

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

MINUTES

August 26, 2015

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
LaTanya Bogin, Regular Member
Timothy Hemming, Retiree Member

Board Members Absent:

Marcie L. Edwards, General Manager
Mel Levine, LADWP Commissioner
Mario Ignacio, Chief Accounting Employee

Staff Present:

Linda P. Le, Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Ravi Sharma, Investment Officer
Fahad Haider, Investment Officer
Veronica Mendez, Utility Administrator
Mary E. Alvarez, Utility Executive Secretary

Others Present:

James Napier, Deputy 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.

Mr. Romero presented the following staff announcements in the Retirement Plan Office: Dora Briseno was hired to the classification of Principal Clerk Utility in the Disability Section; Mary Frances Sandoval was hired to the classification of Management Analyst in the Active Member Services Section; Michael Rodriguez obtained a Bachelor of Science degree and secured a full-time Clerk Typist position in the Disability Section. Fahad Haider and Alex Lee were each acknowledged for their personal achievements. Mr. Haider received a Chartered Financial Analyst designation and Mr. Lee obtained a Chartered Alternative Investment Analyst designation.

1. Request for Approval of Minutes of August 19, 2015, Special Meeting

The Minutes were held.

- 2. a) Termination of Monthly Allowance from the August 2015 Retirement Roll
b) Termination of Muriel Pardo Garcerea from August 2015 Permanent Total Disability Roll**

Mr. Poole moved that the Board approve Items 1 and 2; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

3. Report of Payment Authorizations for July 2015

4. Notice of Deaths for July 2015

5. Investment Reports for July 2015

a) Summary of Investment Returns as of July 31, 2015

b) Market Value of Investments by Fund and Month as of July 31, 2015

c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of July 31, 2015

d) Summary of Contract Expirations

6. Report on Status of Insurance as of August 7, 2015

7. Status Report on Scanning of Active and Retired Member Files

Mr. Romero inquired on how long the actual documents would remain in records retention once they have been scanned. Ms. Mendez stated that the original records would be retained for 80 years after being scanned. Discussion ensued regarding the ability to retrieve the documents during the scanning process. Mr. Romero requested to be included in the site visit, once a vendor is selected, to observe what security will be in place at the location.

8. Report on Policy Benchmark Update

Mr. Poole moved that the Board approve Items 3 through 8; seconded by Mr. Hemming.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

9. Discussion of Proposed Plan Amendments to Address Issues Encountered in the Administration of Tier 2 Provisions

Ms. Carranceja presented the report to request approval, in concept, for Plan Amendments to address issues that were encountered in the administration of the provisions establishing Tier 2, and the suspension of the Reciprocal Agreement between the Plan and the Los Angeles City employees Retirement System (LACERS).

Mr. Hemming noted a correction to the last sentence of Paragraph 2 on Page 9.3, of the report to read: "...seven **calendar days** in the transition..."

Discussion ensued regarding the language of the resolution. Ms. Le stated the proposed Plan Amendments were presented in concept, and the actual draft of the language would be determined after the meet and confer process. She stated that staff would then work with the City Attorney's office to draft the actual Plan language to be presented to the Retirement Board for approval.

Mr. Poole moved that the Board approve Resolution No. 16-11, Part 1; seconded by Mr. Hemming.

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

THE MOTION CARRIED.

Mr. Poole moved that the Board approve Resolution No. 16-11, Part 2; seconded by Mr. Hemming.

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

THE MOTION CARRIED.

Mr. Poole moved that the Board approve Resolution No. 16-11, Part 3; seconded by Mr. Hemming.

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

THE MOTION CARRIED.

Mr. Poole moved that the Board approve Resolution No. 16-11, Part 4; seconded by Mr. Hemming.

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

THE MOTION CARRIED.

Mr. Poole moved that the Board approve Resolution No. 16-11, Part 5, language to be determined through the meet and confer process; seconded by Mr. Hemming.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

10. Discussion of Contract Extension for MFS Investment Management, Inc., Large Cap Value Equity

Mr. Wolfson introduced Mr. Sharma, who presented the report to extend the contract for Domestic Equity Large-Cap Value Investment manager MFS Investment Management (MFS). Mr. Sharma provided background on the Plan's history with MFS and stated staff had performed a due diligence review and found no issues. He reviewed MFS' performance and stated staff's recommendation, and RVK concurs, that the contract with MFS be extended for three years beginning December 1, 2015, through November 30, 2018.

Mr. Hemming moved that the Board approve Resolution No. 16-12; seconded by Mr. Poole.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

11. Discussion of the Fixed Income Investment Guidelines

Mr. Wolfson stated that Resolution No. 16-16 was inadvertently omitted from the report; and therefore, was being included as Page 11.25. He proceeded to present a brief history of the report to request adoption of the Fixed Income Investment Guidelines. Mr. Wolfson introduced Mr. Haider to present the details of the report.

Mr. Haider presented the details of the various segments of the fixed income guidelines, including Principal Protection, Extended Credit, and U.S. Bank Loans. He stated staff and RVK recommend adopting the Fixed Income Investment Guidelines and incorporate them into the Plan's Statement of Investment Objectives, Goals and Guidelines (Investment Policy).

Mr. Romero requested RVK address the pros and cons of Exchange Traded Funds (ETFs) and commingled funds, and to describe 144As. Jeremy Miller with RVK and Mr. Wolfson provided an overview and clarification of ETFs, commingled funds, and 144As.

Mr. Hemming moved that the Board approve Resolution No. 16-16; seconded by Mr. Poole.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

12. Annual Presentation by Dimensional Fund Advisors – Active Global Real Estate Securities Manager

Mr. Romero acknowledged Joseph Young, Vice President, and Joseph Chi, Co-Head of Portfolio Management, from Dimensional Fund Advisors.

Mr. Young presented a brief history and overview of the firm. Mr. Chi provided an update on the changes to the mandate and discussed the firm's REIT investment strategy, principles, and process-driven approach. He also reported the portfolio's performance history for the one year gross return.

13. Annual Presentation by Heitman Real Estate Securities, LLC – Active Global Real Estate Securities Manager

Mr. Romero acknowledged Christina Fyelling, Sr. Vice President of Client Service and Marketing, Jerry Ehlinger, Managing Director, and John Mancuso, Sr. Vice President of Client Service and Marketing – West Coast, from Heitman Real Estate Securities.

Ms. Fyelling presented an overview of the firm and stated that Mr. Mancuso was one month new to the firm and would be directly overseeing Client Service and Marketing for the West Coast.

Mr. Ehlinger provided a market overview and summarized the Plan's portfolio. He discussed the global diversified developed strategy and the objective of the firm to create a diversified portfolio that would generate a solid dividend and capture alpha primarily through bottom-up stock selection.

14. Presentation by RVK, Inc. – 2015 Second Quarter Performance Report

Becky Gratsinger and Jeremy Miller of RVK presented the quarterly performance report for the period ending June 30, 2015.

Mr. Miller provided an update on the watch list and discussed the capital market environment for the second quarter of 2015. Discussion ensued regarding the environment in China and the possibility of future diversification to the Portfolio.

Ms. Gratsinger discussed the Plan's asset allocation and portfolio performance, highlighting a positive return for the quarter.

15. Presentation by RVK, Inc. – 2015 Second Quarter Real Return Performance Report

Ms. Gratsinger presented the quarterly Real Return performance for the period ending June 30, 2015. She discussed the Plan's portfolio performance, detailing the capital markets review and the allocations in hedge funds and commodities.

16. Retirement Plan Manager's Comments

Ms. Le reported on the following:

- The City Attorney evaluations to be presented on a quarterly basis, beginning with the period July 1, 2015 through September 30, 2015.
- The Annual Member Statements to be distributed in September.
- The Management Audit entrance conference and interview to be conducted on September 1st.
- The Plan Amendments presentation in JFB Auditorium on August 27th.

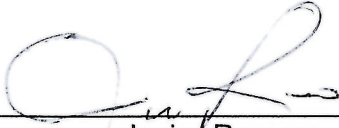

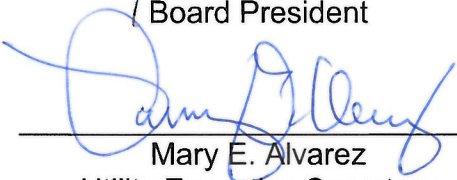
Relating to the Manager performance reports, Ms. Le reminded the Retirement Board that gyrations in the market are not uncommon. In the long term, Investment Plans find value in opportunity in these events. It is important to maintain calm and discipline during times of high volatility and uncertainty. Sticking to long term strategy should result in long term benefits for our members. Ms. Le presented the following return data for the period ending June 30, 2015:

- LAFPP: 3.55%;
- LACERS: 2.78%;
- CalPERS: 2.4%;
- LACERA: 4.3%;
- DWP, net of fees: 4.5%. Beating all peers.

17. Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 9:26 a.m.

 _____ Javier Romero Board President	<u>10/14/14</u> Date	 _____ Linda P. Le Retirement Plan Manager	<u>10/14/145</u> Date
 _____ Mary E. Alvarez Utility Executive Secretary	<u>10/14/15</u> Date		