

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

MINUTES

February 11, 2015

Board Members Present:

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

Board Members Absent:

Mel Levine, LADWP Commissioner

Staff Present:

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

Others Present:

Marie McTeague, Asst. City Attorney

President Romero called the meeting to order at 9:04 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 and provided a brief biography for new Retirement Board retiree member Timothy Hemming. He welcomed Mr. Hemming on behalf of the Retirement Board and thanked him for his service to the Department and the Plan.

Mr. Romero noted for the record that for Consent Item 1, the August 27th Regular meeting agenda, the year should be 2014. This date is reflected in the actual minutes.

1. Request for Approval of Minutes:

- a) **August 27, 2014, Regular Meeting**
- b) **January 28, 2015, Regular Meeting**

Mr. Poole moved that the Board approve Item 1; seconded by Ms. Bogin.

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

Nays: None

Absent: Levine

THE MOTION CARRIED.

2. Investment Reports for December 2014

- a) **Summary of Investment Returns as of December 31, 2014**
- b) **Market Value of Investments by Fund and Month as of December 31, 2014**
- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of December 31, 2014**

Mr. Poole moved that the Board approve Item 2; seconded by Mr. Hemming.

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

Nays: None

Absent: Levine

THE MOTION CARRIED.

3. Report of the Benefits Committee Meeting of February 2, 2015

Ms. Higgins stated that this item was to notify the Retirement Board that the Benefits Committee met and took action on the appeal of a member. She stated the resolution was approved to provide additional benefits to that member. Ms. Higgins stated similar items would be included on future agendas under Received and Filed.

4. 2015 Management Audit of the Water and Power Employees Retirement Plan

Ms. Carranceja presented information about the pending Management Audit of the Plan, as required by the Los Angeles City Charter pursuant to Section 1112(a). She described the overall objective and scope of the audit, and the timeline. Ms. Carranceja stated that the City Controller's office advised that the contract has not yet been finalized. The Controller's Office selected Hewitt EnnisKnupp, Inc., to conduct the management audit for the Plan. The contract is targeted to be in place by late February.

Mr. Romero inquired whether the same firm conducted the 2009 audit. Ms. Carranceja stated that it was not; however, the same firm did complete the audit for Los Angeles Fire and Police Pension (LAFPP) system.

Ms. Edwards inquired if the Retirement Board had previously been provided a response to the recommendations to the 2009 audit. Ms. Le stated that staff was currently reviewing all 148 recommendations and preparing a report on the status of implementing the recommendations, which would be presented to the Retirement Board within the next two meetings.

Ms. Edwards asked if combining all three retirement plans (Water and Power Employees' Retirement Plan, Los Angeles City Employees' Retirement System, and LAFPP) had been previously contemplated. Ms. Le stated that in the current recommendations for the other two plans, the new recommendation was that the cost savings of combining the three plans was minimal.

Mr. Romero noted that the audit recommendations were just recommendations, and that the Retirement Board was not required to act on them. He added that the Retirement Board has a fiduciary duty for the administration of the Plan, and a responsibility to respond to the recommendations.

5. Annual Presentation by Frontier Capital Management – Small Cap Growth Equity Manager

Mr. Romero acknowledged Leigh Anne Yoo and James Colgan from Frontier Capital Management, Co., LLC.

Ms. Yoo provided an overview of the firm, its stability, strategy, and investment philosophy. She stated that the portfolio underperformed the benchmark by 1.9% since inception in 2010. She discussed the difficult environment that Frontier had faced since inception of the portfolio, and the improvement in the environment.

Mr. Colgan stated that the Plan's accounts did beat the index on a gross of fees return last year, and slightly below on a net of fees return basis. He discussed risk metrics and reviewed excess returns over rolling one-year periods for the past 15 years.

Mr. Romero inquired how much the underperformance percentage would change if net returns were reported instead of gross returns. Mr. Colgan stated that it would only remove about 1% on a net basis. Mr. Romero stated that for the Plans' reports, it is beneficial to see net returns and requested they be included on future reports.

Mr. Poole inquired what the restrictions were on the Plan's portfolio that was preventing improved returns. Mr. Colgan stated the main restriction was that the company needed to be headquartered in the United States (U.S.). The two companies the firm owns in the portfolio that have done very well were based outside the country, although most of their personnel are in the U.S. Ms. Yoo added that all the companies their firm purchases are traded on the U.S. stock exchange.

Mr. Wolfson stated that Frontier was no longer on watch status. Rather, the Retirement Board had made the decision to terminate the contract; however, Frontier would be allowed to reapply as it had been showing a trend of recovery. He stated a Request for Proposal went out and responses were received in the past week. The Retirement Board would be presented a list of potential candidates, which could include Frontier, to be considered within the next few months.

Mr. Poole requested that upon their return, Frontier present a chart showing their ranking among small cap growth over the past ten years.

6. Annual Presentation by Earnest Partners – Small Cap Value Equity Manager

Mr. Romero recognized Margaret Wright and Jessie Magee of Earnest Partners.

Ms. Wright provided a brief overview and update on their firm and its investment philosophy and strategy. She stated that in 2014 the markets were positive and the Plan's portfolio did very well. This was due to a strong economy, including an increase in consumer spending and a decrease in unemployment rates.

Mr. Magee discussed the firm's investment philosophy and objectives. He stated the Portfolio was up 10.5% on a net of fees basis which was 620 basis points of excess return for the year. Since inception the Portfolio added approximately \$95 million in value over the last eleven years. He stated the Retiree Health Benefits Plan added approximately \$11.2 million over the past five and a half years.

7. Retirement Plan Manager's Comments

Ms. Le stated that although there was nothing to report, she wanted to note it was the busiest time of year in the Retirement Office. February generally has the highest number of retirements, with March coming in second. As stated in the last meeting, the 1099s were just completed and staff was starting to work on COLAs and the management audit. She reported on plans to introduce new ideas in the Retirement Office, including a bigger presence throughout the Department, an update to the website, and various other outreach ideas.

Mr. Romero inquired if there was any reduction in the inquiries for retirement now that the online calculator had been implemented.

Ms. Le stated she had not really seen a reduction, as the calculator is still new and not a lot of people know about it yet. She stated there was a reduction in the number of retirements for March, but it was too soon to tell if it was an actual trend or if it was just an anomaly for this month until the numbers for April come in.

Ms. Edwards asked when the Tier II calculator would be available, as she had received some inquiries.

Ms. Le stated that the office was currently focused on the Tier I calculator, since it would affect the majority of employees. The next focus would be on an additional annuities calculator before work would begin on the Tier II calculator. She stated that staff was working closely with IT to set up kiosks or laptops at outreach events to demonstrate how to access and manipulate the calculator. There are also plans to present at the larger yards out in the field where the biggest impact can be made.

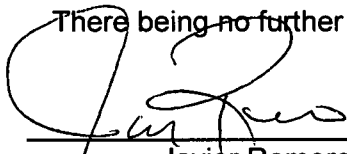
Mr. Ignacio asked when the minutes would be caught up, as he noticed a large backlog.

Ms. Le stated that the Administrative Section was now fully staffed, and moving forward minutes would be completed as the meetings occur. Ms. Alvarez is working to catch-up as quickly as possible, and hopes to do so by the end of March.

Ms. Edwards suggested a review of the minutes process to eliminate redundancy and duplication. The review would be to ensure that the process matches the objectives of the Retirement Board for the minutes.

8. Future Agenda Items

There being no further business, the meeting adjourned at 9:58 a.m.



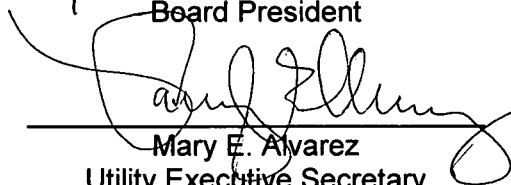
Javier Romero
Board President

2/25/15
Date



Linda P. Le
Retirement Plan Manager

2/25/15
Date



Mary E. Alvarez
Utility Executive Secretary

2/25/15
Date