

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

Minutes – March 20, 2002

Present:

Javier Romero
David Wiggs
Ron Vazquez
Dan Mirisola
Lilly Calvache

Absent: Mary Leslie

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Plan Manager
Donna Weisz Jones	Assistant City Attorney
Mary Jo Curwen	Deputy City Attorney
Marie Bustillos	Acting Recording Secretary

President Romero called the meeting to order at 10:07 AM after the Pledge of Allegiance

[Pledge of Allegiance]

Mr. Vellon indicated there was quorum of the Board. He reported there were requests for public comments, one for comments on item 20, and one on item 23. He took the opportunity to indicate some of the resolutions for consideration by the Board today state, in the closing paragraph, the Board was created under section 220 of the Charter. He explained this was a typo and the proper reference should be section 1102 and all resolutions will be corrected after Board adoption.

Mr. Vellon proceeded to introduce the following items 1 to 3 for consent action:

- 1. Approval of Minutes for the February 20, 2002 Board Meeting**
- 2. Termination from Monthly Rolls as of March 2002:
Retirement Resolution for March 2002
Family Death Benefit Resolution for February 2002**
- 3. Authority to Invest Short Term Resolution**

Mr. Mirisola moved adoption of the above items 1 to 3 on consent. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola

Nays: None

PUBLIC COMMENTS

President Romero recognized Mr. Vince Foley.

Mr. Foley introduced himself as a DWP retiree and former Board member for 21 years. He explained the Retirement Board had a policy to the effect all members who travel had to present their travel requests in a public meeting. He added this was changed by this Board about 2 years ago thanks to the “conspiracy” of former DWP Manager David Freeman and the three elected members. Mr. Foley stated under the new policy any Board member can travel anywhere they want without Board approval and they are no longer required to submit their expense reports to the Board. He noted Mr. Mirisola should support full disclosure of these items, in keeping with his desire for openness. Mr. Foley stated the rate payers and the public have a right to know. He then “officially” requested a detailed report of all Board members’ travel be presented at the next meeting, including any travel authorized, showing length of program, cost, etc. He also requested this should become the Board’s policy.

Mr. Foley reminded Board members the appointed member of the Board, Bill Williams, resigned last month. He expressed his belief that such resignation was due to harassment and for the ill treatment he received from the three elected Board members and from the Plan Manager Mr. Vellon. He expressed his feeling this is tragic and it is the worst thing this Board has ever done and he hoped Board members hang their heads in shame.

President Romero recognized Mr. Jon M. Reuschel

Mr. Reuschel indicated he “seconded” Mr. Foley’s comments. He explained the monthly data mailers (check stubs) no longer reflect the Retirement Plan phone numbers and the retirees can’t contact the Plan office. He expressed his understanding the removal of phone numbers was the result of a directive by the Plan Manager. He referred to the idea of an “800” phone number for the Plan, (as previously suggested by member Mirisola) would facilitate contacts by the retirees. He noted he did not understand why this is not in place.

President Romero stated the record should show Board members thanked Mr. Williams for his service to the DWP Retirement Board.

Mr. Wiggs commented Mr. Vellon had come up with an idea of a monthly Board Newsletter for the retirees, to alert them about Board activities of interest to the retirees. He expressed his full support of this idea, including financial support as needed. He further indicated Mr. Vellon is ready to implement the Newsletter promptly. Mr. Wiggs noted the idea of an “800” for the Plan had been presented by Mr. Mirisola and he felt it should be implemented.

Mr. Vazquez indicated his agreement with Mr. Foley’s request for disclosure on Board members’ travel. He noted there is no need for Board pre-authorization and the policy as it stands is adequate, but there is a responsibility for disclosure. Some discussion ensued and it was the consensus to include a periodic report on travel for Board members and to make it part of the record.

Mr. Mirisola indicated this matter had come up under a proposed policy suggested by Mr. Por (consultant). He added, at the time it was agreed, with the support of Mr. Freeman, not to include unnecessary limits on Board travel. Mr. Mirisola then suggested Mr. Por’s recommendation could be discussed and adopted by the Board. It was the consensus to discuss this at a future Board meeting.

Mr. Vellon noted pages 6.30 and 6.31 were corrected to read “Disability Fund” and “Death Benefit Fund” respectively (both pages incorrectly read “Retirement Fund”). He then introduced Agenda items 4 to 14 to be received and filed as follows:

RECEIVED AND FILED (Items of interest to the Board on which no action is taken)

- 4. Special Board Minutes (Investments) of February 6 and 27 and March 5, 2002.**
- 5. Benefit Committee Minutes of February 13 and 27, 2002.**
- 6. Report of Payment Authorizations as of February 2002.**
- 7. Short Term Investments as of March 1, 2002.**
- 8. Stock Portfolio Listing as of March 1, 2002.**
- 9. Report on Long Term Investments (Bonds) as of February 28, 2002.**
- 10. Security/Transactions for 4 weeks ending March 1, 2002.**
- 11. Distribution of Securities by Type and Class as of January 31, 2002.**
- 12. Statement of Investments owned as of January 31, 2002**
- 13. Equity Investments as of January 31, 2002.**
- 14. Notice of Deaths as of February 2002.**

Ms. Calvache moved items 4 to 14 be received and filed. Seconded by Mr. Mirisola and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Mirisola, Calvache.

Nays: None

- 15. TCW Asset Management Company investment counsel recommendations for the Board to act upon as to the purchase and sale of financial securities in accordance with the Board’s Investment Policy and in voting proxies.**

Mr. Vellon indicated there were no recommendations from TCW Asset Management Company.

- 16. The Boston Company Asset Management, LLC investment counsel recommendations for the Board to act upon as to the purchase and sale of financial securities in accordance with the Board’s Investment Policy and in voting proxies.**

Mr. Vellon indicated there were no recommendations from Boston Co.

17. **HighMark Capital Asset Management, LLC investment counsel recommendations for the Board to act upon as to the purchase and sale of financial securities in accordance with the Board's Investment Policy and in voting proxies.**

Mr. Vellon indicated there were no recommendations from Highmark Capital.

18. **Consideration and approval of July 1, 2002 Annual Cost of Living Adjustment (COLA) increase, based on the consumer Price Index, pursuant to applicable Retirement Plan provisions.**

Mr. Vellon reported the Cost of Living Adjustment (COLA) for calendar year 2001 was obtained (detailed sheet included in the agenda packet) from the Bureau of Labor Statistics (BLS) and it was computed at 3.3%. He indicated, as a result, the Cost of Living Adjustment (COLA) as provided by the Plan, would be the maximum 3%. He noted the remaining .3% would be recorded as an addition to the retirees' "COLA Bank" for possible future consideration by the Board. Mr. Mirisola proceeded to recommend adoption of the proposed resolution 02-47 providing for a 3% COLA for eligible retirees, effective 07/01/2002. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

19. **Consideration of Board resolution on Retirement Plan Personnel:**
 - a) **Providing for temporary pay adjustment for the "Assistant Retirement Plan Manager" position subject to eventual Personnel Study to be conducted under the DWP General Manager's initiative (negligible budget impact).**
 - b) **Providing authorization for conversion of two Plan "Management Assistant B" positions to Management Assistant A (negligible budget impact).**

Mr. Vellon reported resolutions 02-48 and 02-49 were presented for Board approval. He explained Mr. Wiggs had supported a Plan Personnel study, however this may take time and he would like immediate action to recognize the additional duties assumed by Ms. Bhatia and to provide an incentive for retaining the Plan's 2 Management Assistants, one of whom is responsible for the implementation of the COLA for retirees, to be effective 07/01/2002.

President Romero expressed support for the 2 resolutions as temporary actions, subject to the completion of the Personnel Study by Mr. Wiggs. Mr. Mirisola expressed support for the resolutions. Mr. Wiggs indicated it is important to make sure any personnel transactions meet all applicable rules and regulations. He indicated he had discussed this with Mr. Vellon and suggested appropriate coordination with Assistant General Manager Tom Hokinson.

After discussion, Mr. Mirisola moved adoption of resolution 02-48 providing for salary adjustment for Assistant Plan Manager Sangeeta Bhatia, and resolution 02-49 providing authority for recognizing the Plans' two Management Assistant positions as "A" rather than the present level "B". Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

20. Reconsideration of Board Resolution No. 02-16 relative to changing the Regular and Special Board meeting dates and times and reconfiguration of the Board's Investment Committee.

Mr. Vellon reported this Agenda item had been requested by President Romero in light of the difficulties in achieving quorum at the weekly investment meetings. President Romero clarified his immediate concern is reverting to a 3 members Investment Committee, on a temporary basis, subject to change when a new retiree member is appointed by the Board of Commissioners. Mr. Vazquez expressed support for this idea on a temporary basis.

President Romero recognized Mr. Foley.

Mr. Foley indicated past Boards have accommodated the Commissioner Board Members' schedule. He suggested the Retirement Board meeting be moved to the Tuesday when the Board of Commissioners' meet. He reiterated the appointed Board members' (Commissioner and Retiree) schedules need to be accommodated and the 3rd group to be accommodated is the members of the public, such as retirees present today. He also suggested any Management members' schedules ought to be considered and the last group to be accommodated is the elected members. He noted the 3 elected members are not Management Members of the Department and they are paid to be present at the Board meetings. He closed his remarks by requesting the Board meeting dates coincide with the Tuesday of the Board of Commissioner's meeting day, at 10:00 or 10:30 A.M.

President Romero indicated his only intent was to reactivate the Investment Committee of 3, on a temporary basis, to eliminate the quorum problem under the current full Board Special meeting format. Mr. Vazquez indicated it was important to make sure any new meeting dates and times fit Commissioner Leslie's schedule. President Romero reminded all present various changes in meeting dates had been made to accommodate Mr. Williams and Commissioner Leslie. Mr. Wiggs indicated the Tuesday of the Board of Commissioners' meetings would not work for him, due to his heavy schedule on those days. Upon more discussion, Atty. Jones advised the Board can make a motion today. Mr. Wiggs then moved to revert to an Investment Committee of 3 effective immediately. Seconded by Mr. Mirisola and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Calvache, Mirisola, Wiggs.

Nays: None

21. Consideration of staggered terms for DWP Retirement Board Members under Article XI, Section 1104 of the Los Angeles City Charter.

Mr. Vellon explained this matter had been discussed by Board members last month. He noted a proposal of having one election for the three elected members, to be staggered with the appointed members, was submitted to the Board Attorneys for review. He added Attorney Jones' legal opinion of March 12, 2002, handed out to Board members, concluded the proposed staggering complies with the City Charter and included her suggested dates for the expiration of the retiree Board member (4/30/2005). Mr. Mirisola moved adoption of resolution 02-50 providing for the staggering of Board members terms, to be recommended to the Board of Commissioners. Mr.

Wiggs seconded the motion, based on the findings of Atty. Jones to the effect it complies with the Charter. The motion carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

- 22. Consideration of authorization for Actuary to conduct a “Cash Flow Cost and Liability Projection” to be used by the Plan’s consultants for their Asset/Liability Study (estimated cost \$7,500).**

Mr. Vellon reminded Board members this matter had been verbally presented to the Board. He added it reflects a reasonable cost, compared to the \$30,000 initially suggested by the consultant and actuary. He explained the information generated by the actuary will be provided to the Plan’s consultant for his completion of the Plan’s asset/liability study. Mr. Vellon recommended approval of the appropriate resolution. Mr. Mirisola moved adoption of resolution 02-51 authorizing the actuary’s preparation of a “Cash Flow Cost and Liability Projection” at a cost not to exceed \$7,500. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

- 23. Consideration of death benefit claim in the case of Howard Shapiro (deceased 2/13/2001). Conflicting claims filed by named beneficiary (Harold Shapiro, father) and widow (Lori Shapiro).**

A closed session will be held on this item, pursuant to the Government Code Section 54956.9(a). Conference with Legal Counsel—Existing Litigation (Harold Shapiro, Sonia Shapiro, Lawrence Shapiro, Plaintiffs, vs. Department of Water and Power, Lori Beilman Shapiro, Does 1-25, Defendants).

Vice-President Mirisola recognized Attorney Seth Goldberg, counsel for Mr. Harold Shapiro and his wife who are present today.

Attorney Goldberg identified himself and explained he had filed a lawsuit against the Department, but subsequently added the Retirement Board as defendant. He indicated he had the opportunity to read a court case provided today by the Board’s attorney and his client would not object to the distribution along the lines of such case. After a brief discussion, Mr. Mirisola moved to authorize the Board’s attorney and the Plan Manager to settle this case along the lines of the case referred to by Attorney Goldberg. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

24. Consideration of payment plan proposed by Ms. Linda Byrd to repay, to the DWP, the member contributions removed from her Los Angeles City Employees Retirement System (LACERS) account before she transferred to DWP under the reciprocal provisions.

Mr. Vellon explained in some detail the history of this case, including Ms. Byrd's difficulty in refinancing her home to pay the amount due (\$20,000.00 +) as she had informed the Board last month. Mr. Vellon indicated Ms. Byrd is currently on disability, under worker's compensation, and could not be present today due to scheduled surgery. He added she corresponded with the Board and notified her willingness to start a payment plan after she returns to regular duties. Mr. Vellon clarified Ms. Byrd's return to regular duty is uncertain due to the multiple variables of any medical case.

Mr. Wiggs commended Mr. Vellon for his clear summary. President Romero then inquired of Attorney Jones if it is appropriate for Ms. Byrd to repay the Plan outside of her workers' compensation payments. Attorney Jones responded she needs to conduct more research on this rather unique case.

Mr. Wiggs expressed willingness to accommodate the member in some way, but only provided there is legal input relative to the various options available to the Board. Mr. Vazquez expressed concern this case may very well represent a direct liability by LACERS, and perhaps it should be up to them to collect from Ms. Byrd. Mr. Mirisola added, perhaps, if there are no payments, there may not be service credit (15 years) added to the member.

Attorney Jones recognized this Board has done everything possible to find a solution in this case. She stated she will do more research and will report back.

Mr. Vellon noted Ms. Byrd is very anxious to receive her 15 years of service, because this would increase her Plan disability supplemental payments and would also result in a significant retroactive payment of disability benefits. Attorney Jones indicated this could also be considered as part of her research.

[No action was taken on the draft resolution 02-52]

- 25. Consideration of Board actions relative to the Board's full discretion mandate for its existing Investment Managers:**
- a) Consideration of 60 days extension of contract number 124 with Highmark Capital Asset Management, LLC (from 4/1/2002 to 5/31/2002) under the present terms and conditions.**
 - b) Consideration of 60 days extension of contract number 125 with TCW Asset Management (from 4/1/2002 to 5/31/2002) under the present terms and conditions.**
 - c) Consideration of 60 days extension of contract number 123 with The Boston Company Asset Management, LLC (from 4/1/2002 to 5/31/2002) under the present terms and conditions.**
 - d) Approval of master Equity and Fixed Income contracts with Highmark Capital Asset Management, LLC and TCW Asset Management Company (and possibly with the Boston Company Asset Management, LLC and Standish Mellon Asset Management if they resolve pending insurance issues) for signature by the Board's President, effective May 1, 2002 to April 30, 2003.**

Mr. Vellon explained the three managers' contracts (Highmark, TCW, The Boston Co.) expire March 31, 2002. He added during the negotiations of the new full discretion contracts it turned out The Boston Company and HighMark would not accept the DWP insurance requirement (and HighMark would not comply with the Business Tax Registration Certificate). He stated TCW accepted all DWP requirements. He also indicated, in light of these circumstances it was recommended to extend the 3 contracts for 60 days, as requested by the Boston Company. He clarified the intent would be to resolve all issues in 30 days, for the Board to take alternative action if it is not possible to resolve the Boston Company and HighMark issues. Mr. Vellon recommended adoption of resolutions 02-55, 02-56 and 02-57 to allow for a 60 days extension on the 3 managers' contracts.

Mr. Mirisola moved adoption of resolutions 02-55, 02-56 and 02-57. Seconded by Ms. Calvache.

Mr. Vazquez explained the insurance requirements are the same as those in place in the other City Retirement plans. He noted Avery Neaman, DWP Risk Management representative, was present today to answer any questions. Mr. Vazquez also noted no Board professional can do business with the City or DWP if they do not file their Business Tax Registration Certificate (BTRC), whether the current contracts provide for this or not. He indicated this requirement is enforced by the Controller's office and Mr. Vellon should require the current professionals comply with this. Mr. Vazquez indicated the Board should consider options in the event the Boston Company and/or HighMark cannot comply with the requirements.

Mr. Mirisola explained staff and the President met with each manager on February 28th and there were discussions of all DWP requirements. Mr. Vellon added Mr. Neaman was of great assistance and made every effort to resolve all issues. He commended Mr. Neaman for his valuable assistance in this matter.

Mr. Harkins approached the table to discuss the insurance issues. It was the consensus the insurance requirements are standard requirements and any discussions need to be between staff,

Board Attorney and Risk Manager. Mr. Harkins indicated he has put a significant effort in trying to resolve all issues and will continue to do so.

President Romero asked for a vote on Mr. Mirisola's motion and it carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola.

Nays: None

Mr. Mirisola suggested a motion on the master contract (Agenda item 25-d), at least for TCW who accepted the DWP requirements. Mr. Vazquez then moved approval of resolution 02-53 authorizing a full discretion contract with TCW, effective May 1, 2002 to April 30, 2003. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, Calvache, Mirisola

Nays: None

[There was no action on draft resolution 02-54]

26. Retirement Plan Manager comments

a) Legal Opinions received.

Mr. Vellon noted the summary of legal opinions received was handed out to Board Members.

b) Update on pending death benefit payments.

Mr. Vellon explained the pending old death benefit cases will be referred to Security staff for further investigation and future Board reports will follow.

c) Retirement Plan data collection project.

Mr. Vellon reported a Senior Programmer Analyst had been selected for this project, however, the candidate received a salary increase from his current employer and declined the job offer. He added the IT selection process was completed right at the expiration of the Personnel Department certification and as a result, they must start a new selection process as soon as a new certification is received from the LA Personnel Department.

d) General Items

Newsletter

Mr. Vellon reported he had suggested a Board Newsletter be sent to the retirees, monthly, to keep them informed of important Plan developments. He noted Mr. Wiggs and President Romero were supportive of this idea. He added the newsletter will provide for monthly messages from bonafide Retirees' organizations and will also include phone numbers of these organizations (and the Plan's). Mr. Vellon handed out a sample format and noted the data mailers (check stubs) only provide for 20 lines and there will always be problems when there are too many messages.

Mr. Wiggs inquired if the Newsletter can be started in March. Mr. Vellon responded in the affirmative and added the Retirees Association's 3/31 message will be part of it, along with telephone numbers. Mr. Wiggs expressed support for this effort as a permanent solution to the issues raised.

Mr. Vazquez inquired the purpose of the transcript of the October 2001 Board minutes he received today. Mr. Vellon explained this was recently certified by the court reporter. Mr. Mirisola added he had requested the transcript during the October 2001 meeting. Mr. Vazquez requested information about the cost of this transcript and Mr. Vellon stated he would provide this information

The Board meeting was adjourned at 11:12 AM

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

MARIE BUSTILLOS
Acting Recording Secretary