

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

MINUTES

September 24, 2014

Board Members Present:

Javier Romero, President
LaTanya Bogin, Regular Member
Mario Ignacio, Chief Accounting Employee
Robert Rozanski, Retiree Member

Board Members Absent:

Marcie L. Edwards, General Manager
Barry Poole, Vice President
Mel Levine, DWP Commissioner

Staff Present:

Mary Higgins, Interim Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
William Feng, Chief Accounting Employee
Veronica Mendez, Utility Administrator

Others Present:

Marie McTeague, Deputy City Attorney

Mary E. Alvarez, Utility Executive Secretary

Mr. Romero called the meeting to order at 9:08 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 August 13, 2014, Regular Meeting

The item was held for the next meeting.

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

Mr. Ignacio moved that the Board approve Item 2; seconded by Mr. Rozanski.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED.

3. Report of Payment Authorizations for August 2014

The Agenda was corrected to reflect that there was no resolution for this item.

4. Notice of Deaths for August 2014

5. **Investment Reports for August 2014**
 - a) **Summary of Investment Returns as of August 31, 2014**
 - b) **Market Value of Investments by Fund and Month as of August 31, 2014**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of August 31, 2014**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of September 17, 2014**

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

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED.

7. **Presentation by Segal Consulting of Reports Regarding the Retirement Fund Valuation**
 - a) **Annual Actuarial Valuation of the Retirement Fund as of July 1, 2014**
 - b) **Increase in Employer Required Contributions for Fiscal Year 2014/15 to Reflect the Assumption Changes**

The item was held until later in the meeting.

8. **Presentation by Segal Consulting of the Retirement Fund Governmental Accounting Standard (GAS) 67 Actuarial Valuation as of June 30, 2014**

The item was held until later in the meeting.

9. **Discussion of the Annual Transfer of Funds from the Reserve for Investment Gains and Losses Account to the General Reserve Account**

Mr. Feng presented the report to approve the transfer funds from the Reserve for Investment Gains and Losses Account to the General Reserve Account, as required by the Plan.

Mr. Rozanski moved that the Board approve Resolution No. 15-17; seconded by Ms. Bogin.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED.

10. **Discussion of the Retirement Office Budget for Fiscal Year 2015-16**

Ms. Mendez presented the report to approve the Retirement Office Budget for Fiscal Year (FY) 2015-2016 and the 2015-2016 Annual Personnel Resolution (APR). She stated the budget was being presented early at the request of the Department, which incorporates the Retirement Office budget in its overall fiscal position, to assist in the process of formulating rate projections.

Ms. Mendez advised that due to the early submission, estimation of Department contributions would not be addressed in the proposed budget.

Ms. Mendez stated that staff was recommending an increase in the salary and expense budget of 12%, which were reflective of anticipated increased demand for services, increased cost of professional and investment management contracts, and to resume modest progress toward the Retirement Board's long-term goals and objectives. Detailed discussion ensued regarding the proposed budget.

Mr. Romero requested that staff continue to work with Labor Management to resolve any scanning issues, prior to entering into a scanning contract. Ms. Higgins stated they have initiated the process and they would see it to its conclusion.

Mr. Rozanski moved that the Board approve Resolution No. 15-18; seconded by Ms. Bogin.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED.

11. Discussion to Extend the Contract with the Plan's Commission Recapture Provider

Mr. Wolfson provided the background on the recommendation to extend the contract with ConvergeX Execution Solutions, LLC with the same terms and condition as the previous extension, for a period of six months ending March 31, 2014.

Mr. Rozanski moved that the Board approve Resolution No. 15-19; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED.

12. Presentation – Demonstration of Penfax System Functionalities

Ms. Carranceja stated that the Retirement Board had previously requested a demonstration of the Penfax System. She then acknowledged the efforts of the following staff: Lillian Pineda, Systems Section; Bradley Moe and Narina Davtyan, Membership Section; and Veronica Salumbides and Loryn Lam, Retirement Section. Ms. Davtyan presented the Membership portion of the presentation and Mr. Lam presented the Retirement portion of the presentation.

Mr. Romero inquired whether members would have the ability to access the program from home and would the numbers populate. Ms. Higgins stated that staff continues to develop the web application for active employees, as an option.

Ms. Carranceja also acknowledged Raymond Wong, Betty Hill, and Caryn Hoang of the Systems Staff for their efforts.

7. Presentation by Segal Consulting of Reports Regarding the Retirement Fund Valuation

- a) Annual Actuarial Valuation of the Retirement Fund as of July 1, 2014**
- b) Increase in Employer Required Contributions for Fiscal Year 2014/15 to Reflect the Assumption Changes**

Paul Angelo and John Monroe of Segal Consulting presented the reports of the Retirement Fund valuation. Mr. Monroe reported that the report reflects the actuarial assumption changes from the Actuarial experience study previously approved by the Board. He added that these assumption changes resulted in an increase in the required contribution rate by approximately 8.9% of compensation before reflecting the two-year phase-in. He also noted the investment return assumption was changed from 7.75% to 7.50%.

Mr. Monroe stated there was also a new Tier 2 in the valuation which showed a different benefit formula, different cost of living increase, final three-year average salary, and different member contribution rate reflected in the valuation, which represented approximately 105 members. He further discussed the unfunded actuarial liability for the year end, noting that the contribution rates were phased-in to the report; however, the liabilities were not phased-in.

Mr. Angelo gave a brief overview of the process and necessity of asset smoothing. Discussion ensued regarding actuarial versus market values.

Mr. Monroe and Mr. Angelo reviewed the phase-in process. Ms. Higgins noted for the record that there was an error on the recommendation on the staff report for the Tier 2 rate, but that the resolution was correct at 35.7% with the phase-in. Discussion ensued regarding contribution rates before phase-in, and required contribution made up front versus in the middle of the year.

Mr. Rozanski moved that the Board approve Resolution No. 15-15; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED

8. Presentation by Segal Consulting of the Retirement Fund Governmental Accounting Standard (GAS) 67 Actuarial Valuation as of June 30, 2014

Mr. Angelo stated the Plan had new reporting requirements under Governmental Accounting Standards Board (GASB). Mr. Monroe stated the report contained most of the information that the Plan would use to disclose in its financial statements. This would only affect what goes into the Plan's financial statements, but not Plan funding, contribution rates, or funding policies. Discussion ensued regarding GASB's rules and reporting standards.

Mr. Rozanski moved that the Board approve Resolution No. 15-16; seconded by Mr. Ignacio.

Ayes: Bogin, Ignacio, Romero, Rozanski

Nays: None

Absent: Edwards, Poole, Levine

THE MOTION CARRIED

13. Retirement Plan Manager's Comments

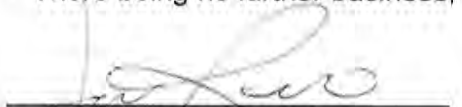
Ms. Higgins reported that asset transition to Northern Trust is complete. Mr. Wolfson acknowledged the hard work of staff in completing this process.

Ms. Higgins stated that new staff in the Retirement Plan Office would be introduced over the next two to three meetings

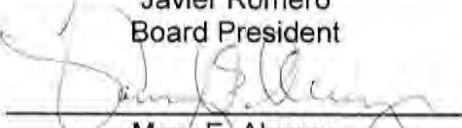
14. Future Agenda Items

No items were requested.

There being no further business, the meeting adjourned at 10:44 a.m.



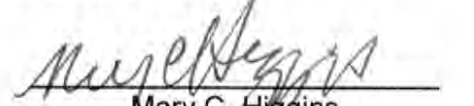
Javier Romero
Board President



Mary E. Alvarez
Utility Executive Secretary

3/11/15
Date

3/11/15
Date



Mary C. Higgins
Assistant Retirement Plan Manager

3/11/15
Date