

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

MINUTES

MAY 28, 2014

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
LaTanya Bogin, Regular Member
Marcie L. Edwards, General Manager

Board Members Absent:

Mario Ignacio, Ch. Accounting Employee
Mel Levine, DWP Commissioner
Robert Rozanski, Retiree Member

Staff Present:

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

Others Present:

Marie McTeague, Deputy 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.

1. Approval of Minutes of the March 26, 2014, Regular and Special Meetings

Ms. Higgins requested that the Minutes of the Regular meeting be amended as follows:

Page 1a.5, paragraph two:

Mr. Manning stated that the City Attorney's Office had previously opined on the matter. He later stated the City Attorney would provide the information requested.

2. Termination of Monthly Allowance from the May 2014 Retirement Roll

Ms. Bogin moved that the Board approve Items 1 (as amended) and 2; seconded by Ms. Edwards.

Ayes: Bogin, Edwards, Poole, Romero

Nays: None

Absent: Ignacio, Levine, Rozanski

THE MOTION CARRIED.

3. Report of Payment Authorizations for April 2014

4. Notice of Deaths for April 2014

5. **Investment Reports for April 2014**
 - a) **Summary of Investment Returns as of April 30, 2014**
 - b) **Market Value of Investments by Fund and Month as of April 30, 2014**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of April 30, 2014**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of May 20, 2014**

Ms. Bogin moved that the Board approve Items 3 through 6; seconded by Mr. Poole.

Ayes: Bogin, Edwards, Poole, Romero

Nays: None

Absent: Ignacio, Levine, Rozanski

THE MOTION CARRIED.

7. Discussion of Annual Evaluation of City Attorney Services

Mr. Romero requested that the item be held to allow for full Board participation on the matter.

8. Discussion of Establishing Contracts to Hire Outside Fiduciary Counsel

Ms. Higgins presented the report to establish contracts to hire outside fiduciary counsel. In response to an inquiry from Mr. Poole, Ms. Higgins advised that Klausner and Kauffman did not submit a proposal.

Mr. Poole stated that he did not recall the Retirement Board declining participation in the process of selecting the fiduciary counsel.

Ms. Higgins stated that although she did not recall, she did know that a resolution was not adopted; however, her understanding was that was a decision made by the Retirement Board, at the time. She also stated that the Requests for Proposals (RFPs) were going out for three types of outside counsel (fiduciary, alternative investment, and real estate) and the Retirement Board did not participate in any of the three; however, the Plan had contracted in alternative investment, and real estate with the firms selected through the RFP process conducted by the City Attorney, LACERS, and Pensions.

Mr. Poole stated that he recalled not being allowed as part of the process, but now sees that Fire and Police Pensions and the others were part of the process. He also stated that the Retirement Board does wish to participate in the selection process for fiduciary counsel.

Ms. Higgins concurred with Mr. Romero's recollection that the Retirement Board decided to have its own separate process for fiduciary, alternative investment, and real estate counsel; however, that process did not transpire. She stated that historically when the Board wanted to participate, two staff members would be assigned to sit-in on the interviews. However, her recollection was that the Retirement Board wanted to have its own process; however, that process did not transpire. Ms. Higgins also stated that staff is in need of fiduciary counsel for various matters and the Retirement Board may need the services in the future for other items, including training.

Ms. Edwards inquired on the records on file of said decision made by the Retirement Board.

Ms. Higgins stated that staff would need to search the Minutes.

Mr. Romero requested that the item be held to allow staff to obtain additional background information to present to the Retirement Board.

Mr. Poole agreed and requested to be a part of the interview process for fiduciary counsel, and also consider emergency approval, as needed.

Ms. Higgins stated that should the Retirement Board decide to go with the proposed law firms, the Retirement Board could talk to the three law firms and decide which one would provide ad hoc services. She stated that staff would return the report to the Retirement Board and include the suggestions that were made at the meeting.

The item was held.

9. Discussion of Request for Information for Actuarial Consulting Services

Ms. Carranceja presented the report to recommend the Retirement Board interview the three finalist respondents to the Plan's Request for Information (RFI) for Comprehensive Actuarial Consulting Services. Ms. Carranceja detailed the background for the RFI and explained the RFI sought two types of responses: comprehensive actuarial services and actuarial audit services.

10. Presentation by Pension Consulting Alliance, Inc. – 2014 First Quarter Performance Report

Neil Rue of Pension Consulting Alliance, Inc., (PCA) reviewed the Plan's portfolio performance for the first quarter of 2014 and reported the returns were up 1.5%, underperformed the policy by a decent margin. He reported the 1-year period was up 13.6% outperforming the policy benchmark of 13.0%, almost top quartile results for the year-ending March. Results were similar for the Health Plan. He also reported that over the last five years the portfolio has produced absolute returns that were in excess of the assumed actuarial rate of return.

Mr. Rue also discussed the economic and market overview, the performance attribution tables for the Retirement Plan vs. Policy Benchmark and Median Public Fund for the first quarter of 2014 and the trailing 12-month period. He reviewed the Retirement Plan performance and the investment manager performance advising that all domestic equity investment managers underperformed their benchmark. He also advised that the majority of international equity managers, fixed income managers, real return managers, private equity and real estate managers had also outperformed their benchmark.

12. Retirement Plan Manager's Comments

Ms. Higgins reported on the following:

- City Attorney Services – The Retirement Office is currently being charged for services, other than salaries.
- Controller's Office will begin the five-year audit, as required by the City Charter, in August or September.
- Increased Retirements has created a backlog on estimates.
- Notebooks – No new word on the notebooks that have been chosen by the Department to be office standard.

Mr. Romero requested to receive a report on the City Attorney service fees, as part of the regular agenda package. Ms. Higgins advised that the fees were annual and staff would include a report once the fees were paid.

13. Future Agenda Items

Mr. Poole requested an agenda item be included to discuss the Retirement Plan Manager position hiring process and status.

Miss Higgins stated that the examination for Retirement Plan Manager did open and the applications were due by June 6, 2014.

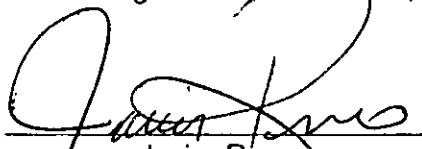
The Board met in Closed Session at 9:32 a.m. to discuss the following:

- 11. **CLOSED SESSION PURSUANT TO GOVERNMENT SECTION CODE SECTION 54956.9(a) – To Confer with Legal Counsel Regarding Pending Litigation in the United States District Court Case of *In re Bank of New York Mellon*, Case Number 12 MD 2335 LAK (SDNY)**

The Board met back in Open Session at 10:04 a.m.

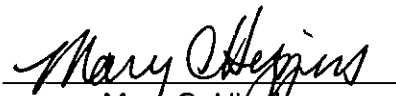
Mr. Romero reported that the Retirement Board took no action in Closed Session.

There being no further business, the meeting adjourned at 10:04 a.m.



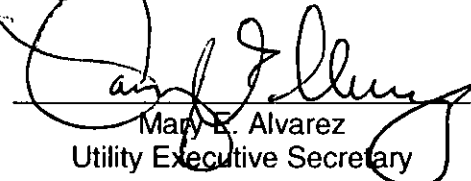
Javier Romero
Board President

6/11/14
Date



Mary C. Higgins
Interim Retirement Plan Manager

6/11/14
Date



Mary E. Alvarez
Utility Executive Secretary

6/11/14
Date