

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

MINUTES

FEBRUARY 12, 2014

Board Members Present:

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

Board Members Absent:

Javier Romero, President
James B. McDaniel, Interim General
Manager
DWP Commissioner – Vacant

Staff Present:

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

Others Present:

Marie McTeague, Deputy City Attorney

Vice President Poole called the meeting to order at 9:04 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

Neil Rue, Pension Consulting Alliance, Inc., acknowledged Ms. Bhatia on her upcoming retirement.

1. **Investment Reports for November 2013**
 - a) **Summary of Investment Returns as of November 30, 2013**
 - b) **Market Value of Investments by Fund and Month as of November 30, 2013**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of November 30, 2013**
 - d) **Summary of Contract Expirations**

2. **Report on BNY ConvergeX**

Mr. Wolfson reported that staff would return to the Board with a formal report for discussion and action at the next meeting.

3. **Discussion of Convergent Hedge Fund of Funds Investment Guidelines**

Mr. Wolfson presented the report to adopt changes to the Manager Specific Investment Guidelines for the Plan's Convergent Hedge Fund of Funds manager, Morgan Stanley Alternative Investment Partners (Morgan Stanley AIP), to clarify the intent of the existing language regarding Morgan Stanley AIP's available liquidity for redemptions.

Mr. Rozanski moved that the Board approve Resolution No. 14-63; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Poole, Rozanski

Nays: None

Absent: Romero, McDaniels

THE MOTION CARRIED.

4. Presentation by Pension Consulting Alliance, Inc. – Private Equity 2014 Strategic Plan

Tad Fergusson and Mike Moy from Pension Consulting Alliance (PCA) presented the Private Equity Investment Plan.

Mr. Fergusson reported the investment plan provided an overview of the program's progress since inception in 2005. He noted approximately \$395 million of commitments had been made across 16 partnerships, and projected the program to have a net asset value of approximately \$160 million as of year-end.

Mr. Fergusson reviewed the program's history, commitments, and cash flow activity. He also described three scenarios of total portfolio growth and how that growth would affect the relative allocation levels.

He ended with PCA's recommendation of a target commitment of \$150 to \$175 million in 2014 for the Retirement Fund, and \$25 to \$30 million per year for the Health Fund.

5. Annual Presentation by Loomis, Sayles & Co. – High Yield Fixed Income Manager

Chad Gross and Matthew Eagan from Loomis, Sayles (Loomis) updated the Board on the organization, performance, and discussed the firm's outlook.

Mr. Eagan reported on the investment process, the firm's team, and the Plan's guidelines. He also reported the gross returns for 2013 slightly exceeded the benchmark. He reviewed the annualized returns and reported performance goals were met over the five-year period.

He reviewed the portfolio characteristics and noted the yield was consistent with the index. He also reviewed the portfolio's interest rate sensitivity. His presentation also included a currency summary and opportunities for future investment.

6. Annual Presentation by Wells Capital Management – High Yield Fixed Income Manager

Steve Scharre and Niklas Nordenfelt presented Wells Capital Management's (Wells Capital) annual report. Mr. Scharre provided an organizational update and reviewed the compliance and account history.

Mr. Nordenfelt reviewed the investment team, market environment, portfolio performance, and outlook. He reported the portfolio had strong absolute returns in 2013 but lagged the benchmark. He explained the portfolio exceeded the benchmark on a risk-adjusted basis, because of its lower volatility. He noted the performance is consistent with their style where they lag in strong years.

7. Discussion of Retirement Plan Manager Position

Ms. Bhatia stated that the report was presented at the request of Mr. Romero. She reported that a nomination was required for interim appointment of the Retirement Plan Manager process. Mary Higgins was offered and accepted the nomination. She also stated that the exam process would be administered through the Personnel Department and DWP Employment Services and staff would receive regular updates. The support staff of the General Manager's office would process the interview packages.

Mr. Poole inquired on the Retirement's Board's inclusion in the process. Ms. Bhatia stated that the Retirement Board would receive regular updates, according to past practices which were based on the City Attorney's opinion that the appointment would be made by the General Manager. Mr. Poole requested information on the Retirement Board's input to the process, proactively versus reactively to the process. Ms. Bhatia advised that she would forward the request to employment services.

In response to an inquiry from Ms. Bogin, Ms. Bhatia advised that Ms. Higgins had received an emergency.

Mr. Rozanski acknowledged Ms. Bhatia on her retirement and thanked her for her service to the Retirement Board.

8. Retirement Plan Manager's Comments

Ms. Bhatia reported on current and pending RFPs:

- Custodian
- Global Fixed Income
- U.S. Bank Loans
- Transition Bench RFI
- General and Private Equity Consulting
- Commission Recapture
- Small Caps Frontier Capital

Ms. Bhatia reported on the following

- 1099s were sent out a couple of weeks ago
- Staff is in the maintenance phase for the Membership Module, Estimate Module, and Payroll Module of the system
- Web fees were being worked on in terms of specifications
- Ethics and Fiduciary Training for Retirement Board Members to be presented at the next meeting
- Retiree and Active Employees Newsletters were mailed

9. Future Agenda Items

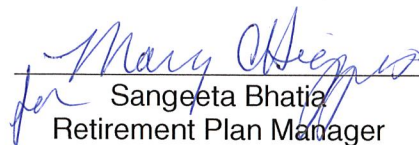
Mr. Poole requested that staff prepare the emerging manager educational piece for the new General Manager.

There being no further business, the meeting adjourned at 10:08 a.m.



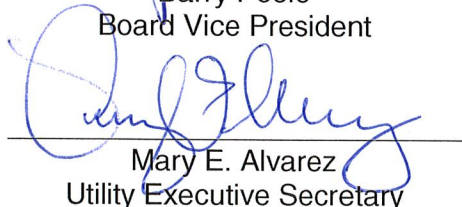
Barry Poole
Board Vice President

5/14/14
Date



for Sangeeta Bhatia
Retirement Plan Manager

5/14/14
Date



Mary E. Alvarez
Utility Executive Secretary

5/14/14
Date