

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

MINUTES

May 14, 2014

Board Members Present:

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

Board Members Absent:

DWP Commissioner – Vacant

Staff Present:

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

Others Present:

Marie McTeague, Deputy City Attorney

Mr. Romero called the meeting to order at 9:06 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 Office employee Melissa Soo Hoo, who was hired to the classification of Investment Officer I in the Investments Section.

- 1. Approval of Minutes of the February 12, 2014, Regular Meeting**
- 2. Termination of Monthly Allowance from the April 2014 Retirement Roll**

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

*Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski
Nays: None
Absent: None*

THE MOTION CARRIED.

Mr. Ignacio arrived to the meeting at 9:09 a.m.

- 3. Report of Payment Authorizations for March 2014**
- 4. Notice of Deaths for March 2014**

5. **Investment Reports for March 2014**
 - a) **Summary of Investment Returns as of March 31, 2014**
 - b) **Market Value of Investments by Fund and Month as of March 31, 2014**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of March 31, 2014**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of April 8, 2014**

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

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

7. Discussion of Pension Consulting Alliance, Inc., Contract

Mr. Vargas presented the report to approve the resolutions to extend the contract with Pension Consulting Alliance, Inc. (PCA), for general and private equity consulting services for an additional six months beginning July 1, 2014, through and including December 31, 2014. Mr. Wolfson advised that PCA would not be raising their fees for this extension.

Mr. Poole moved that the Board approve Resolution Nos. 14-82 and 14-83; seconded by Mr. Ignacio.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

8. Discussion of Extension of Contract for Custodian Services

Mr. Wolfson presented the report to extend the Plan's custodian contract with the Bank of New York Mellon under the existing terms and conditions for a period of up to three months pending completion of the transition of the Plan's assets to Northern Trust Company, the Plan's new custodian bank.

Mr. Rozanski moved that the Board approve Resolution No. 14-84; seconded by Mr. Poole.

Ayes: Bogin, Edwards, Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: None

THE MOTION CARRIED.

9. Discussion of Global Fixed Income Request for Proposal Status

Mr. Wolfson presented a brief report on the history for the 2014 Fixed Income manager search currently in progress and the ongoing RFP progress. Mr. Wolfson introduced Kate Cesarani of PCA to present further updates.

Ms. Cesarani updated the Retirement Board of the ongoing 2014 Fixed Income manager searches, presenting PCA's report detailing a listing of respondents to the RFP, those failing to meet the criteria,

possible combination of the Global/Multiverse Credit and Global High Yield sub-components, and a timeline for the remainder of the search.

10. Presentation by Courtland Partners, Ltd. – 2013 Fourth Quarter Real Estate Performance Report

Mr. Romero acknowledged Stanley Kim from Courtland Partners, Ltd.

Mr. Kim reported the Plan's real estate portfolio was valued at over \$322 million as of December 31, 2013, which represented approximately three percent of the Plan's entire portfolio. Including the unfunded commitment, the portfolio is approximately five percent in real estate for the Plan. Mr. Kim also stated that the portfolio closed very strong at the end of the year with a performance of 16.2 percent of gross returns, seven percent of which was generated in the form of income. He stated that during the 2014 strategy meeting in the first quarter, one of the primary objectives for the Plan was to increase or maintain the current income returns. Since inception the Real Estate portfolio has income returns of over six percent, the goal is being met and the portfolio is on the right track.

Mr. Kim summarized the portfolio investment net returns, the total gross returns vs. benchmarks, and portfolio risk/return profile. He also summarized the investment structure and geographic diversification stating that the industrial exposure was expected to increase to approximately 17 percent when Prologis gets funded.

Public Comment

Mr. Romero re-opened Public Comment to acknowledge Sangeeta Bhatia, Retirement Plan Manager, on her retirement from City service.

11. Annual Presentation by T. Rowe Price – Large Cap Growth Manager

The Retirement Board acknowledged John Plowright and Robert Sharps of T. Rowe Price. Mr. Sharps noted that the portfolios were up approximately 0.3 percent in the first quarter, trailing the benchmark by 90 basis points. For the year ending March 31, 2014, the portfolio was up between 33 and 34 percent ahead of the benchmark by 1,000 basis points; the three year number was 232 basis points of annualized excess performance, bringing the since inception number to 0.57 basis points in excess returns. Mr. Sharps also presented a brief review of the market outlook and future performance.

12. Annual Presentation by Fred Alger – Large Cap Growth Manager

Mr. Romero acknowledged Peter Latara and Daniel Chung of Fred Alger Management, Inc.

Mr. Latara acknowledged the firm's 50th anniversary and the ten-year anniversary working for the Retirement Plan. Mr. Chung provided an overview of the firm and reviewed their management style and investing process. He reported the firm's investment strategy and process continued to concentrate on dynamic and change in the industry maximizing return and minimizing risk through a vigilant portfolio monitoring. He stated that the portfolio had outperformed the benchmark by 492 basis points gross-of-fees for the quarter ending March 31, 2014. He also discussed the performance review of the sector weightings and characteristics. In response to an inquiry from Mr. Romero regarding investing in Apple, Mr. Chung stated that Apple was a very attractive investment, however, due to a lull in product development and a changing management, they would monitor for future investment.

13. Review of the City Attorney Evaluation Policy

This item was deferred to a future meeting.

14. Retirement Plan Manager's Comments

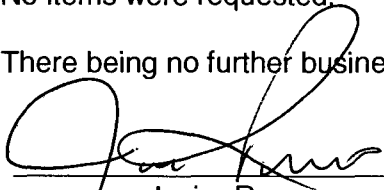
Ms. Higgins reported on the following:

- Penfax update – continuing to develop the last few modules and Tier 2 additions
- Staffing continues to be an issue, in particular Sr. Clerk Typist
- Retirement Board photos will be taken in the near future
- RFP update – Fixed Income and Actuarial finalists to be presented at the next meeting
- The Department's ITS Division is expected to release their recommendations for the purchase of iPads for Retirement Board members sometime in the summer.

15. Future Agenda Items


No items were requested.

There being no further business, the meeting adjourned at 10:13 a.m.



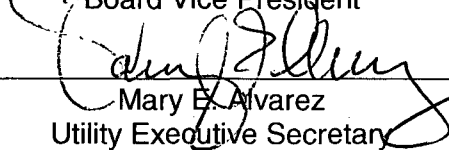
Javier Romero
Board Vice President

12/22/14
Date



Mary C. Higgins
Interim Retirement Plan Manager

12/22/14
Date



Mary E. Alvarez
Utility Executive Secretary

12/22/14
Date