

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

MINUTES

March 11, 2015

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
LaTanya Bogin, Regular Member
Timothy Hemming, Retiree Member
Mario Ignacio, Chief Accounting Employee

Board Members Absent:

Marcie L. Edwards, General Manager
Mel Levine, LADWP Commissioner

Staff Present:

Linda P. Le, Retirement Plan Manager
Mary Higgins, Assistant 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

Mr. Romero called the meeting to order at 9:02 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.

- 1. Request for Approval of Minutes:**
 - a) September 24, 2014, Regular Meeting**
 - b) January 14, 2015, Regular Meeting**
 - c) February 25, 2015, Regular Meeting**

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

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

- 2. Report on Fred Alger Management, Inc. – On-Site Due Diligence Visit**

- 3. Report on Vontobel Asset Management, Inc. – On-Site Due Diligence Visit**

Mr. Romero extended his appreciation to Investments staff Scott Vargas and Melissa Soo Hoo for conducting the site visits.

Mr. Hemming moved that the Board approve Items 2 and 3; seconded by Mr. Poole.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero
Nays: None
Absent: Edwards, Levine

THE MOTION CARRIED.

4. Discussion of Extension of Agreement with James Evans and Associates, Inc.

Ms. Le provided a brief overview of the contract extension with James Evans and Associates, Inc. (JEA). She stated this would extend the existing contract with JEA for an additional three years under the current terms to March 31, 2018. The extension is needed in order to complete many of the Tier 2 requirements, as well as several other functionalities of the Penfax system.

Ms. Le stated JEA's Board President recently left the company due to personal reasons. Jim Evans, CEO of JEA, recently took on the role of President and was now the direct contact for the Retirement Plan.

Mr. Hemming moved that the Board approve Resolution No. 15-55; seconded by Mr. Poole.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero
Nays: None
Absent: Edwards, Levine

THE MOTION CARRIED.

5. Discussion of Contract and Funding Status for the Two Extended Global Credit Fixed Income Managers

Mr. Wolfson provided a brief history and update on the two global credit managers hired in September 2014 to fund the new structure the Board approved for global fixed income. There were several delays that occurred, including lengthy contract negotiations due to legal provisions, but the contracts were signed in late January 2015. He stated that the Board also hired a bank loan manager in December 2014 for a dedicated bank loan mandate, for which the contract is still pending, and he further explained additional causes for the delays.

6. Presentation by Pension Consulting Alliance, Inc. – Private Equity Performance

Tad Ferguson and Mike Moy of Pension Consulting Alliance, Inc., presented the third quarter private equity performance report. Mr. Ferguson stated that the private equity program continues to grow and evolve. Performance improved over recent time periods, achieving 10.1% net internal rate of return at the end of the third quarter since inception, which was up from 8.2% one year prior.

Mr. Ferguson discussed the program's funded and unfunded commitments, and stated that absolute performance remains strong; however, it is underperforming the benchmark over all periods evaluated. Discussion ensued regarding portfolio diversity, program cash flows, and program partnerships.

7. Annual Presentation by MFS Investment Management, Inc. – Large Cap Value Manager

Mr. Romero acknowledged Carolyn Lucey and Kate Mead of MFS Investment Management, Inc. (MFS). Ms. Lucey discussed organizational updates within MFS and advised that none of the changes had an impact on the team managing the Plan's portfolio. She provided a portfolio overview of the last one year, stating that the portfolio was behind the benchmark on a one-year basis, but ahead on a since-inception basis.

Ms. Mead discussed sector performance, and stated that the Plan's portfolio was underexposed in two of the stronger markets segments due to downside risk and lack of durability and sustainability in many companies. She also discussed portfolio diversity and exposure, as well as performance drivers.

Mr. Romero inquired why Verizon and Apple were detractors in the portfolio. Discussion ensued regarding the long-term view of the stocks, the various concerns, and MFS' approach to existing investments.

8. Annual Presentation by T. Rowe Price Associates, Inc. – Large Cap Value Manager

Mr. Romero acknowledged John Plowright, Bill Nolan, and Mark Finn of T. Rowe Price Associates, Inc. (T. Rowe Price). Mr. Plowright presented an overview on T. Rowe Price over the past year, as well as a discussion of the assets under management.

Mr. Finn provided an update on management and equity research team changes affecting the Plan's portfolio. He discussed T. Rowe Price's investment philosophy and approach, as well as provided an overview of the market and the Plan's portfolio characteristics.

Mr. Nolan presented the total return performance of the Plan's portfolio. He stated that the one year performance was up 9.3% versus the Russell 1000 value of 8.7%. Since inception, the portfolio was up over 9% versus the Russell 1000 of 7.7%. He also discussed risk/return characteristics.

Reports for Reference:

9. Investment Reports for January 2015

- a) **Summary of Investment Returns as of January 31, 2015**
- b) **Market Value of Investments by Fund and Month as of January 31, 2015**
- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of January 31, 2015**

10. Retirement Plan Manager's Comments

Ms. Le reported on the following:

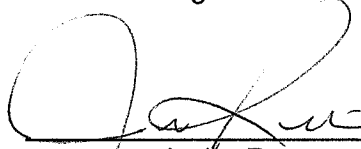
- In the closed session on January 28, 2015, the Retirement Board unanimously voted to commit up to \$50 million from the Retirement Fund (RF) and up to \$10 million from the Retiree Health Benefit Fund (RHBF) in EnCap Energy Capital Fund X. The fund closed on February 26, 2015. Due to oversubscription, \$37 million was subscribed from the RF, and \$7 million was subscribed from the RHBF.
- As a reminder to the Board, there is an all-day training scheduled for May 28, 2015.

- The new office hours for the Retirement Plan Office went into effect on Monday, March 9, 2015. The hours are now 7:00 a.m. to 4:00 p.m.
- Testing of direct deposit for employees on disability has been completed. It will be implemented on March 23, 2015, as scheduled.
- The nomination period for the three active members of the Retirement Board closed on Friday, March 6, 2015. There were three candidates, one from each of the systems. The election still needs to take place, as there is an opportunity for write-in candidates. Ballots are being worked on, and should be mailed out to employees shortly.
- Pursuant to the Retirement Board's request for a report on the recommendations provided by the previous management audit, a complete review of the 148 recommendations was done. To date, 65 of the recommendations were fully implemented and 33 were partially implemented. Fifty will not be implemented, some due to the lack of empowerment to implement them, others because the Retirement Board or staff decided it would not be prudent to implement. The results are comparable to what the Los Angeles City Employees' Retirement System and Los Angeles Fire and Police Pensions reported for their own recommendations.

11. Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 9:49 a.m.



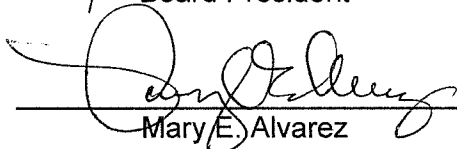
 Javier Romero
 Board President

3/25/15
 Date



 Linda P. Le
 Retirement Plan Manager

3/25/15
 Date



 Mary E. Alvarez
 Utility Executive Secretary

3/25/15
 Date