

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

**MINUTES**

**June 22, 2016**

**Board Members Present:**

Javier Romero, President  
Barry Poole, Vice President  
Marcie L. Edwards, General Manager  
Timothy Hemming, Retiree Member  
Mario Ignacio, Chief Accounting Employee  
Mel Levine, LADWP Commissioner

**Board Members Absent:**

LaTanya Bogin, Regular Member

**Staff Present:**

Linda P. Le, Retirement Plan Manager  
Monette Carranceja, Asst. Retirement Plan Manager  
Katie S. Zordilla, Interim 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  
Alan Manning, Asst. 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 June 8, 2016**
- 2. Termination of Monthly Allowance from the June 2016 Retirement Roll**

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

*Ayes: Edwards, Hemming, Ignacio, Levine, Poole, Romero*

*Nays: None*

*Absent: Bogin*

*THE MOTION CARRIED.*

- 3. Report of Payment Authorizations for May 2016**
- 4. Notice of Deaths for May 2016**
- 5. Report on Status of Insurance as of June 9, 2016**
- 6. Report on Delaware Investment Advisers – On-Site Due Diligence Visit**

*Mr. Hemming moved that the Board Receive and File Items 3 through 6; seconded by Mr. Ignacio.*

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

*THE MOTION CARRIED.*

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

**a. Report on Aligning Assumption Changes with Actuarial Factors Used in the Calculation of Retirement Allowances and Conversion to Optional Benefits Amounts**

Ms. Le provided an update of the Actuarial Experience Study for the period July 1, 2012 through June 30, 2015, which was previously presented and held at the Retirement Board's regular meeting of June 8, 2016. In order to address the Retirement Board's request for clarification, Ms. Le also presented a report on Aligning Assumption Changes with Actuarial Factors Used in the Calculation of Retirement Allowances and Conversion to Optional Benefits Amounts.

*Mr. Hemming moved that the Board approve Resolution No. 16-95; seconded by Mr. Poole.*

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

*THE MOTION CARRIED.*

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

Ms. Le presented the report to discuss the "phase-in" options for increase in Employer Contribution Rate due to proposed changes in Actuarial Assumptions, which was previously presented and held at the Retirement Board's regular meeting of June 8, 2016.

Mr. John Monroe of Segal Consulting, the Plan's actuary, was telephonically available for questions.

Ms. Edwards discussed challenges of the LADWP budget and inquired about funding in both market and actuarial basis. She noted that she is in favor of phase-in options given that the parameters LADWP is currently operating under are far tighter than they were historically.

Mr. Poole discussed issues and concerns to defer maintenance, and requested that all appropriate planning is done in order to mitigate any movement going forward in the future.

Mr. Monroe stated that as of the last valuation on July 1, 2015, the market value funded percentage was approximately 90% and on actuarial or smooth basis was approximately 87%.

*Ms. Edwards moved that the Board approve the Two-Year Phase-In Option and approve Resolution No. 16-96; seconded by Mr. Hemming.*

*Ayes: Edwards, Hemming, Ignacio, Levine, Poole, Romero*

*Nays: None*

*Absent: Bogin*

*THE MOTION CARRIED.*

### **9. Presentation by RVK, Inc. – Emerging Manager Program Education – Part III**

Mr. Wolfson provided a brief introduction of the Emerging Manager Program, stating at the Retirement Board's request for education and the potential of implementation of such program, this was the third iteration. He introduced Becky Gratsinger and Ryan Sullivan of RVK, Inc. (RVK), the Plan's general consultant, to present Part III of the educational session in response to the Retirement Board's previous request for additional data.

Ms. Gratsinger presented the general discussion of the April 13, 2016, meeting on the possible structure and consideration in the emerging manager program, including the definition of this type of manager, the policy issues, opportunities in consideration, and some of the merits and challenges of building the program.

Mr. Sullivan presented All Cap U.S. Equity and Small Cap U.S. Equity firms reviewing the performance versus their respective benchmarks, broader peer groups that capture all managers in each asset class, and examined their fees.

Mr. Levine stated that he wondered how the whole concept of an emerging manager was consistent with the Retirement Board's fiduciary obligation. He stated his fundamental question was concern over gambling on inexperienced or emerging managers.

Mr. Poole stated that the Retirement Board had been looking at this particular category for many years and they wanted to make sure they are open to all interested parties, not just the giant conglomerates. He further discussed the benefits of investing in emerging managers.

Mr. Ignacio stated he did have the same concerns as Commissioner Levine. He further expressed concerns about several challenges and risks.

Ms. Edwards stated there are many policy decisions that must be made. However, it did appear that there was value in working with a group that views and interacts with the market differently than all the top delta firms.

Mr. Poole stated that in a previous vote they created this as an asset class that they were going to move forward with.

Mr. Wolfson stated that he believed Mr. Poole or one of the other Retirement Board members made a motion to explore a 3% target of emerging managers.

Mr. Romero stated there was no item for action as it was educational information only, but thought they had a good feeling of how the members felt. He stated there would be more discussions on this and maybe staff and RVK could work forward with that direction, and make a formal decision at the next meeting and see how the Retirement Board would want to proceed.

Mr. Wolfson thought the structure would begin with the Retirement Board's formal action to first decide to move forward with the potential program. It would start there. Then the next step would be for staff and the consultant to come back to the Board with the potential structure, how that would work and have a discussion on how that would potentially be implemented. If it got beyond that stage, then, ultimately a mandate would be formed as a result and then the RFP would be developed, sent out, the managers would apply for that and they would go through the standard fiduciary process of interviewing the managers. So, they have to make it through those different steps, but he thought that was the standard process.

**11. 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

**12. Retirement Plan Manager's Comments**

There were no comments.

**13. Future Agenda Items**

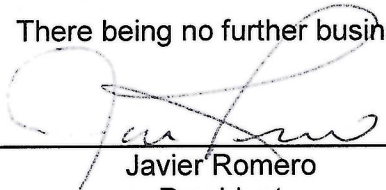
There were no requests for future agenda items.

At 9:48 a.m. the Retirement Board entered Closed Session.

**10. CLOSED SESSION – PURSUANT TO SUBDIVISIONS (a) AND (d)(4) OF GOVERNMENT CODE SECTION 54956.9 to Confer with, or Receive Advice from, Its Legal Counsel in Considering Whether to Move for Lead Plaintiff Status in Steeve Evellard, Individually and on Behalf of all Others Similarly Situated vs. Lendingclub Corporation, et al.**

The Retirement Board reconvened in Open Session at 10:14 a.m.

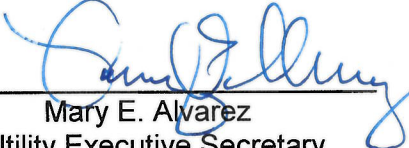
There being no further business, the meeting adjourned at 10:15 a.m.

  
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Javier Romero  
President

7/13/16  
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Date

  
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Linda P. Le  
Retirement Plan Manager

7/13/16  
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Date

  
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Mary E. Alvarez  
Utility Executive Secretary

7/13/16  
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Date