

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

MINUTES

January 11, 2017

Board Members Present:

Javier Romero, President
Barry Poole, Vice President
Timothy Hemming, Retiree Member
Mario Ignacio, Chief Accounting Employee
David H. Wright, General Manager

Board Members Absent:

LaTanya Bogin, Regular Member
Mel Levine, LADWP Commissioner

Staff Present:

Linda P. Le, Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Mary E. Alvarez, Utility Executive Secretary
Sophia Carr, Senior Clerk Typist

Others Present:

James Napier, Asst. City Attorney

President Romero called the meeting to order at 9:06 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 acknowledged staff of the Retirement Plan Office who assisted with the completion of the scanning project. He stated their hard work and dedicated service contributed toward the completion of scanning approximately 15,000 active and retired member files ahead of schedule and under budget.

1. Approval of Minutes

- a) **October 12, 2016, Special Meeting**
- b) **November 9, 2016, Regular Meeting**

2. Termination from Rolls

- a) **Termination of Monthly Allowance from the November 2016 Retirement Roll**
- b) **Termination of Monthly Allowance from the December 2016 Retirement Roll**
- c) **Termination of Roseo Rosales Cuevas from November 2016 Permanent Total Disability Roll**
- d) **Termination of Glenn E. Mussard from December 2016 Permanent Total Disability Roll**

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

Ayes: Ignacio, Poole, Romero, Wright

Nays: None

Absent: Bogin, Hemming, Levine

THE MOTION CARRIED.

3. **Report of Payment Authorizations**
 - a) **October 2016**
 - b) **November 2016**
4. **Notice of Deaths**
 - a) **October 2016**
 - b) **November 2016**
5. **Investment Reports for October 2016**
 - a) **Summary of Investment Returns as of October 31, 2016**
 - b) **Market Value of Investments by Fund and Month as of October 31, 2016**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of October 31, 2016**
 - d) **Summary of Contract Expirations**
6. **Investment Reports for November 2016**
 - a) **Summary of Investment Returns as of November 30, 2016**
 - b) **Market Value of Investments by Fund and Month as of November 30, 2016**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of November 30, 2016**
 - d) **Summary of Contract Expirations**
7. **Report on Status of Insurance as of December 28, 2016**
8. **Board of Administration of the Water and Power Employees' Retirement Plan – 2017 Schedule of Regular Meetings**
9. **Water and Power Employees' Retirement Plan – 2017 Calendar of Retirement Seminars**
10. **Water and Power Employees' Retirement Plan – 2017 Calendar of Retirement Deadlines**

Mr. Poole moved that the Board approve Items 3 through 10; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Wright

Nays: None

Absent: Bogin, Hemming, Levine

THE MOTION CARRIED.

11. **Annual Audit Report and Related Financial Statements on Discussion of Audit Program for the Fiscal Year-Ended June 30, 2016 Presented to the Audit Committee on September 14, 2016**

Mr. Feng reported that Simpson and Simpson, CPAs, conducted an audit of the financial statements of the Plan and the Retiree Health Benefits Fund for the Fiscal Year ending June 30, 2016, and presented their findings to the Audit Committee at its meeting held on December 21, 2016.

12. Annual Actuarial Valuations – Presentation by Segal Consulting

- a) **Disability Fund as of July 1, 2016**
- b) **Death Benefit Fund as of July 1, 2016**

Ms. Carranceja introduced John Monroe of Segal Consulting, the Plan's actuarial consultant, who telephonically presented the actuarial review of the Disability Fund and Death Benefit Fund as of July 1, 2016. Mr. Monroe stated that the Retirement Board should consider authorizing a review of the funding methods and reserving policies for these funds.

Mr. Poole requested, and Mr. Monroe agreed, that the Retirement Board receive educational training prior to approving the new funding policies recommended by Segal.

Mr. Ignacio requested an amendment to Resolution Nos. 17-34 and 17-35 to correct the first paragraph of each resolution to reflect the Retirement Board meeting date as January 11, 2017.

Mr. Poole moved that the Board approve Resolution No. 17-34, as amended; seconded by Mr. Wright.

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

THE MOTION CARRIED.

Mr. Ignacio moved that the Board approve Resolution No. 17-35, as amended; seconded by Mr. Wright.

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

THE MOTION CARRIED.

13. Discussion of Workload Statistics Report of the Retirement Plan Office Benefits Sections for Fiscal Year 2015-2016

Ms. Mendez presented the workload statistics report and noted that staff is currently working with the supervisors and managers of the Benefits Sections to review the current workload statistics information gathering process and determine possible changes for future reporting.

Mr. Romero inquired if there was a tracking system to determine what percentage of the workforce could retire over a future period of time. Ms. Le stated that the information is available; however, staff does not track the information as it was not part of the workload statistics report.

Mr. Hemming arrived at 9:23 a.m.

14. Discussion of Retirement Plan Office Budget for Program Year 2017-2018

Ms. Mendez presented the Retirement Plan Office budget for Program Year 2017-2018 and the 2017-2018 Annual Personnel Resolution for approval.

Mr. Poole moved that the Board approve Resolution No. 17-36; seconded by Mr. Ignacio.

Ayes: Hemming, Ignacio, Poole, Romero, Wright

Nays: None

Absent: Bogin, Levine

THE MOTION CARRIED.

15. Discussion of Selection Process for Assistant Retirement Plan Manager

Ms. Le requested that the item be held until later in the meeting to allow time for the reporting parties to arrive.

16. Discussion of Organizational Change at Courtland Partners

Mr. Wolfson briefly updated the Retirement Board on the untimely passing of Mr. Michael Humphrey, Managing Principal and co-founder of the firm. He then introduced Steven Novick the new Managing Principal and Tom Hester, Sr. Vice President. Mr. Romero expressed his condolences on behalf of the Retirement Board. Mr. Novick reassured the Retirement Board that Courtland Partners would continue to move forward with the appropriate measures in place to oversee the portfolio.

17. Discussion of Request for Proposal for Real Estate Consulting Services

Mr. Wolfson introduced Melissa Soo Hoo, Investment Officer, who presented the report to request authorization to prepare and release a request for proposal for real estate consulting services.

Mr. Romero stated that although pleased with the services provided by Courtland Partners, Ltd., the Retirement Board had a due diligence to review its options.

Mr. Wright moved that the Board approve Resolution No. 17-37; seconded by Mr. Hemming.

Ayes: Hemming, Ignacio, Poole, Romero, Wright

Nays: None

Absent: Bogin, Levine

THE MOTION CARRIED.

18. Annual Presentation by Glass Lewis & Co., LLC – Proxy Service Provider

Mr. Wolfson introduced Anna Willis, Director of Sales, and Aaron Bertinetti, Vice President of Research and Engagement, of Glass Lewis & Co., LLC. Ms. Willis and Mr. Bertinetti presented an overview of the firm and summarized the services provided and previewed the 2017 proxy season.

15. Discussion of Selection Process for Assistant Retirement Plan Manager – Out of Order

Ms. Le reported that at the request of the Retirement Board, staff researched the option to have a Retirement Board member observe the interview process for the Assistant Retirement Plan Manager position. She stated that staff met with Employment Services; however, the request was denied because it did not meet the Department guidelines. Therefore, the matter was

returned to the Retirement Board for further instructions on how to proceed. Ms. Le stated that Michael D'Andrea, Manager of Employment Services, was available for questions.

Mr. D'Andrea, reported on the guidelines for EEO Observers and third party neutrals, which he stated are used periodically in the Department, under two specific guidelines: 1) if there is a complaint history under EEO categories; or 2) a history of grievances. He stated that neither was the case for the matter before the Retirement Board; and for those reasons, Employment Services was not comfortable approving the use of an Observer.

Discussion ensued regarding options to allow for the Retirement Board President to be a participant on the interview panel. Mr. Wright suggested a non-binding discussion with candidates then go into the process that meets the civil service requirements, to provide an opportunity for the Retirement Board to meet and talk to the potential candidates in advance. Mr. D'Andrea agreed that it could be possible to explore the option, and it was a variation on what was done in past practice. Mr. D'Andrea suggested a question and answer period for members of the Retirement Board that did not sit on the rating panel, could prove to be effective. Ms. Le suggested the interview panel conduct the initial interviews and then the Retirement Board could informally talk to the candidates before an appointment is made. Mr. Romero inquired if the interview panel could make a recommendation for appointment to the Retirement Board then the Retirement Board could approve the recommendation. Mr. Napier confirmed that a personnel exception to the Brown Act could be applied in that capacity to enter into closed session. Ms. Le suggested to allow the panel to conduct the candidate interviews, then before finalizing the package, allow the Retirement Board to have a meeting in closed session to speak to the candidates before the package is finalized. Discussion ensued regarding the decision to have an Ad Hoc Committee or a Special Retirement Board meeting.

Ms. Le confirmed the direction from the Retirement Board to schedule the interview to coincide with the next Retirement Board meeting and include the closed session item on the agenda.

19. Annual Presentation by Western Asset Management Company – Global Inflated Linked Securities Manager

Mr. Romero acknowledged Frances L. Coombes, Client Service Executive, and Paul E. Wynn, Product Specialist, of Western Asset Management Company, who presented an overview of the firm and summarized the performance of the Portfolio.

20. Presentation by Pension Consulting Alliance, LLC – 2016 Second Quarter Private Equity Performance Report

Mr. Romero acknowledged Tad Ferguson of Pension Consulting Alliance, LLC (PCA), who presented the 2016 Second Quarter Private Equity Performance Report.

21. Presentation by RVK, Inc. – 2016 Third Quarter Portfolio Performance Report

Mr. Romero acknowledged Jeremy Miller of RVK, Inc. (RVK), who presented the 2016 Third Quarter Portfolio Performance Report.

22. Presentation by RVK, Inc. – 2016 Third Quarter Real Return and Hedge Funds Portfolio Performance Report

Mr. Romero acknowledged Mr. Miller of RVK who presented the 2016 Third Quarter Real Return and Hedge Funds Portfolio Performance Report.

25. Retirement Plan Manager's Comments

Ms. Le reported on the following:

- Adam St. Global WPERP Fund L.P. – At the September 14, 2016, meeting the Retirement Board met in closed session to discuss investment in Adam St. Global WPERP Fund L.P. The Retirement Board voted unanimously to approve the investment. The contract was executed on November 17, 2016, with \$125 million invested from the Retirement Fund, and \$25 million invested from the Retiree Health Benefit Fund.
- DRA Growth and Income Fund IX – At the September 14, 2016, meeting the Retirement Board met in closed session to discuss investment in DRA Growth and Income Fund IX. The Retirement Board voted unanimously to approve the investment. The contract was executed on October 21, 2016, with \$50 million invested from the Retirement Fund, and \$10 million invested from the Retiree Health Benefit Fund.
- Benefits Committee – Approved Resolution No. 17-38 to approve permanent disability benefits for John Smolich.
- Summary Plan Description (SPD) booklets have been created specifically for Tier 1 and Tier 2. In addition, updates to the booklets focused on how to calculate retirement were completed for both Tier 1 and Tier 2.
- Presentation to the Board of Commissioners on February 7, 2017, regarding Retirement Plan funding overview

26. Future Agenda Items

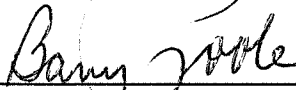
There were no requests for future agenda items.

The Board met in Closed Session at 10:36 a.m. to discuss the following:

- 23. CLOSED SESSION – PURSUANT TO GOVERNMENT CODE SECTION 54956.81 to Consider the Purchase of One Particular, Specific Pension Fund Investment**
- 24. CLOSED SESSION - PURSUANT TO SUBDIVISIONS (a) AND (d)(1) OF GOVERNMENT CODE SECTION 54956.9 to Confer with, or Receive Advice from, Legal Counsel Regarding the Consolidated Class Action Against Lendingclub Corporation Pending in the United States District Court, Northern District of California**

The Retirement Board reconvened in Open Session at 11:14 a.m.

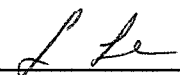
There being no further business, the meeting adjourned at 11:15 a.m.



 Javier Romero
 Board President

2/8/17

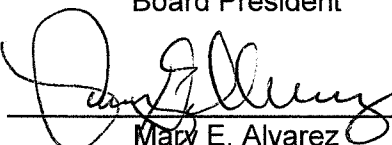
 Date



 Linda P. Le
 Retirement Plan Manager

2/8/17

 Date



 Mary E. Alvarez
 Utility Executive Secretary

2/8/17

 Date