

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

**MINUTES**

**January 28, 2015**

**Board Members Present:**

Javier Romero, President  
Barry Poole, Vice President  
LaTanya Bogin, Regular Member  
Robert Rozanski, Retiree Member

**Board Members Absent:**

Marcie L. Edwards, General Manager  
Mario Ignacio, Chief Accounting Employee  
Mel Levine, LADWP Commissioner

**Staff Present:**

Linda P. Le, Retirement Plan Manager  
Mary C. Higgins, Assistant Retirement Plan Manager  
Monette Carranceja, Assistant Retirement Plan Manager  
Jeremy Wolfson, Chief Investment Officer  
Mary E. Alvarez, Utility Executive Secretary  
Lori Lee, Senior Clerk Typist

**Others Present:**

Alan Manning, Assistant City Attorney  
Theresa Patzakis, Sr. Asst. City Attorney

President Romero called the meeting to order at 9:05 a.m.

Ms. Le 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 Lori Lee, who was hired to the classification of Senior Clerk Typist in the Administration Section, effective January 26, 2015.

Mr. Manning introduced Senior Assistant City Attorney Theresa Patzakis, who will occasionally be attending Retirement Board meetings.

Mr. Romeo announced that Retiree Member Robert Rozanski would be resigning his seat on the Retirement Board after four years of service and presented Mr. Rozanski with a resolution of appreciation. Mr. Romero expressed his gratitude for Mr. Rozanski's service and contribution to the Retirement Board and the Plan during his tenure and extended best wishes in his future endeavors.

- 1. Approval of Minutes of the August 13, 2014, Regular Meeting**
- 2. Termination of Monthly Allowance from the January 2015 Retirement Roll**

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

*Ayes: Bogin, Poole, Romero, Rozanski*

*Nays: None*

*Absent: Edwards, Ignacio, Levine*

**THE MOTION CARRIED.**

**3. Report of Payment Authorizations**

- a) **November 2014**
- b) **December 2014**

**4. Notice of Deaths for December 2014**

**5. Investment Reports for November 2014**

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

**6. Report on Status of Insurance as of January 7, 2015**

**7. Fourth Quarter 2014 Benefits Group Workload Statistics**

*Mr. Rozanski moved that the Board approve Items 3 through 7; seconded by Ms. Bogin.*

*Ayes: Bogin, Poole, Romero, Rozanski*

*Nays: None*

*Absent: Edwards, Ignacio, Levine*

*THE MOTION CARRIED.*

**8. Presentation by Courtland Partners – 2014 Third Quarter Real Estate Performance Report**

President Romero acknowledged Stanley Kim and Robert Negrelli of Courtland Partners.

Mr. Negrelli reported that the real estate portfolio contributed an additional \$24.5 million, bringing the total to just under \$400 million. Performance was strong at 1.9%, but slightly below expectation, due primarily to the public real estate securities portion of the portfolio. Two investments make up 11% of the portfolio, Dimensional Real Estate and Heitman Real Estate Securities, which were down 4% and 4.1%, respectively, for the quarter. However, the real estate index is up 8.8% through December 31, 2014, so they expect the numbers to improve over the next quarter. The other main driver of the portfolio was the core real estate investments, including Invesco, JP Morgan, and Prudential/PRISA, which were collectively up 2-3% each, representing 43% of the portfolio. Fourth quarter outlook for those funds is projected at 3%, so a positive quarter can be expected.

Mr. Negrelli summarized that in total, performance was just slightly below the benchmark at 2.4% on a gross basis versus 2.8%; however, they expect a stronger fourth quarter due to positive returns from both the public real estate and the core open-ended funds.

Mr. Kim provided an update on the commercial real estate market on a national level, detailed under the Market Conditions. He discussed the first graph showing the level of demand for commercial real estate in the U.S., especially for core real estate, which is considered the most stable properties in the major markets across the country. In the ODCE, which is the open-ended core real estate equity index that contains a collection of roughly 21 funds including JP Morgan's Strategic Properties Fund and Invesco's Core Real Estate fund are included in the portfolio. There is currently a queue of approximately \$10.9 billion that is waiting to be invested into these funds.

Mr. Kim stated that this shows the strong level of demand since the beginning of the recovery period, which is broad based in terms of domestic and foreign institutional investors. As a result, there is downward pressure on cap rates. The NCREIF data shows the cap rates, which is the income over the property value, continuing to trend downwards since the spike in 2009 due to the recovery in the

market. However, the spread between cap rates and the ten-year U.S. Treasury is currently roughly 250 basis points, which is in line with historical averages and indicates that everything is properly valued from a spread standpoint.

**9. 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 considered later in the meeting.

**10. Retirement Plan Manager's Comments**

Ms. Le reported on the following:

- Thanks to the hard work and diligence of Staff, over 9,000 1099s, including hundreds of manual ones, were completed and mailed out on Friday, January 23, 2015, along with the W-2s for Permanent Total Disabilities.
- Mr. Timothy Hemming has been appointed to replace Mr. Rozanski, effective January 29, 2015, and his term will end on June 30, 2017. He will be present at the next Retirement Board meeting.
- The process to elect the three active representatives for the Los Angeles Department of Water and Power (LADWP), one each for Water, Power, and Joint, is underway. The appointments will be for three-year terms beginning on May 1, 2015. The first day to obtain nominating petitions will be February 23, 2015. Those interested in running for the election will need to obtain signatures from 100 to 200 active LADWP employees. The nomination forms need to be turned into the City Clerk's Office by March 6, 2015, and ballots will be sent out to active employees in the month of March for voting. Ballots will be tallied in April, and the new Board should be elected by April 17, 2015.
- Following up on the request from the last meeting for more information on the Management Audit, Staff is continuing to work with the Controller's Office to review details of the contract which is still under review by the vendor. The expected start date for kickoff is February, which will include a meeting with the Retirement Board and staff to go over the objectives and to review recommendations from the prior audit. Executive staff is going over all prior recommendations from the previous report to provide a status on the progress in implementing the recommendations. The objectives will cover activities from July 2007 through June 2012, in order to see if the Plan has been managed in an effective, efficient, and economical manner. A full report will be provided at a future Retirement Board meeting.
- Annual accomplishments include:
  - The Benefits Group implemented Tier 2.
  - Updated domestic partnership requirements to comply with regulations.
  - Increased the capacity of pre-retirement seminars by holding additional and larger classes.
  - Implemented the Retirement Information System, presented to the Board at the last meeting, which provides an online calculator for members.
  - The Investments Group has hired seven new managers for private markets and three for public markets, totaling over \$290 million.
  - Saved \$5.6 million by negotiating down fees on contracts.
  - Restructured fixed income portfolios and revised several policies including the watch status criteria for commodities mandate, the private equity investment policy, and the commodities mandate.
  - Staffing: twelve new hires this year, three promotions, and two retirements.
  - Implemented GASB 67.
  - Processed fourteen CPRA requests.
  - Scanned and indexed over 13,000 documents, which are now available online and moves the Retirement Office closer to its goal of having an online records retention

system and a disaster recovery program. Once the entire system is rolled out, employees will have greater online access to their own data.

- o Ms. Le expressed her appreciation to Mr. Reggie Brewer for all the technical support he has provided to the Retirement Board at the meetings for the past year.

President Romero thanked Mr. Hemming for volunteering his service and stated that he would be formally introduced at the next meeting.

### 11. Future Agenda Items

No items were requested.

The Board met in Closed Session at 9:23 a.m. to discuss the following:

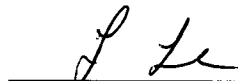
9. **CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81** to Consider the Purchase of One Particular, Specific Pension Fund Investment and Possible Board Action

The Board reconvened in Open Session at 10:10 a.m.

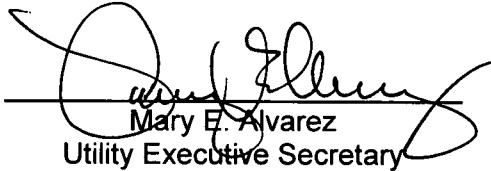
There being no further business, the meeting adjourned at 10:11 a.m.

  
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Javier Romero  
Board President

2/11/15  
Date

  
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Linda P. Le  
Retirement Plan Manager

2/11/15  
Date

  
\_\_\_\_\_  
Mary E. Alvarez  
Utility Executive Secretary

2/11/15  
Date