

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

MINUTES

August 19, 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 C. Higgins, Assistant Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Alan Manning, Assistant 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 of the July 22, 2015 Regular Meeting

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

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

2. Report on T. Rowe Price Associates, Inc. – On-Site Due Diligence Visit

3. Discussion of Annual Workload Indicators

Mr. Poole moved that the Board receive and file Items 2 and 3; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

The Retirement Board met in Closed Session at 9:06 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

Mr. Hemming arrived at 9:11 a.m.

The Retirement Board reconvened in Open Session at 9:37 a.m.

5. Presentation by Courtland Partners – 2015 First Quarter Real Estate Performance

Mr. Romero acknowledged Stanley Kim of Courtland Partners, Ltd. (Courtland). Mr. Kim reported the Plan's real estate Portfolio was valued at just over \$413 million as of March 31, 2015, which represented 3.5% of the Plan's total assets. He also summarized the one, three, and five year returns.

Mr. Kim reviewed the core, value, and opportunistic investment net and gross returns versus the benchmarks, risk/return, capital structure diversification, and the investment leverage within the Portfolio.

6. Presentation by Pension Consulting Alliance, Inc. – 2014 Fourth Quarter Private Equity Performance

Tad Ferguson of Pension Consulting Alliance, Inc., presented the fourth quarter private equity performance report. Mr. Ferguson stated that the private equity program continues to be strong. Performance achieved 10% net internal rate of return at the end of the fourth quarter since inception, up from one year prior.

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

7. Annual Presentation by Invesco – Active Commodities Manager

Mr. Romero acknowledged Delia Roges, Managing Director, and David Gluch, Client Portfolio Manager, from Invesco.

Ms. Roges presented an overview of the firm and noted they were managing over \$800 billion in assets globally. She stated the portfolio has about \$29 billion in the Global Asset allocation and \$7.5 billion is dedicated to commodities.

Mr. Gluch provided an update of the firm's balanced-risk commodity strategy and various drivers of return. He discussed the Plan's portfolio performance over the past twelve months and presented their outlook of the portfolio's future performance. Mr. Gluch added the portfolio was managed by a team and they managed approximately \$120 million of the Plan's fund.

8. Annual Presentation by Zeno Consulting Group – Trading Cost Analysis Provider

Mr. Romero acknowledged Warren Chun, Sr. Consultant, of Zeno Consulting Group (Zeno). Mr. Chun presented an overview of the firm stating they provide best execution analysis for trading costs for foreign exchange and equities. They also assist the fund in transition services on an as-needed basis, and any specialized consulting need with respect to trade.

Mr. Chun discussed the equity trade cost analysis, presented a market review, and a trading review of external equity portfolios.

The Retirement Board recessed at 10:19 a.m. and reconvened at 10:26 a.m.

4. Presentation by RVK, Inc. – Asset/Liability Study

Mr. Wolfson presented a brief introduction of the Asset/Liability (A/L) study, stating it was typically conducted every three to five years by the Plan's General Consultant, currently RVK, Inc. (RVK). He reviewed the process stating that upon the conclusion of the presentation, the Retirement Board would provide RVK with direction as to the risk tolerance. RVK would return at the end of September with the A/L study which would then only focus on investments of the study. Mr. Wolfson introduced James Voytko, Sr. Consultant, and Ryan Sullivan, Consultant, of RVK who then presented the A/L study.

Mr. Voytko reviewed the purpose of the A/L study, stating that it is the first step in moving toward a precise asset allocation and is considered the gold standard in the industry in determining and assessing the health of a pension plan. He stated the A/L study reviews the benefit policy, the contribution policy, and the investment strategy, to determine if they are consistent with one another. It also creates an important guidepost for the actual asset allocation for the Plan. Mr. Voytko stated that the Plan was on solid footing, in comparison to other plans around the country, and the long-term trends are positive if the Plan's embedded assumptions are achieved.

Mr. Sullivan presented the details of the A/L study reviewing the Plans current structure. He discussed the deterministic analysis which provided an analysis of the Plan's assets, liabilities, funded status, and benefit payments based on a fixed set of future assumptions. He also discussed the stochastic analysis which examined the Plan's assets and liabilities under many capital market environments based on expected future asset returns and inflation, and their expected volatility.

Discussion ensued regarding various scenarios for future risk tolerances.

Mr. Ignacio inquired when the next A/L study would be presented. Mr. Wolfson advised that RVK would present the next report at the second meeting in September, which would include guidance from the Retirement Board. Mr. Poole requested RVK to provide the Retirement Board with a detailed report of future market projections. Mr. Romero requested additional time to review the study.

Reports for Reference:

10. Investment Reports for June 2015

- a) Summary of Investment Returns as of June 30, 2015**
- b) Market Value of Investments by Fund and Month as of June 30, 2015**

- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of June 30, 2015**
- d) **Summary of Contract Expirations**

11. Retirement Plan Manager's Comments

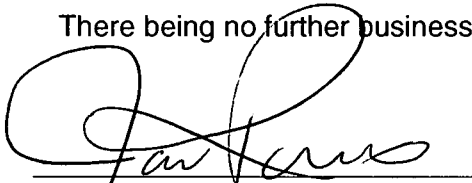
Ms. Le reported on the following:

- Staff continues to work on the implementation of the new mortality tables, and staff presentations are being conducted weekly. There will be a meeting scheduled at the Auditorium on August 27, 2015.
- Retirement Section is receiving over 100 calls per week regarding the new Retirement Information System (RIS). The new system has proven to be a great asset.
- Staff is estimating there will be a 100+ increase in retirements between February and April, 2016.
- The Management Audit Entrance interviews will be held on September 1, 2015.
- Staff continues to work on the Penfax system.
- Staff is working on the budget for the new fiscal year.
- Updates on the Tier 2 fixes, the Scanning RFI, and the Plan amendments will be presented at the next meeting.

12. Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 11:51 a.m.



 Javier Romero
 Board President

9/16/15

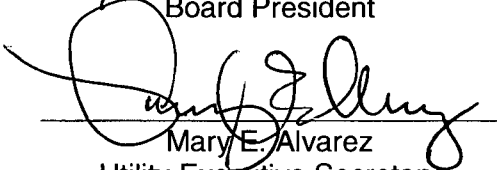
 Date



 Linda P. Le
 Retirement Plan Manager

9/18/15

 Date



 Mary E. Alvarez
 Utility Executive Secretary

9/18/15

 Date