status of the portfolio since the inception of the fund in March 2014. He stated that this was a well-diversified, liquid portfolio that was in compliance with the Plan's investment guidelines. The fund had increased 1.17% on a net basis since inception. Discussion ensued regarding portfolio performance and composition, risk characteristics, and metric test comparisons.

## **12. Annual Presentation by GAM – Hedge Fund of Funds Manager**

Mr. Vargas introduced Kristin Hovencamp, Arvin Soh, and Jim Ha of GAM, which manages approximately 1% of the Plan's portfolio. Mr. Soh provided a brief overview of the company's experience, resources, and organizational structure.

Mr. Ha stated that the portfolio had returned 4.26% since inception, which outperformed the benchmark. Discussion ensued regarding the breakdown of risk and diversity of the portfolio. Ms. Hovencamp reviewed the stability of the portfolio, and Mr. Soh reviewed macro performance, cross correlation, and the trading outlook.

## **13. Presentation by Courtland Partners, Ltd. – 2014 Second Quarter Real Estate Performance Report**

Mr. Vargas introduced Stanley Kim and Robert Negrelli of Courtland. Mr. Kim provided a summary of the portfolio for the second quarter. Mr. Negrelli reviewed portfolio investment net returns, including core and REITs. Gross returns exceeded the benchmark by 160 basis points for the quarter, and the net performance was 4%, which exceeded the benchmark by 1%.

## **14. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE PARTICULAR, SPECIFIC PENSION FUND INVESTMENT AND POSSIBLE BOARD ACTION**

This item was held to later in the meeting.

## **15. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE PARTICULAR, SPECIFIC PENSION FUND INVESTMENT AND POSSIBLE BOARD ACTION**

This item was held to later in the meeting.

## **16. Retirement Plan Manager's Comments**

Ms. Higgins reported on the following:

- On July 23, 2014, the Retirement Board approved an investment with Crestview Partners III of up to \$50 million from the Retirement Fund (RF) and up to \$10 million from the Retiree Health Benefits Fund (RHBF). The contract is in place.
- On September 10, 2014, the Retirement Board approved a commitment of \$20 million for the RF and \$5 million for the RHBF in Molpus Woodland Fund IV. The contract is in place.
- The educational session was tentatively scheduled for January 21, 2015, to be held at the John Ferraro Building. Staff will work with the Retirement Board President on an agenda.

**17. Future Agenda Items**

There were no requests for future agenda items.

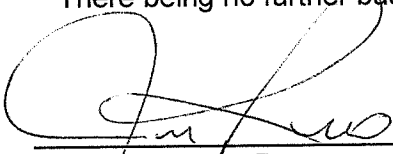
The Board met in Closed Session at 10:30 a.m. to discuss the following:

**14. CLOSED SESSION PURSUANT TO GOVERNMENT SECTION CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE PARTICULAR, SPECIFIC PENSION FUND INVESTMENT**

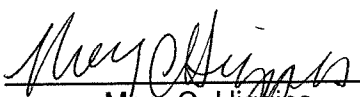
**15. CLOSED SESSION PURSUANT TO GOVERNMENT SECTION CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE PARTICULAR, SPECIFIC PENSION FUND INVESTMENT**

The Board reconvened in Open Session at 11:09 a.m.

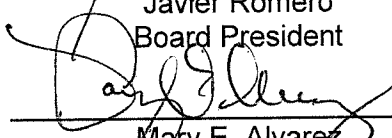
There being no further business, the meeting adjourned at 11:10 a.m.

  
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Javier Romero  
Board President

3/25/15  
Date

  
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Mary C. Higgins  
Assistant Retirement Plan Manager

3/25/15  
Date

  
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Mary E. Alvarez  
Utility Executive Secretary

3/25/15  
Date