

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

MINUTES

November 8, 2017

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:

Mel Levine, LADWP Commissioner
David H. Wright, General Manager

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
Sandra Turner, Senior Administrative Clerk

Others Present:

Joshua Geller, Deputy City Attorney
Alan Manning, Assistant City Attorney

President Romero called the meeting to order at 9:00 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 there was one public comment for Item No. 22 from Mr. James Tambone of Fred Alger Management, Inc.

1. Approval of Minutes

- a) **September 13, 2017, Regular Meeting**
- b) **September 28, 2017, Special Meeting**

2. Termination from Rolls

- a) **Termination of Monthly Allowance from the September 2017 Retirement Roll**
- b) **Termination of Monthly Allowance from the October 2017 Retirement Roll**
- c) **Termination of Dale G. Bronson from November 2017 Permanent Total Disability Roll**

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

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

3. Report of Payment Authorizations

- a) **August 2017**
- b) **September 2017**

4. Notice of Deaths

- a) **August 2017**

- b) **September 2017**
- 5. **Investment Reports for August 2017**
 - a) **Summary of Investment Returns as of August 31, 2017**
 - b) **Market Value of Investments by Fund and Month as of August 31, 2017**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of August 31, 2017**
- 6. **Investment Reports for September 2017**
 - a) **Summary of Investment Returns as of September 30, 2017**
 - b) **Market Value of Investments by Fund and Month as of September 30, 2017**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of September 30, 2017**
- 7. **Summary of Contract Expirations**
- 8. **Report on Status of Insurance as of October 25, 2017**
- 9. **Articles of Interest**
 - a) **Investment Industry Article – Institutional Investor, Dated October 25, 2017**
 - b) **Investment Industry Article – Bloomberg News, Dated October 24, 2017**
 - c) **Investment Industry Article – ThinkProgress News, Dated October 19, 2017**
- 10. **Retirement Plan Office 2018 Annual Schedules**
 - a) **Board of Administration of the Water and Power Employees’ Retirement Plan – 2018 of Regular Meetings**
 - b) **Board of Administration of the Water and Power Employees’ Retirement Plan – 2018 Manager Presentation Schedule**
 - c) **Water and Power Employees’ Retirement Plan – 2018 Calendar of Retirement Seminars**
 - d) **Water and Power Employees’ Retirement Plan – 2018 Calendar of Retirement Deadlines**
- 11. **Report on T. Rowe Price Associates – On-Site Due Diligence Visit**
- 12. **Annual Presentation by Blackrock – International Trust Company – International Developed Passive Equity Manager**
- 13. **Annual Presentation by FIAM, LLC – International Developed Growth Equity Manager**
- 14. **Annual Presentation by MFS Institutional Advisors – International Developed Value Equity Manager**
- 15. **Annual Presentation by GAM – Hedge Fund of Funds Manager**
- 16. **Annual Presentation by Morgan Stanley AIP – Hedge Fund of Funds Manager**
- 17. **Presentation by Courtland Partners – 2017 Second Quarter Real Estate Portfolio Performance Report**
- 18. **Presentation by RVK, Inc. – 2017 Second Quarter Portfolio Performance Report**

19. Presentation by RVK, Inc. – 2017 Second Quarter Real Return Portfolio Performance Report

Mr. Hemming moved that the Board receive and file Items 3 through 19; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

The Board entered Closed Session at 9:02 a.m. to discuss the following:

27. 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 – Out of Order

The Retirement Board reconvened in Open Session at 9:35 a.m.

29. Discussion of Plan Amendments; and Possible Action – Out of Order

a) Proposed Plan Amendments to Reduce Vesting Requirements for Tier 2 Members – Out of Order

Ms. Le introduced Christina Munoz, staff, Thomas Simonovski and Leticia Jimenez of Labor Relations, and Paul Angelo of Segal Consulting, who telephonically participated in the meeting. Ms. Munoz presented the proposed Plan Amendments to reduce vesting requirements for Tier 2 Members, retro-active to January 1, 2014.

Mr. Poole moved that the Board approve Resolution No. 18-43; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

d) Proposed Plan Amendments to Align the Actuarial Assumptions in the Plan Document with Those Used in the Actuarial Valuation – Out of Order

Ms. Le presented the proposed Plan Amendments to align the Actuarial Assumptions in the Plan with those used in the Actuarial Valuation. Mr. Angelo was available, via telephone conference, for questions. Ms. Le stated the amendments would change the interest rates and mortality assumptions as stated in the Plan. The amendments would result in a cost savings and the item would be presented to the Board of Water and Power Commissioners (Board of Commissioners) for approval.

Mr. Poole moved that the Board approve Resolution No. 18-46; seconded by Mr. Hemming.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

b) Amendments to the Water and Power Employees' Retirement Plan to Address Technical Issues and to Make the Plan More Consistent – Out of Order

Ms. Le presented the proposed Plan Amendments to address technical issues and to make the Plan more consistent. The item would be presented to the Board of Commissioners for approval.

Mr. Poole moved that the Board approve Resolution No. 18-44; seconded by Mr. Hemming.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

c) Addition of a New Plan Provision Section II F (4) to Comply with Internal Revenue Code – Out of Order

Ms. Le presented the addition of a new Plan Provision to Section II F (4) to comply with Internal Revenue Code. Discussion ensued regarding bonafide separation of employment for a specified length of time before re-employment. The item would be presented to the Board of Commissioners for approval.

Mr. Poole moved that the Board approve Resolution No. 18-45; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

20. Annual Audit Report and Related Financial Statements of the Water and Power Employees' Retirement Plan as of June 30, 2017, as Presented at the Audit Committee Meeting on October 25, 2017 – Out of Order

Mr. Will Feng presented the annual audit report and related financial statements of the Plan as of June 30, 2017, as presented at the Audit Committee Meeting held on October 25, 2017. Mr. Feng noted a modification to Note 11 (subsequent events regarding GASB 74).

21. Discussion of the Guidelines for the Election of Active Member Representatives to the Board of Administration of the Water and Power Employees' Retirement Plan; and Possible action – Out of Order

Ms. Mendez presented the report on the Guidelines for the Election of Active Member Representatives to the Board of Administration of the Water and Power Employees' Retirement Plan.

Mr. Hemming moved that the Board approve Resolution No. 18-37; seconded by Mr. Poole.

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

THE MOTION CARRIED.

22. Discussion of Contract with Fred Alger Management, Inc., Large-Cap Growth Equity; and Possible action – Out of Order

Public comment from James (Jim) Tambone, Executive Vice President of Fred Alger Management, Inc., made a brief statement and expressed thanks for the Plan's business.

Mr. Wolfson briefly presented the item and introduced Ravi Sharma, staff and Ryan Sullivan and Becky Gratsinger of RVK, Inc. (RVK), the Plan's general consultant, who discussed factors of the termination of contract with Fred Alger Management, Inc.

Mr. Poole moved that the Board approve Resolution No. 18-38; seconded by Ms. Bogin.

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

THE MOTION CARRIED.

23. Discussion of Emerging Manager Program; and Possible Action – Out of Order

The item was deferred for a future date.

24. Discussion of the Interim Asset Allocation Targets; and Possible Action – Out of Order

Mr. Wolfson briefly presented the item and introduced Mr. Scott Vargas, staff, Mr. Sullivan and Ms. Gratsinger of RVK, the Plan's general consultant, who presented the interim Asset Allocation targets that will not change the long-term strategic targets that the Retirement Board selected. Discussion ensued regarding interim targets and how often they are updated.

Mr. Hemming moved that the Board approve Resolution No. 18-40; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

25. Discussion of Proposed Global Equity Asset Class Restructure; and Possible Action – Out of Order

Mr. Wolfson briefly presented the item and introduced Mr. Sharma, staff, Mr. Sullivan and Ms. Gratsinger, who presented the proposed Global Equity Asset Class Restructure. RVK provided two educational sessions in order to lay the foundation for the Plan's global equity structure study. Discussion ensued regarding the passive versus active and the overweight.

Mr. Poole moved that the Board approve Resolution No. 18-41; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

26. Discussion of Report on AB2833 Compliance – Hedge Funds/Private Equity/Real Estate – Out of Order

Mr. Wolfson briefly presented the item and introduced Mr. Vargas, Mr. Sullivan and Ms. Gratsinger, who presented the Report on AB2833 Compliance. Mr. Vargas stated this was a statutory change by the State of California and the data collected was a collaborated effort.

28. Discussion of Request for Proposal for Private Equity Consulting Services; and Possible Action – Out of Order

Mr. Wolfson summarized the item and introduced Mr. Vargas who presented the report to recommend the Retirement Board interview six respondents to the Request for Proposal (RFP), who met the requirements for the Plan's Private Equity consultant mandate.

The Retirement Board interviewed the following candidates:

- Hamilton Lane
- Pavilion
- Pension Consulting Alliance
- Portfolio Advisors
- StepStone
- TorreyCove

Upon conclusion of the interviews, discussion ensued among the Retirement Board members and staff regarding the interviews. The Retirement Board requested additional information in order to make a selection and; therefore, would meet on a future date.

30. Investment Reports for July 2017 – Out of Order

- a) **Summary of Investment Returns as of July 31, 2017**
- b) **Market Value of Investments by Fund and Month as of July 31, 2017**
- c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of July 31, 2017**

31. Retirement Plan Manager's Comments – Out of Order

Ms. Le reported the following:

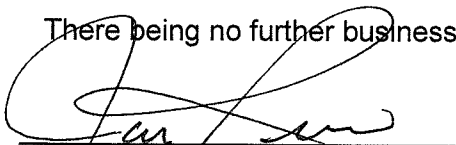
- The Retirement Board reviewed the Annual Financial Audit on November 8, 2017, and the Summary Annual Report will be completed in mid-December 2017.
- The Election Guidelines was recommended to the Board of Commissioners and is agendized for their November 28, 2017, meeting. Once the Board of Commissioners acts/agrees on the matter, then the Retirement Plan Office staff will work with the City Clerk to prepare an Election Calendar.

- The Retirement Board approved three RFP's for Investments to work on.
- November is the last month for payment of retirees and Retirement staff will be working on taxes as soon as payroll closes.
- The Plan Amendments will be presented to the Board of Commissioners twice in January, for presentation and approval.
- The Retirement Plan Office budget will be presented to the Retirement Board in January.
- The Benefits Committee met on November 8, 2017. Resolution No. 18-26 for Amanda Parsons was withdrawn. Resolution Nos. 18-27 (Jack Seto) and 18-28 (Kevin Shaw) were approved for Temporary Disability Benefits. Resolution Nos. 18-29, 18-30, 18-31, and 18-32, retirement applications were retroactively approved to bring them into compliance with the Internal Revenue Codes. Resolution No. 18-33 was approved for the denial of Disability Benefits for Michael J. Salazar. Mr. Salazar was not eligible to receive Temporary Disability Benefits (TD) from July 9, 2017 to September 17, 2017, and the Retirement Board authorized the Retirement Plan Manager (RPM) to collect the TD benefits paid to Mr. Salazar from September 21, 2016 to July 9, 2017, totaling \$39,069.89, plus interest, and did not direct the RPM to provide the Department's Labor Relations Office and Mr. Salazar's chain-of-command with the materials and findings from this claim.

32. Future Agenda Items – Out of Order

Mr. Poole requested to agendize an item regarding disclosure of employee Retirement Plan information and to create a policy to not disclose information without a proper subpoena from any entity outside of the Retirement Board.

There being no further business, the meeting adjourned at 2:33 p.m.



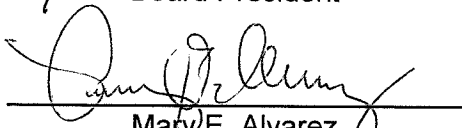
 Javier Romero
 Board President

1/24/18
 Date



 Linda P. Le
 Retirement Plan Manager

1/24/18
 Date



 Mary E. Alvarez
 Utility Executive Secretary

1/24/18
 Date