

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

MINUTES

April 8, 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
Ravi Sharma, Investment Officer
Mary E. Alvarez, Utility Executive Secretary
Lori Lee, Senior Clerk Typist

Others Present:

Marie McTeague, Deputy City Attorney
Jim Napier, Deputy City Attorney
Josh Gellar, Deputy City Attorney

Mr. Romero called the meeting to order at 9:01 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.

Ms. McTeague introduced Deputy City Attorney Josh Gellar, who recently joined the Retirement Division of the City Attorney's Office.

1. Request for Approval of Minutes for March 25, 2015, Regular Meeting

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

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

Mr. Ignacio entered the meeting at 9:05 a.m.

2. Discussion of Proposed Plan Amendment to Eliminate the Reserve for Investment Gains and Losses Account

Ms. Carranceja presented the proposed Plan amendment to eliminate the Reserve for Investment Gains and Losses account (Reserve). She provided a background on the Reserve account and stated the reasons for recommending its elimination.

Mr. Hemming moved that the Board approve Resolution No. 15-59; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

3. Discussion of Authorization to Procure Actuarial Tables Needed to Implement Two Proposed Plan Amendments

Ms. Carranceja presented the request for the Retirement Board to approve funding for the development of the actuarial tables needed to implement two proposed Plan amendments. She provided a brief background on the two Plan amendments and an overview of the estimated fees provided by the Plan's actuary, Segal Consulting.

Mr. Ignacio requested clarification of the fees and timeline for the actuarial tables.

Ms. Le stated that the actuarial tables were being requested in parallel to the Plan amendment process, as the tables would clarify how the proposed amendments would affect benefits calculation.

Mr. Hemming moved that the Board approve Resolution No. 15-60; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

4. Discussion of Contract Extension for MFS Investment Management, International Developed Value Equity

Mr. Wolfson presented the proposed contract extension with MFS Investment Management (MFS). He stated that staff had identified a discrepancy in the way MFS was trading foreign exchange. This has since been corrected, but staff is still collecting data and will present its findings to the Retirement Board at a later date. He stated that the concern over the discrepancy was not enough to not proceed with the contract extension.

Mr. Manjikian presented the terms of the contract extension with MFS, and provided a brief background on the Plan's history with the firm. He discussed the due diligence review completed by staff, and stated that staff observed no significant issues or changes in MFS' investment style.

Mr. Sharma discussed MFS' performance over the past three years, stating that MFS had outperformed its benchmark for each period monitored. He presented a summary of the contract extension, and stated staff and RVK, Inc. (RVK), the Plan's general consultant, recommended the contract extension.

Mr. Hemming moved that the Board approve Resolution No. 15-61; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Edwards, Levine

THE MOTION CARRIED.

5. Discussion of Pension Consulting Alliance, Inc. – 2015 Private Equity Strategic Plan

Mr. Romero acknowledged Tad Fergusson of Pension Consulting Alliance, Inc. (PCA). Mr. Fergusson provided a brief background on the investment philosophy of PCA. He stated that the long-term target for the private equity asset class was 5% of the total Plan, but that it was currently under-allocated at just over 2%. He discussed several reasons why the fund was under market value, as well as commitment pacing recommendations in order to achieve the 5% target rate in the next few years, and summarized the investment plan for 2015.

6. Presentation by RVK, Inc. – 2014 Fourth Quarter Performance Report

Rebecca Gratsinger of RVK provided an update on the watch list managers and presented an overview of the market environment for 2014. She discussed annual asset class performance and the total market value and asset class allocation of the Plan's portfolio. Ms. Gratsinger stated the overall portfolio outperformed its benchmark for the fourth quarter and the one-year period and she reviewed the performance of the individual components of the portfolios for the Retirement Fund and the Retiree Health Benefits Fund.

Mr. Poole requested an update on the performance of all managers, not just those that were placed on watch status.

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

Ryan Sullivan of RVK presented a brief overview of the purpose of an asset/liability study. He stated that the previous study had been conducted in 2011, and that the best practice was to conduct a survey every three to five years. Mr. Sullivan reviewed RVK's investment decision process and described the concept and objectives of an asset/liability study. He discussed the deterministic and stochastic analysis components of an asset/liability study, which project the future status of the Plan with no uncertainty and with uncertainty, respectively.

8. Annual Presentation by Fred Alger & Company, Inc. – Large Cap Growth Manager

Peter Latara of Fred Alger & Company, Inc. (Alger), presented a brief overview of the firm.

Dan Chung of Alger presented an overview of the portfolio's performance since inception, and discussed the top ten contributors and detractors to the portfolio as of February 28, 2015.

Mr. Romero inquired about Alger's position on the top ten detractors of the portfolio. Discussion ensued regarding the portfolio detractors, and the effect of the Affordable Healthcare Act on the healthcare industry and the associated holdings within the portfolio.

9. Annual Presentation by T. Rowe Price Associates, Inc. – Large Cap Growth Manager

John Plowright and Rob Sharps of T. Rowe Price Associates, Inc. (T. Rowe), provided a brief organizational update on the firm and presented a brief market overview and outlook. Mr. Sharps discussed investment opportunities that T. Rowe found attractive in the current market, including e-commerce, digital and social media, and biotech.

Ron Taylor of T. Rowe presented an overview of the total return performance of the Plan over the one-year and three-year periods.

Mr. Sharps discussed performance attribution and significant absolute contributors and detractors to the Plan's portfolio. Mr. Romero inquired about the recovery of casino gaming in Las Vegas. Mr. Sharps clarified that the detractor was more in part to the casinos in Macau, and not Las Vegas.

Mr. Romero inquired about the five percent position in Google. Mr. Sharps discussed T. Rowe's perspective on Google, and stated that they found it was an attractive opportunity.

10. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81 – To Consider the Purchase of One Particular, Specific Pension Fund Investment

This item was held to later in the meeting.

11. CLOSED SESSION – PURSUANT TO SUBDIVISIONS (a) AND (d) OF GOVERNMENT CODE SECTION 54956.9(a) – To Confer with Legal Counsel Regarding Pending Litigation in the United States District Court Case of In Re Bank of New York Mellon, Case Number 12 MD 2335 LAK (SDNY)

This item was held to later in the meeting.

12. Investment Reports for February 2015

- a) **Summary of Investment Returns as of February 28, 2015**
- b) **Market Value of Investments by Fund and Month as of February 28, 2015**
- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of February 28, 2015**
- d) **Summary of Contract Expirations**

13. Retirement Plan Manager's Comments

Ms. Le reported on the following:

- The Retirement Plan Office is scheduled to present the results of the election of the Active Employee Members of the Retirement Board to the Department of Water and Power Board of Commissioners on April 21, 2015.
- The Retirement Board education session is scheduled for May 28, 2015, in the John Ferraro Building. The agenda will be sent to the Retirement Board members once the schedule is finalized.

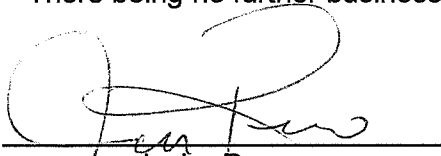
14. Future Agenda Items

The Board met in Closed Session at 11:00 a.m. to discuss the following:

- 10. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81 – To Consider the Purchase of One Particular, Specific Pension Fund Investment**
- 11. CLOSED SESSION – PURSUANT TO SUBDIVISIONS (a) AND (d) OF GOVERNMENT CODE SECTION 54956.9(a) – To Confer with Legal Counsel Regarding Pending Litigation in the United States District Court Case of In Re Bank of New York Mellon, Case Number 12 MD 2335 LAK (SDNY)**

The Board reconvened in Open Session at 11:52 a.m.

There being no further business, the meeting adjourned at 11:52 a.m.



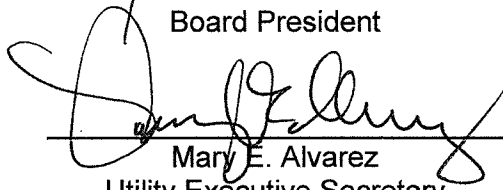
Javier Romero
Board President

5/13/15
Date



Linda P. Le
Retirement Plan Manager

5/13/15
Date



Mary E. Alvarez
Utility Executive Secretary

5/13/15
Date