

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

MINUTES

January 24, 2018

Board Members Present:

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

Board Members Absent:

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

Others Present:

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

President Romero called the meeting to order at 9:07 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 comments were received.

1. Approval of Minutes

- a) November 8, 2017, Regular Meeting
- b) November 15, 2017, Special Meeting

2. Termination from Rolls

- a) Termination of Monthly Allowance from the November 2017 Retirement Roll
- b) Termination of Monthly Allowance from the December 2017 Retirement Roll
- c) Termination of Monthly Allowance from the January 2018 Retirement Roll
- d) Termination of Wenton D. Baskerville from December 2017 Permanent Total Disability Roll
- e) Termination of David M. Uribe from December 2017 Permanent Total Disability Roll
- f) Termination of Richard A. Frimel from January 2018 Permanent Total Disability Roll

Mr. Poole 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) October 2017
- b) November 2017
- c) December 2017

4. **Notice of Deaths**
 - a) **October 2017**
 - b) **November 2017**
 - c) **December 2017**
5. **Investment Reports for November 2017**
 - a) **Summary of Investment Returns as of November 30, 2017**
 - b) **Market Value of Investments by Fund and Month as of November 30, 2017**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of November 30, 2017**
6. **Summary of Contract Expirations**
7. **Report on Status of Insurance as of December 22, 2017**
8. **Article of Interest**
 - a) **Press Release – StepStone Real Estate to Acquire Courtland Partners, Dated January 9, 2018**
9. **Report on BlackRock Institutional Trust Company, N.A. – On-Site Due Diligence Visit**
10. **Report on J.P. Morgan Asset Management, Inc. – Principal Protection Fixed Income – On-Site Due Diligence Visit**
11. **Report on Wells Capital Management, Inc. – Principal Protection Fixed Income – On-Site Due Diligence Visit**
12. **Discussion of Organizational Changes at Heitman Real Estate Securities**
13. **Discussion of Organizational Change at Neuberger Berman – Active Extended Global Credit**
14. **Discussion of Organizational Change at Wells Capital Management, Inc. – Principal Protection Fixed Income**
15. **Presentation by Pension Consulting Alliance, LLC – 2017 Second Quarter Private Equity Performance Report**
16. **Evaluation of City Attorney Services for the Period of July 1, 2017 through September 30, 2017**

Mr. Poole moved that the Board receive and file Items 3 through 16; seconded by Ms. Bogin.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero

Nays: None

Absent: Levine, Wright

THE MOTION CARRIED.

The Board entered Closed Session at 9:09 a.m. to discuss the following:

17. **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**

Mr. Wright entered the meeting at 9:13 a.m.

The Retirement Board reconvened in Open Session at 9:27 a.m.

18. Annual Actuarial Valuations – Presentation by Segal Consulting
a) Disability Fund as of July 1, 2017

Will Feng, Chief Accountant, introduced John Monroe of Segal Consulting, the Plan's actuarial consultant, who telephonically presented the actuarial review of the Disability Fund as of July 1, 2017, and the recommended Department contribution rate.

Mr. Poole moved that the Board approve Resolution No. 18-57; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero, Wright

Nays: None

Absent: Levine

THE MOTION CARRIED.

18. Annual Actuarial Valuations – Presentation by Segal Consulting
b) Death Benefit Fund as of July 1, 2017

Mr. Monroe telephonically presented the actuarial review of the Death Benefit Fund as of July 1, 2017, and the recommended Department contribution rate.

Mr. Wright moved that the Board approve Resolution No. 18-58; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero, Wright

Nays: None

Absent: Levine

THE MOTION CARRIED.

Ms. Le requested clarification of instructions from the Retirement Board regarding the funding recommendations for the Death Benefit Fund.

Mr. Wright stated that he thought the Board's approval of the item also included instructions to staff to work with the actuary to review the funding requirements for the fund. The Board concurred.

19. Discussion of retirement Plan Office Budget for Program Year 2018-2019

Ms. Mendez presented the Retirement Plan Office budget for Program Year 2018-2019 and the 2018-2019 Annual Personnel Resolution for approval.

Mr. Ignacio inquired regarding an increase of \$310,000 for the Integrated Pension System. Ms. Le clarified that the budget request was not an increase in expenditure for the system. Rather there were delays in spending from prior years.

Mr. Romero asked whether employees could get access to the system from home. Ms. Le stated that the Retirement Plan Office only allows intranet access due to security concerns of confidential information.

Mr. Poole moved that the Board approve Resolution No. 18-59; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

20. Discussion of Extension of Agreement with James Evans and Associates, Inc.

Ms. Carranceja presented the report for approval to extend the agreement with James Evans and Associates, Inc. (JEA), for six months, with a new expiration date of September 30, 2018.

Mr. Wright moved that the Board approve Resolution No. 18-60; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

21. Discussion of Contract Extension for Pacific Asset Management – U.S. Bank Loans

Mr. Wolfson briefly presented the item and introduced Fahad Haider, staff and Ryan Sullivan and Becky Gratsinger of RVK, Inc. (RVK), the Plan's general consultant, who discussed the contract extension.

Mr. Poole moved that the Board approve Resolution No. 18-61; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

22. Discussion of Contract Extension with Russell Implementation Services, Inc. – Commission Recapture Services

Mr. Wolfson briefly discussed the item and introduced Ravi Sharma, staff, who presented the item to extend the contract with Russell Implementation Services, Inc., for three years, ending March 31, 2021.

Mr. Wright moved that the Board approve Resolution No. 18-62; seconded by Mr. Poole.

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

THE MOTION CARRIED.

23. Discussion of Proxy Voting Policy Guidelines

Mr. Wolfson briefly discussed the item and introduced Grace Adajar, staff, Tim Garcia, Manager, and Kevin Glass, Associate, of Glass, Lewis & Co., LLC (Glass Lewis), the Plan's proxy service provider, who presented the proposed changes to the Plan's Proxy Voting Policy Guidelines.

Mr. Ignacio requested that the changes in Section II-10 referencing "Glass Lewis" be amended to read "the Plan's Proxy Service Provider", in order to maintain continuity throughout the Plan's Proxy Guidelines.

Mr. Ignacio moved that the Board approve Resolution No. 18-63, as amended; seconded by Mr. Hemming.

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

THE MOTION CARRIED.

24. Discussion of Contract with StepStone Group, LP – Private Equity

Mr. Wolfson discussed the item and introduced Alex Lee, staff, who provided a presentation to enter into a five year contract with StepStone Group, LP, for private equity consulting services.

Mr. Poole moved that the Board approve Resolution No. 18-64; seconded by Mr. Wright.

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

THE MOTION CARRIED.

25. Discussion of Organizational Change at T. Rowe Price Associates

Mr. Wolfson briefly discussed the item and introduced Ravi Sharma, staff, and Mr. Sullivan and Ms. Gratsinger of RVK who presented the item to remove T. Rowe Price from organizational watch status.

Mr. Wright moved that the Board approve Resolution No. 18-65; seconded by Mr. Poole.

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

THE MOTION CARRIED.

26. Discussion of Outside Securities Monitoring and Litigation Counsel

Mr. Geller presented the report to recommend that the City contract with securities monitoring and litigation counsel to assist the City Attorney's Office, as necessary, in providing services for the Plan.

Mr. Poole moved that the Board recommend that the City Attorney follow the Recommendations as proposed in the report; seconded by Mr. Wright.

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

THE MOTION CARRIED.

27. Discussion of Consent to Assignment of Contract with Courtland Partners, Ltd., for Real Estate Consulting Services

Mr. Wolfson discussed the item and introduced Melissa Soo Hoo, staff, who provided a presentation to consent to assignment of contract with Courtland Partners, Ltd. (Courtland), to StepStone Group, LP (StepStone), for real estate consulting services.

Ms. Soo Hoo requested a minor revision to page 2 of the report to read "StepStone...oversees approximately \$130 billion of total capital allocations..."

Tom Hester of Courtland and Jeff Geller of StepStone briefly presented background information and provided an overview for moving forward with the proposed transaction.

Mr. Wright moved that the Board approve Resolution No. 18-66, as amended; seconded by Mr. Ignacio.

Ayes: Bogin, Hemming, Ignacio, Poole, Romero, Wright

Nays: None

Absent: Levine

THE MOTION CARRIED.

28. Discussion of Categories of Recommendations in the Management Audit of the Los Angeles Department of Water and Power Employees' Retirement Plan

Ms. Carranceja presented the report of the categories of recommendations in the Management Audit of the Plan.

The Retirement Board approved of the order of the categories, as proposed by staff.

29. Annual Presentation by Western Asset Management Company – Global Inflation Linked Securities Manager

Mr. Romero acknowledged Veronica Amici and Frederick Marki of Western Asset Management Company, who presented an overview of the firm and summarized the performance of the Portfolio.

30. Annual Presentation by Glass Lewis – Proxy Voting Consultant

Mr. Romero acknowledged Courteney Keatinge, Environmental Director, of Glass Lewis who presented an overview of the firm and summarized the services provided and previewed the 2017 proxy season.

31. Investment Reports for October 2017

a) Summary of Investment Returns as of October 31, 2017

b) Market Value of Investments by Fund and Month as of October 31, 2017

c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of October 31, 2017

32. Retirement Plan Manager's Comments

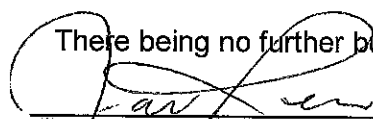
Ms. Le reported the following:

- The Retirement Board met in closed session on September 13, 2017, to discuss investment in LaSalle Asia Opportunity V and committed \$50 million from the Retirement Fund, and \$10 million from the Retiree Health Benefit Fund. The fund closed as of November 13, 2017
- The Retirement Board met in closed session on September 13, 2017, to discuss investment in Torchlight Debt Opportunity Fund IV and committed \$50 million from the Retirement Fund, and \$10 million from the Retiree Health Benefit Fund. The fund closed as of November 21, 2017
- The Benefits Committee met on January 24, 2018, to consider the retroactive retirement applications in compliance with the Internal Revenue Code regarding minimum distribution. Catherine Segal was approved for a retroactive retirement application to April 1, 2016.
- The Benefits Committee met on January 24, 2018, to consider two items to appeal the denial of Temporary Disability Benefits for Jose J. Lopez and Cuauthemoc V. Martinez. The Benefits Committee approved both disability payments.
- On January 23, 2018, the Plan Amendments were presented and unanimously approved by the DWP Board of Commissioners. The Plan Amendments will be presented to the Retirement Board for final adoption before implementation into the Plan. Notification will be made to employees affected by the amendments.
- The 1099s have been completed and will be mailed out today.
- The new tax tables have been implemented, but whether changes to W4s for withholding will be required will be determined at a later time during the year.
- The Ad Hoc functionality, as approved by the Retirement Board, was for the new Penfax IPS System, to allow production of checks by staff within the Retirement Plan Office, has been partially implemented.
- The returns this year are over 16 percent, an increase of \$2.4 billion to the Plan.
- The Retirement Board approved three RFP's for Investments to work on.
- In compliance with the IRS rules, the excess benefit requirement will be fully implemented by July 2018.

33. Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 11:06 a.m.




Javier Romero
Board President

2/28/18
Date



Linda P. Le
Retirement Plan Manager

2/28/18
Date



Mary E. Alvarez
Utility Executive Secretary

2/28/18
Date