

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

MINUTES

June 8, 2016

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
Mario Ignacio, Chief Accounting Employee
Mel Levine, LADWP Commissioner

Staff Present:

Linda P. Le, Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Katie S. Zordilla, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Mary E. Alvarez, Utility Executive Secretary
Joni Quinn, Senior Administrative Clerk

Others Present:

James Napier, Deputy City Attorney

President Romero called the meeting to order at 9:05 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. Approval of the Minutes of May 11, 2016**
- 2. Termination of Monthly Allowance from the May 2016 Retirement Roll**

Mr. Hemming 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 April 2016**
- 4. Notice of Deaths for April 2016**
- 5. Investment Reports for April 2016**
 - a) Summary of Investment Returns as of April 30, 2016
 - b) Market Value of Investments by Fund and Month as of April 30, 2016
 - c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of April 30, 2016
 - d) Summary of Contract Expirations

6. Report on Status of Insurance as of May 16, 2016

7. Report on Heitman Real Estate Securities, LLC – On-Site Due Diligence Visit

Mr. Hemming moved that the Board Receive and File Items 3 through 7; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

8. Discussion of Morgan Stanley Alternative Investment Partners, Hedge Fund of Funds Performance

Mr. Wolfson introduced Alexander Lee, Investment Officer, Jeremy Miller and Becky Gratsinger of RVK, Inc. (RVK), who reported on Morgan Stanley Alternative Investment Partners (Morgan Stanley AIP), Hedge Fund of Funds (HFoF) Performance.

Staff and RVK recommended the Retirement Board place Morgan Stanley AIP, HFoF Investment Manager on short-term watch status for a period of up to nine months for not meeting the performance criteria, as specified in the Plan's Investment Policy.

Mr. Hemming moved that the Board approve Resolution No. 16-94; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

Item Nos. 9, 10, and 11, were held until later in the meeting.

12. Annual Presentation by Neuberger Berman Fixed Income, LLC – Active Global Credit/Global High-Yield Manager – Out of Order

Mr. Wolfson introduced Paul Sauer and Andrew Johnson of Neuberger Berman Fixed Income, LLC, who presented the annual report on Active Global Credit/Global High-Yield Manager.

9. Discussion of the Actuarial Experience Study for the Period July 1, 2012 through June 30, 2015, as Prepared and Presented by Segal Consulting

Mr. Paul Angelo of Segal Consulting, the Plan's actuary, presented the Actuarial Experience Study for the period July 1, 2012 through June 30, 2015.

Mr. Romero requested that the item be held until the next meeting, and that Minutes of prior discussions be provided to the Retirement Board members.

The item was held.

10. Discussion of Phase-In Options for Increase in Employer Contribution Rate Due to Proposed Changes in Actuarial Assumptions

The item was held.

11. Discussion of Change in the Investment Return Assumption for Funding Reviews and Governmental Accounting Standards Board 43/45 Valuations for Death Benefit Fund and Disability Fund

Ms. Le presented the report to recommend a change in the investment return assumption for funding reviews and Governmental Accounting Standards Board 43/45 valuations for the Death Benefits Fund and the Disability Fund from 4% to 3.5%, effective July 1, 2016. The contribution rate for the Family Death Benefit would change from \$1.91 to \$1.95 monthly, per active member of the Plan; equating to \$5,000 annually.

Mr. Poole moved that the Board approve Resolution No. 16-97; seconded by Mr. Hemming.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

The Retirement Board recessed at 10:39 a.m. and reconvened at 10:49 a.m.

13. Annual Presentation by Delaware Investment Advisers – Active Global Credit/Global High-Yield Manager

Mr. Wolfson introduced members of Delaware Investment Advisers, Woodward Corkran, David Hillmeyer, Adam Brown, and Christopher Testa, who provided their annual presentation with details of the portfolio performance.

14. Annual Presentation by Pacific Asset Management – Active U.S. Bank Loans Manager

Mr. Wolfson introduced members of Pacific Asset Management, Dominic Nolan, Michael Marzouk, and JP Leasure, who provided their annual presentation with details of the portfolio performance.

15. Presentation by Courtland Partners – 2015 Fourth Quarter Real Estate Performance Report

Mr. Wolfson introduced Bill Foster of Courtland Partners, who provided a presentation of the 2015 Fourth Quarter Real Estate performance.

16. Discussion of Amendment to the Water and Power Employees' Retirement Plan to Eliminate the Reserve for Investment Gains and Losses

Ms. Le reported that on April 8, 2015, the Retirement Board adopted Resolution No. 15-59 to approve, in concept, a Plan amendment to Section III C (8) to eliminate the Reserve for Investment Gains and Losses account.

During its inception, in the early 1980s, this account was created to record investment gains and losses during the year; however, it is now inconsistent with the current Investment Policy, as the Retirement Board presently allows investment managers full discretion over trading activities.

Ms. Le noted that an agreement was reached with the unions to move forward with the Plan amendment to eliminate said account.

Mr. Hemming moved that the Board approve Resolution No. 16-98; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

17. Discussion of Amendments to the Water and Power Employees' Retirement Plan to Address Issues Encountered in the Administration of Tier 2 Provisions

Ms. Le reported that on December 11, 2013, the Retirement Board adopted Resolution No. 14-47 to amend the Plan to establish Tier 2 benefits. Since adoption of amendments the Plan encountered issues in the administration of certain benefits.

Ms. Le stated that Resolution Nos. 16-99 and 16-100, recommend proposed amendments to the Plan to address issues encountered in administering 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 moved that the Board approve Resolution Nos. 16-99 and 16-100; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

18. Discussion of Amendment to the Water and Power Employees' Retirement Plan to Correct Classes Eligible for Tier I Membership

Ms. Le reported the proposed Plan amendment included the classifications of Construction Electrical Helper (Class Code 0994) and Construction Electrical Mechanic (Class Code 0995) to Plan Section VII B (3) (b) for eligibility to Tier 1 membership upon qualification.

Ms. Le stated that Segal Consulting completed a cost study which determined the Department's Normal Cost contribution rate would increase by 10.9%, due to the Plan amendment.

Mr. Hemming moved that the Board approve Resolution No. 16-101; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Poole, Romero

Nays: None

Absent: Edwards, Ignacio, Levine

THE MOTION CARRIED.

19. Retirement Plan Manager's Comments

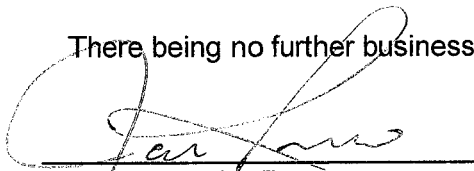
Ms. Le reported the following:

- The scanning contract has been signed and approved by all parties. Scanning is scheduled to commence on June 27, 2016. The Retirement Board members were invited to visit the scanning facility any time after June 27, 2016.
- May 19, 2016, action brought against the City of Los Angeles (City) for unfair Employee Relations practice in regards to Tier 2. Allegations were made that there was no meet and confer with the City coalition when Tier 2 was enacted. The lawsuit is against the City and does not involve the Plan.

20. Future Agenda Items

Mr. Poole requested that a Lending Club discussion (**Closed Session**) be placed on the agenda for the next Retirement Board meeting.

There being no further business, the meeting adjourned at 11:41 a.m.



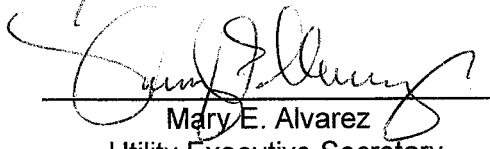
Javier Romero
President

6/22/16
Date



Linda P. Le
Retirement Plan Manager

6/22/16
Date



Mary E. Alvarez
Utility Executive Secretary

6/22/16
Date