

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

MINUTES

September 26, 2018

Board Members Present:

LaTanya Bogin, President
Barry Poole, Vice President
Adolfo Felix, Member
Timothy Hemming, Retiree Member
Mario Ignacio, Chief Accounting Employee
Aura Vasquez, LADWP Commissioner

Board Members Absent:

David H. Wright, LADWP, General Manager

Staff Present:

Linda P. Le, Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Scott Vargas, Sr. Investment Officer
Mary E. Alvarez, Utility Executive Secretary
Ligia Johnson, Sr. Administrative Clerk

Others Present:

Anya Freedman, Asst. City Attorney
Joshua Geller, Deputy City Attorney

President Bogin 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 of September 12, 2018, Regular Meeting**
- 2. Termination of Monthly Allowance from the September 2018 Retirement Roll**

Mr. Poole moved that the Board approve Item 1 and 2; seconded by Mr. Hemming.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole

Nays: None

Absent: Vasquez, Wright

THE MOTION CARRIED.

- 3. Report of Payment Authorizations for August 2018**
- 4. Notice of Deaths for August 2018**
- 5. Summary of Contract Expirations**
- 6. Report on Status of Insurance as of September 2018**
- 7. Articles of Interest**

8. **Report on the Realized Investment Gains of the Retirement Fund for Fiscal year Ended June 30, 2018**
9. **Report on Private Equity Investment in Vista Equity Partners Fund VII, L.P.**
10. **Investment Reports for July 2018**
 - a) **Summary of Investment Returns as of July 31, 2018**
 - b) **Market Value of Investments by Fund and Month as of July 31, 2018**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of July 31, 2018.**

Mr. Poole moved that the Board receive and file Items 3 through 10; seconded by Mr. Felix.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole

Nays: None

Absent: Vasquez, Wright

THE MOTION CARRIED

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

11. **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**

Discussion held, no action taken.

The Retirement Board reconvened in Open Session at 9:23 a.m.

16. **Presentation by Segal Consulting of the Actuarial Standard of Practice of Number 51: Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions - Out of Order**

Ms. Carranceja introduced Paul Angelo and John Monroe of Segal Consulting, the Plan's actuarial consultant, who presented the Actuarial Standard of Practice Number 51 on Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions.

Ms. Vasquez arrived to the meeting at 9:28 a.m.

12. **Presentation by Segal Consulting of Actuarial Fundamental Concepts and Annual Actuarial Valuations**
 - a) **Annual Actuarial Valuations Overview**

Ms. Carranceja introduced Paul Angelo and John Monroe of Segal Consulting, the Plan's actuarial consultant, who presented the Annual Actuarial Valuation Overview.

- b) **Retirement Plan Actuarial Valuation as of July 1, 2018, Including the Recommended Department Contribution Rate and the Government Accounting Standards 67 Valuation**

Mr. Angelo and Mr. Monroe presented the Actuarial Valuation as of July 1, 2018 of the Retirement Plan including the recommended department contribution rate and the Governmental Accounting Standards 67.

Mr. Ignacio moved that the Board approve Resolution No. 19-26; seconded by Mr. Poole.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole, Vasquez

Nays: None

Absent: Wright

THE MOTION CARRIED.

c) Death Benefit Fund Government Accounting Standards 74 Actuarial Valuation as of June 30, 2018

Mr. Angelo and Mr. Monroe presented the Death Benefit Fund Government Accounting Standards 74 Actuarial Valuation as of June 30, 2018.

Mr. Ignacio moved that the Board approve Resolution No. 19-27; seconded by Mr. Poole.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole, Vasquez

Nays: None

Absent: Wright

THE MOTION CARRIED.

13. Discussion of Organizational Change at Fidelity Institutional Asset Management

Mr. Carlo Manjikian, Investment Officer, briefly discussed and presented the item to remove Fidelity Institutional Asset Management from organizational watch status and RVK, Inc. (RVK), the Plan's general consultant concurred.

Mr. Ignacio moved that the Board approve Resolution No. 19-28; seconded by Mr. Felix.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole, Vasquez

Nays: None

Absent: Wright

THE MOTION CARRIED.

14. Discussion of Contract Extension for Dimensional Fund Advisors, Global Real Estate Securities Mandate

Mr. Vargas briefly discussed the item and introduced Melissa Soo Hoo, Investment Officer, who presented the item to extend the contract with Global Real Estate Securities investment manager Dimensional Fund Advisors, for three years, beginning March 1, 2019 through February 28, 2022.

Mr. Ignacio moved that the Board approve Resolution No. 19-29; seconded by Mr. Hemming.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole, Vasquez

Nays: None

Absent: Wright

THE MOTION CARRIED.

15. Discussion of Updates to the Plan's Investment Policy

Ms. Bogin acknowledged Grace Adajar, Investment Officer, and Mr. Jeremy Miller of RVK, who presented the report to adopt the proposed changes to the Plan's Statement of Investment Objectives, Goals and Guidelines and incorporate them into the Plan's Investment Policy as recommended by the Ad Hoc Committee and approved by the Retirement Board in response to the Management Audit. Ms. Adajar identified all the proposed changes. Additionally, Mr. Miller referenced Section 3.1 for Manager Selection; numeric value was not included in the Plan's current Investment Policy, but rather the criteria for maximum exposure. Therefore, new language is recommended to provide a framework for the Retirement Board to monitor manager exposures effectively in pursuit of creating a diversified portfolio.

Mr. Poole moved that the Board approve Resolution No. 19-30; seconded by Mr. Felix.

Ayes: Bogin, Felix, Hemming, Ignacio, Poole, Vasquez

Nays: None

Absent: Wright

THE MOTION CARRIED.

17. Discussion of Management Audit Letter

Ms. Carranceja discussed the item and presented the recommendation of transmittal of the letter to the Board of Water and Power Commissioners identifying and addressing governance issues. Mr. Poole stated this resulted from the Management Audit recognizing the Retirement Plan Manager's (RPM) and Chief Investment Officer's (CIO) compensation disparity when compared with the City of Los Angeles and other pension plans. He endorsed transmittal of the letter for the purpose of retention and recruitment of staff. Furthermore, he acknowledged the immense contributions and administration of both, Mr. Wolfson, CIO and Ms. Le, RPM; highlighting the exceptional management of the Plan and making it one the best funded and managed in the country. However, he stressed maintaining the current structure of the CIO reporting to the RPM and does not want this changed. Ms. Bogin and Mr. Ignacio also agreed and supported this recommendation.

18. Discussion of Executive Staff Selection

Ms. Le presented the report and announced that Thomas Simonovski was selected for the emergency appointment for Assistant Retirement Plan Manager since no eligible list is currently available for the classification. She stated this emergency appointment will trigger testing to form an eligible list. Since the Retirement Board does not have appointing authority over its executive officers, it is recommended they may form an Ad Hoc Committee to conduct a question and answer (Q & A) with the emergency appointee at a board meeting or they may choose to wait for the permanent Civil Service appointment since the emergency appointment may not be the same person as the one selected from the eligible list. Mr. Poole stated that the

California Constitution clearly gives the Retirement Board plenary authority over appointment of the managers but accepts the current process which has been previously approved. He also reiterated that the Retirement Board has not relinquished its plenary authority and Mr. Felix agreed Ms. Le clarified that the Retirement Board as whole, agreed will wait for the Ad Hoc Committee for Q & A after the permanent appointment is made.

19. Discussion of International Small-Cap Equity Request for Proposal

Mr. Manjikian presented the report to request authorization to prepare and release a Request for Proposal for International Small-Cap Equity.

Ms. Vasquez left the meeting at 11:00 a.m.

20. Presentation by RVK, Inc. – 2018 Second Quarter Real Return Portfolio Performance Report

Mr. Jeremy Miller of RVK presented the 2018 Second Quarter Real Return Portfolio Performance Report.

21. Presentation by RVK, Inc. – 2018 Second Quarter Hedge Fund of Funds Portfolio Performance Report

Mr. Miller presented the 2018 Second Quarter Hedge Fund of Funds Portfolio Performance Report.

22. Presentation by RVK, Inc. – 2018 Second Quarter Portfolio Performance Report

Mr. Miller presented the 2018 Second Quarter Portfolio Performance Report.

Retirement Plan Manager’s Comments

Ms. Le reported on the following:

- Ms. Freedman and her team successfully negotiated lower fees with all three contracts for outside tax counsel.

Future Agenda Items

There were no requests for future agenda items.

There being no further business, the meeting adjourned at 11:12 a.m.



Lailanya Bogin
Board President

11/14/18

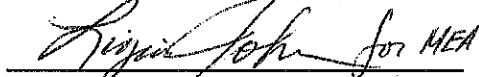
Date



Linda P. Le
Retirement Plan Manager

11/14/18

Date



Mary E. Alvarez
Utility Executive Secretary

11/14/18

Date