

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

**MINUTES**

**May 13, 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  
Monette Carranceja, Asst. Retirement Plan Manager  
Jeremy Wolfson, Chief Investment Officer  
Carlo Manjikian, Senior Investment Officer  
Scott Vargas, Senior Investment Officer  
Alex Lee, Investment Officer  
Ravi Sharma, Investment Officer  
Raymond Wong, Senior Systems Analyst  
Caryn Hoang, Programmer Analyst  
Mary E. Alvarez, Utility Executive Secretary  
Lori Lee, Senior Clerk Typist

**Others Present:**

Marie McTeague, Deputy City Attorney  
Josh Gellar, Deputy City Attorney  
Jim Napier, Deputy City Attorney  
Dr. Leslie Israel, Medical Director  
Deitra Fernandes, Director of HR  
Maureen Jaramillo, Utility Admin.

Mr. Romero called the meeting to order at 9:03 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 several new employees in the Retirement Plan Office (RPO). Vivian Chang and Michael Rodriguez were hired to the classification of Clerk Typist in the Disability Section, Oswaldo Beatriz was hired to the classification of Clerk Typist in the Administrative Section, and Roger Do and Charles Doble were hired to the classification of Clerk Typist in the Scanning Section. Joy Law promoted from Utility Accountant to Senior Utility Accountant in the Accounting Section.

Mr. Romero expressed his gratitude to the staff members who volunteered to participate in the RPO's outreach programs, and read into the record a letter of commendation submitted by a member who was appreciative of the professional service he received from staff.

- 1. Request for Approval of Minutes for April 8, 2015, Regular Meeting**
- 2. a) Termination of Monthly Allowance from the April 2015 Retirement Roll**
  - b) Termination of Frida Budnyatsky from the March 2015 Permanent Total Disability Roll**
  - c) Termination of Avelino B. Herrera from the March 2015 Permanent Total Disability Roll**

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

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

- 3. Report of Payment Authorizations for March 2015**
- 4. Notice of Deaths for March 2015**
- 5. Investment Reports for March 2015**
  - a) Summary of Investment Returns as of March 31, 2015**
  - b) Market Value of Investments by Fund and Month as of March 31, 2015**
  - c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of March 31, 2015**
  - d) Summary of Contract Expirations**
- 6. Report on Status of Insurance as of April 8, 2015**
- 7. Report on BlackRock Institutional Trust Company, N.A. - On-Site Due Diligence Visit**
- 8. Report on Wells Capital Management, Inc. – Core Fixed Income - On-Site Due Diligence Visit**

Mr. Romero expressed his gratitude towards the Investments staff for their work in conducting the due diligence site visits and preparing the reports.

- 9. Discussion of Proposed Plan Amendments to Add Medical Professionals Who Can Provide Medical Certification of Temporary Disability and Extended Temporary Disability**

Ms. Carranceja presented a report on the request to approve the Plan amendment to add additional medical professionals to the list of those who could provide medical certification for Temporary Disability. She stated that staff had conferred with the affected bargaining units, as directed, and both agreed to add four classifications to the list, although all medical certifications would continue to be reviewed by the Department of Water and Power's Medical Director.

Ms. Carranceja explained the three steps necessary to implement a Plan amendment, and stated that the Plan's actuary, Segal Consulting, had conducted a cost study and determined that the amendment would have no fiscal impact on the Plan.

Discussion ensued regarding the responsibilities of the Medical Director in verification of the medical certifications, and the procedure that would be followed in instances of discrepancy or disagreement.

*Mr. Hemming moved that the Board approve Resolution No. 15-66; seconded by Mr. Poole.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

## **10. Discussion of Waiver of Second Certificate of Permanent and Total Disability Under Certain Circumstances**

Ms. Le provided a background on the request to approve the waiver of a second certificate of Permanent Total Disability (PTD), under certain circumstances. She stated that in the event of a dispute or discrepancy, the Retirement Board has the right to request a second certificate of PTD, or to convene a Benefits Committee meeting.

Mr. Poole inquired if the waiver was only for PTD, or if it also included regular disability.

Ms. Le stated that it was only for PTD, since regular disability did not require a second certificate.

*Mr. Hemming moved that the Board approve Resolution No. 15-67; seconded by Mr. Poole.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

## **11. Discussion of Proposed Plan Amendments to Change the Regular Interest Rate**

Ms. Le presented the request to approve a Plan amendment to align the Regular Interest Rate with the investment return assumption.

*Mr. Hemming moved that the Board approve Resolution No. 15-68; seconded by Mr. Ignacio.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

## **12. Discussion of Proposed Plan Amendments to Change the Mortality Table and Interest Rate Used in the Calculation of Retirement Allowances and Conversion to Optional Benefits Amounts**

Ms. Le presented the request to approve a Plan amendment to change the mortality table and the credited interest rate used in the calculation of retirement allowances and conversions to optional benefits amounts.

*Mr. Hemming moved that the Board approve Resolution No. 15-69 commencing on page 12.4 (amended later in the meeting); seconded by Mr. Ignacio.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

**13. Discussion of Authorization of Funds for Segal Consulting to Complete Special Assignments Related to the Retirement Board Educational Session and the Pending Asset/Liability Study**

Ms. Carranceja provided a brief background on the request to authorize funds for Segal Consulting to conduct a training session for the Retirement Board on May 28, 2015, and to assist RVK, Inc. (RVK), the Plan's general consultant, with the pending Asset/Liability study.

*Mr. Hemming moved that the Board approve Resolution No. 15-70; seconded by Mr. Poole.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

Ms. Le requested that Item No. 12 be reopened for consideration. She explained that there were two Resolution alternatives for this item in case the Retirement Board requested a different effective date of the Plan amendment, other than the recommended date of May 1, 2016.

Mr. Romero stated that May 1, 2016, was not an unreasonable date, and called for a motion.

*Mr. Hemming moved that the Board amend the vote to approve the first option for Resolution No. 15-69, to adopt an operative date of May 1, 2016; seconded by Mr. Poole.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

**14. Discussion of Request for Proposal for Outside Tax Counsel**

Ms. McTeague provided a brief background on the request to approve the Request for Proposal for outside counsel to assist the City Attorney in providing tax law advice to the Plan.

Mr. Romero inquired if Retirement Plan Office staff would participate in the selection process.

Ms. McTeague confirmed that they would.

*Mr. Ignacio moved that the Board approve Item 14; seconded by Mr. Poole.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

**15. Discussion of a New Monthly Summary of Investment Returns Report**

Mr. Wolfson presented the new version of the monthly summary of investments report, and provided a brief background on the reasons for the change as well as the enhancements available in the new report.

Mr. Ignacio stated that while the graphic enhancements were appreciated, the layout of some of the tables made it difficult to interpret and suggested reworking the formatting of the report to make it easier to understand.

## **16. Discussion of Performance of Western Asset Management Company**

Mr. Wolfson provided a brief background on the performance watch history for Western Asset Management Company (WAMCO).

Mr. Vargas discussed staff's recommendation to remove WAMCO from watch status, and Mr. Lee presented an overview of WAMCO's improved performance since the watch period began.

Mr. Romero requested that the reports contain net figures as opposed to gross figures.

Mr. Wolfson stated that he had spoken with Pension Consulting Alliance, Inc. (PCA), at length regarding the matter, and the issue was that PCA had established the watch criteria in the Plan's investment policy on a gross basis. He agreed that viewing performance on a net basis would be more beneficial to the Retirement Board. RVK was in the process of conducting a thorough review of the investment policy, including the watch criteria, and would present its findings and recommendations for changes to the Retirement Board within the next few months.

*Mr. Hemming moved that the Board approve Resolution No. 15-71; seconded by Mr. Ignacio.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

## **17. Discussion of Contract Extension for Fred Alger Management, Inc., Large Cap Growth Equity**

Mr. Wolfson presented the request to extend the contract with Fred Alger Management, Inc. (Fred Alger).

Mr. Manjikian discussed staff's recommendation to extend the contract with Fred Alger, and provided a background on the Plan's history with the firm, as well as the results a due diligence site visit conducted by staff.

Mr. Sharma reviewed Fred Alger's performance and investment returns since inception.

Mr. Hemming inquired as to the discrepancy in the language regarding the termination clause as stated in the staff memo versus the language in the RVK memo.

Mr. Wolfson explained that the language in the staff memo was taken directly from the contract with Fred Alger, whereas RVK may have interpreted it differently in their summary.

*Mr. Hemming moved that the Board approve Resolution No. 15-72; seconded by Mr. Ignacio.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

**18. Annual Presentation by Vontobel Investment Management, Inc. – Emerging Markets Equity Manager**

Rajiv Jain and John Hauswirth from Vontobel Investment Management, Inc. (Vontobel), presented Vontobel's annual report to the Retirement Board.

Mr. Hauswirth provided a performance overview of the Plan's portfolio.

Mr. Jain reviewed asset allocation and sector attribution, and stated that their portfolios historically performed better during volatile years.

Mr. Wolfson inquired if there was cap on the mandate, and if there were any challenges Vontobel faced in handling the \$30 billion in emerging markets portfolios that were under their management.

Mr. Jain stated that there was no cap.

Mr. Hauswirth stated that Vontobel has slowed down the growth of their emerging markets investments in order to ensure that each of their staff supported a manageable number of accounts.

**19. Annual Presentation by Los Angeles Capital Management – Emerging Markets Equity Manager**

Hal Reynolds and Laina Draeger of Los Angeles Capital Management (LACM) presented their annual report.

Mr. Reynolds provided a brief introduction of their firm and an overview of the assets under management.

Ms. Draeger provided a market overview and performance review of the Plan's portfolio. She stated the portfolio had strong performance since inception in 2012, and discussed the portfolio's outlook and positioning, as of the end of the first quarter of 2015.

**20. Presentation by Courtland Partners – 2014 Fourth Quarter Real Estate Performance Report**

Stanley Kim and Robert Negrelli of Courtland Partners (Courtland) presented the 2014 fourth quarter performance report.

Mr. Negrelli provided a portfolio summary for the fourth quarter, and stated there were strong returns from the REITs, as well as from the three open-ended core funds. He stated that there was a strong return against the benchmark for the quarter, and indicated that gross returns were being presented due to the benchmark being gross.

Mr. Kim discussed the market conditions for the fourth quarter and summarized cap rates for the Plan's portfolio.

Mr. Romero inquired if net returns were available for the graph shown on page 3.

Mr. Negrelli stated the NCRIF benchmark only reported gross returns, so there were no reported net returns against the benchmark.

Mr. Kim stated that the report on the previous page included net returns.

The Retirement Board recessed at 10:17 a.m. and reconvened at 10:21 a.m.

## **21. Discussion of Electronic Distribution of Retirement Board Meeting Documents**

Ms. Carranceja presented a brief overview on the request for electronic distribution of Retirement Board meeting documents.

Mr. Wong presented staff's recommendation for the electronic distribution of the Retirement Board meeting documents via Apple iPads in conjunction with the use Adobe Cloud Services for data upload and storage.

Ms. Hoang provided a description of the devices that had been tested for this purpose, and Mr. Wong stated that the Apple iPad was preferred over the Dell Venue due to ease of use.

Mr. Wong and Ms. Hoang demonstrated the process of how the iPad would be used to retrieve the Retirement Board meeting documents.

Discussion ensued regarding the offline availability of the documents and the security risks in using a cloud service.

Mr. Poole inquired if training would be provided at the May 28, 2015, session to those not familiar with iPads.

Ms. Le stated that it was not on the schedule, but that individual training could be provided for those that required it. Mr. Wong stated that Apple provided free training classes, as well.

Mr. Romero thanked staff for their work and effort in moving this process along.

*Mr. Hemming moved that the Board approve Resolution No. 15-73; seconded by Ms. Bogin.*

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

*Nays: None*

*Absent: Edwards, Levine*

*THE MOTION CARRIED.*

## **22. CLOSED SESSION – Pursuant to Government Code Section 54957(B)(1) To Consider Board Review of the City Attorney Annual Performance Evaluation**

This item was held to later in the meeting.

## **23. Retirement Plan Manager's Comments**

Ms. Le reported on the following:

- The Jamestown Premier Property Fund investment approved by the Retirement Board on February 25, 2015, closed, and the Plan was fully subscribed with \$50 million from the Retirement Fund (RF) and \$10 million from the Retiree Health Benefits Fund (RHBF).
- The Lonestar Real Estate Fund IV investment approved by the Retirement Board on March 25, 2015, closed, with \$40 million subscribed from the RF and \$8 million subscribed from the RHBF

Mr. Romero inquired if there was a schedule in place or in development for the Retirement Plan Office's educational sessions and outreach at off-site facilities.

Ms. Le stated that the only item on the schedule currently was the Lineman's Rodeo, but that staff would be available on the A-Level at the John Ferraro Building on a monthly basis.

#### 24. Future Agenda Items

There were no requests for future agenda items.

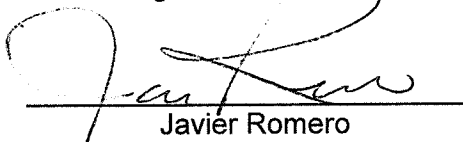
The Retirement Board met in Closed Session at 10:38 a.m. to discuss the following:

#### 22. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1) – To Consider the Board Review of the City Attorney Annual Performance Evaluation


The Retirement Board reconvened in Open Session at 10:50 a.m.

Mr. Romero stated that no action was taken on Item 22. He stated that staff would provide the City Attorney with feedback.

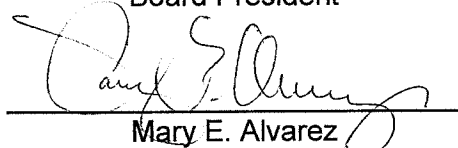
There being no further business, the meeting adjourned at 10:51 a.m.

  
\_\_\_\_\_  
Javier Romero  
Board President

6/10/15  
Date

  
\_\_\_\_\_  
Linda P. Le  
Retirement Plan Manager

6/10/15  
Date

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

6/10/15  
Date