

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

MINUTES – APRIL 17, 2002

Present:

Javier Romero
David Wiggs
Ron Vazquez
Dan Mirisola
Lilly Calvache

Absent: Mary Leslie
(One Vacancy)

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Plan Manager
Mike Wilkinson	Deputy City Attorney
Avery Neaman	DWP Risk Manager
Rob Harkins	The Boston Company
Allan Emkin	P.C.A
Silvia Tesseneer	Recording Secretary

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

[Pledge of Allegiance]

Mr. Mirisola noted Mr. Por's name was misspelled in a few places in the minutes of March 20, 2002 and this should be corrected. He then moved approval of consent items 1 to 3 as follows:

- 1. Approval of Minutes for the March 20, 2002 Board Meeting**
- 2. Termination from Monthly Rolls as of April 2002:
Retirement Resolution for April 2002
Family Death Benefit Resolution for April 2002
Survivorship Resolution for April 2002**
- 3. DWP Internal Auditor's confirmation of 3% COLA increase for retirees effective July 1, 2002.**

Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez, Romero
Nays: None

PUBLIC COMMENTS

President Romero recognized Mr. Foley.

Mr. Foley identified himself as former member of this Board for 21 years. He expressed today's agenda does not reflect his request for a report on the elected members travel and he wanted to know why. President Romero responded this item will be in a future agenda, along with the adoption of a Travel Policy. Mr. Foley indicated, apparently, Board members have something to hide. Mr. Mirisola pointed out the minutes reflect this item be discussed at a "future meeting". Mr. Foley responded he doesn't care what the minutes say. Mr. Mirisola responded he is aware of this, because the minutes were not prepared by this Board for 6 years while Mr. Foley was on this Board, and he (Mr. Mirisola) ended signing these after he was elected Board member. Some discussion ensued as to whether the old minutes were, or were not, prepared.

Mr. Vazquez indicated the issue of the members' travel will be discussed at the next meeting. President Romero clarified a Policy on travel will be discussed, because there had not been a policy in place. Some discussion ensued relative to the existence or non-existence of a travel policy for Board members.

President Romero clarified the member's participation on the various training will be discussed. More discussion ensued. Mr. Foley inquired of the City Attorney if it is a violation not to have included this item on the agenda. Attorney Wilkinson responded this is Mr. Foley's opportunity to speak under public comments. President Romero indicated this matter will be discussed at the next meeting. Mr. Foley responded, as he "suspected from the beginning," Board members have something to hide.

President Romero recognized Ms. Dorothy Fuller.

Ms. Fuller identified herself as a DWP retiree. She suggested Board members can use the travel policy in effect at the Department. She inquired if it is possible to have the minutes available via e-mail or fax. She requested this be done, on behalf of the Retirees Association, for those members who can't attend these meetings.

Mr. Vellon indicated the minutes are posted on the Plan's web page, after Board approval, for access by anyone, including the Retiree's Association. Ms. Fuller inquired if it could be sent via e-mail to those who have difficulty using the web. Mr. Vellon responded this can be accommodated if Ms. Fuller sends him an e-mail with her address as well as the addresses of others interested.

President Romero acknowledged Mr. Frank Miramontes.

Mr. Miramontes identified himself as a DWP retiree for over 30 years. He thanked the Board for their diligent work for the last couple of years, particularly their approval of 6 years worth of minutes, which had not been done in spite of the importance of these and the fact these have been legally required. He added Board members should also be commended for solving disability cases pending for over 5 years. He appreciated the Board's initiative in adopting "catch-up" cost of living adjustments (COLA) for the retirees. He noted the Board's dedication has benefited both active and inactive employees.

Mr. Miramontes thanked the Board for following the assets of the Plan very closely achieving

high performance results as reported recently, compared to other retirement plans. He expressed appreciation for the Plan Manager, Duamel Vellon, who has done an excellent work as Manager, coming in from the outside and learning and understanding this complex plan as quickly and as knowledgeable as he is on it. He appreciated Mr. Vellon has taken the time to go out to the field offering retirement information to active and retired employees and answering their questions. He added Mr. Vellon should also be commended for the valuable, unbiased, Newsletter now sent to all retirees. He closed by indicating his message of appreciation is not only on behalf of many retirees who can't come to these meetings due to illness or other reasons, but also on behalf of many Water, Power and Joint employees who are out in the field doing their jobs to bring electricity and water to the community.

Mr. Mirisola wanted to address his travel under Public comments. He reported all the seminar/conferences/classes he has attended since his election to this Board. He explained for 2000 he attended the International Foundation of Employee Benefits Conference and Callan College in San Francisco. For 2001, he attended a class by Cortex at the JFB, CALAPRS Conference, the CAPPS program sponsored by the International Foundation of Employee Benefits; Principles of Management put on by CALAPRS; Socially Responsible Investing; and for 2002 he attended a Disability Conference. He stated he was reimbursed based on the DWP payment plan for meals under the negotiated agreement with the Union.

Mr. Romero also gave a description of his travels, adding he attended most programs with Mr. Mirisola and he also attended a Fraud Prevention seminar and Wharton School of Business. He stated, for a plan of this size, perhaps this Board needed to attend more training. He inquired from Mr. Allan Emkin of Pension Consulting Alliance, what was reasonable for a \$6 billion plan. Mr. Allan Emkin responded, as Fiduciaries, the members have an obligation to become as knowledgeable in all aspects of pension plan administration. He also mentioned Retirement Plan staff also have a similar obligation to gain knowledge whenever possible.

Mr. Wiggs arrived.

Ms. Calvache reported she did not attend the Socially Responsible Investing, but did attend the Wharton School of Business and, since she chairs the Benefits Committee, she prefers to attend disability, disability fraud and employee benefits training.

President Romero recognized Ms. Becky Bendikson.

Ms. Bendikson approached the podium and inquired if it is possible for the public to obtain a tape of the Board meetings. Mr. Vellon reported the City Attorney has advised the tapes of the Board meetings are not a public document, since the official records are the written minutes, and these are available to the public. Mr. Mirisola noted anyone can come to the office and listen to the tapes. Mr. Vellon added some Board members have requested copies of the tapes and these have been provided to them as Board members. Mr. Wilkinson clarified members of the public can listen to the tapes in the retirement office if they so desire.

Mr. Vellon introduced Agenda items 4 to 13 to be received and filed as follows:

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

4. Investment Board Minutes of March 27, and April 3 2002.

5. **Benefit Committee Minutes of March 20, 2002.**
6. **Report of Payment Authorizations as of March 2002.**
7. **Short Term Investments as of March 29, 2002.**
8. **Report on Long Term Investments (Bonds) as of March 31, 2002.**
9. **Distribution of Securities by Type and Class as of February 28, 2002.**
10. **Statement of Investments owned as of February 28, 2002.**
11. **Equity Investments as of February 28, 2002.**
12. **Notice of Deaths as of March 2002.**
13. **Revised procedure for purchase of time Other Department Service (ODS), Other Government Service (OGS) and Other City Service (OCS).**

Mr. Vellon explained item 13 represents a new policy and it is intended to address concerns about higher costs to the members, for their purchase of other governmental service (OGS; ODS & OCS). He explained the process requires certain information from Payroll, The City, other employers, and by the time this is received in the Plan, the members' salary may be higher, resulting in a higher cost. He indicated members have complained about this, and the policy as recommended by staff, requires the cost be based on the salary in effect at the time of application or the salary at the time of Plan staff calculation, whichever is lower, provided the members sign a contract within 2 weeks of Plan notice. Ms. Calvache recognized salaries do change as a result of cost of living adjustments and the proposed policy is reasonable. She then moved items 4 to 13 be received and filed. Seconded by Mr. Mirisola and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

14. **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.

15. **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 the Boston Company.

16. **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.

Mr. Mirisola moved items #19 & 20 be discussed next to accommodate Mr. Emkin's schedule. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

Mr. Vazquez left.

19. Consideration of Board Resolution ratifying Pension Consulting Alliance (PCA) Contract Number 126, approved by the Board October 17, 2001.

Mr. Vellon indicated a formal resolution adopting PCA contract is required for the accounts payable section, due to the new requirements from the Controller's office. He recommended resolution 02-58 be adopted. Mr. Vazquez moved approval of resolution 02-58. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

20. Consideration of full discretion contracts between The Retirement Board and the following investment Managers

a) TCW Asset Management Company

Mr. Vellon noted Mr. Avery Neaman (Risk Manager) was present today. He indicated Mr. Neaman has been working with the managers to resolve the insurance issues raised. He reported item 20 (a) includes some minor changes to the TCW contract, as recommended by Mr. Avery Neaman. Mr. Mirisola moved approval of resolution 02-65. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

b) The Boston Company Asset Management, LLC

Mr. Vellon took this opportunity to report HighMark Capital will not accept the Business Tax Certificate requirement for City contracts and they will not do business with the Plan.

Mr. Vellon indicated the Boston Company representatives have some issues regarding the alternative language proposed by the Risk Manager on insurance requirements. Mr. Romero requested Mr. Neaman approach the table to explain his views. Mr. Neaman explained the insurance carrier for Boston Company, according to Mr. Harkins, was not willing to provide contractual liability protection to the Department of Water and Power. He elaborated on the need to maintain adequate insurance protections in the proposed contracts.

Mr. Romero inquired whether or not the plan's prior contracts had the insurance requirements. Mr. Neaman explained Risk Management was not consulted on previous contracts and, therefore, no indemnification and insurance requirements had been required and the Department has been assuming all the risk he is now trying to get covered. He stated his final opinion was; without these requirements, DWP and the Plan are essentially self-insuring and he recommended the insurance requirements he has suggested be maintained for the benefit of the Plan and DWP.

Mr. Rob Harkins from the Boston Company approached the table.

Mr. Harkins explained the difference of opinion the Boston Company had with Mr. Neaman's contractual liability requirements. Mr. Neaman clarified the indemnity requirement he suggested would not indemnify the Board in the event of the Board's negligent or wrongful misconduct.

Mr. Emkin mentioned the parties need to resolve this issue as soon as possible. He added, in the event this cannot be achieved, this Board will need to address how to deploy the assets in a way that protects the assets, because they have to be managed. Mr. Wiggs inquired of Mr. Emkin whether the Risk Manager's proposed indemnity requirement narrows the number of candidates available to the Board. Mr. Emkin answered in the affirmative and Mr. Wiggs expressed support for the Boston Company capabilities and financial strength. Some discussion ensued.

Mr. Harkins indicated of the four issues the Boston Company had, three had already been resolved and the only one pending was the contractual liability insurance requirement. Mr. Vellon suggested Mr. Harkin's confirm this in writing, for the record. He then recommended the Board adopt the insurance protection suggested by the DWP Risk Manager. He added Mr. Neaman did a thorough job in protecting the Plan and DWP interests.

More discussion ensued and Mr. Vazquez moved approval of the contract with the Boston Company which contract should reflect the insurance requirements for Professional liability as suggested by the Boston Company representative. He clarified his motion encompassed modifying the TCW contract, as approved by the Board, to reflect the insurance language as suggested by Mr. Rob Harkins. Seconded by Mr. Wiggs and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

[The regular order of the agenda resumed]

17. Consideration of e-mail dated April 9, 2002 sent to members of the DWP Retirees Employees Association.

President Romero recognized Mrs. Dolores Foley.

Mrs. Foley handed out excerpts from the Surge Newsletter from July 2000 to February 2002 published by IBEW Local 18. She noted Board members must become aware of articles published therein. Mr. Mirisola indicated the Surge articles are not an agenda item and only the April 9, 2002 e-mail sent by Mrs. Foley is on the agenda. A rather heated discussion ensued, and Mr. Mirisola left momentarily. President Romero called a brief recess (10 minutes) until quorum is present.

Mr. Vellon left momentarily.

[10-minute recess took place]

Mr. Mirisola and Mr. Vellon returned.

President Romero recognized Ms. Dolores Foley.

Mrs. Foley stated it was repulsive why an e-mail sent by her to Retirees was put on the Board's agenda. She stated she stood by every word she wrote. She alleged the elected Board members continue to write lies in the IBEW newsletter. Mr. Mirisola clarified, as Board members, the elected members are interviewed for the newsletter and they do not write the articles directly.

Ms. Calvache suggested if Mrs. Foley has issues with anything written in the IBEW newsletter, she should contact them directly. Mrs. Foley mentioned the three elected Board members have done nothing in the last 2 years, except attend seminars and hire a consultant that in the past has tried to "raid" the retirement plan. She continued by stating their only claim to fame is that, with their confrontational and uncooperative behavior, they have cheated the retirees of Mr. Bill Williams' representation.

Mr. Mirisola expressed concerns about the Foley's unnecessary attack on Mr. Vellon's reputation, adding he is not paid enough to take that kind of abuse. Mr. Wiggs responded, if this is the case, Mr. Vellon can quit. He also expressed frustration with the lack of communication between the parties.

Mr. Romero mentioned, in regards to the e-mail sent by Mrs. Foley, he wants a response from this Board, to the Retirees, included in the next Retirement Board newsletter for retirees. Mr. Mirisola moved approval of a response letter to be sent to the retirees. Seconded by Ms. Calvache.

Mr. Wiggs expressed both groups need to work together and he does not support any response letter, at this time from this Board to the Retirees. Mr. Wilkinson added there is nothing in the agenda requiring a vote from the Board, at this time, regarding the response letter to the Retirees. He advised no Board action can be taken and recommended it be included in a future agenda for consideration. President Romero suggested his e-mail response, sent to all Board members be published in the Retirement Board's Newsletter for Retirees. He suggested Mr. Wiggs review his copy for possible consideration at the next Board meeting.

President Romero recognized Ms. Dorothy Fuller.

Ms. Dorothy Fuller approached the podium and stated it was unnecessary to send a response to 10,000 retirees, rebutting the e-mail sent by Dolores Foley to only about 100 retirees. She continued by mentioning Mr. Wiggs asked both groups to work together, and if this cannot be achieved, they should get help from an outside source. President Romero indicated the Foley's e-mail encourages retirees to contact 5 or more retirees and there is no idea as to how many retirees had been reached. It was the consensus Mr. Mirisola's motion was invalid and the item be considered at the next Board meeting.

18. Consideration of Ms. Maria Madrid as "eligible spouse" of the deceased retiree Dannie Madrid under "option full".

Mr. Mirisola moved approval of resolution 02-62 recognizing Ms. Maria Madrid as "eligible spouse." Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs

Nays: None

19. Consideration of Board Resolution ratifying Pension Consulting Alliance (PCA) Contract Number 126, approved by the Board October 17, 2001.

This item was discussed out of sequence, see page 5 of these minutes.

20. Consideration of full discretion contracts between The Retirement Board and the following investment Managers

- a) TCW Asset Management Company
- b) The Boston Company Asset Management, LLC

This item was discussed out of sequence, see page 5 of these minutes.

21. Consideration of renewal of Auditing Services Contract Number 122, between the Plan and Simpson & Simpson (expires June 30, 2002).

Mr. Vellon indicated this item was for the renewal of the contract (2 years) with the accounting firm of Simpson & Simpson. He explained this firm audits the Plan's financial reports every year. Ms. Calvache moved approval of resolution 02-63. Seconded by Mr. Mirisola and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

22. Consideration of renewal of Contract Number 117, between the Plan and Systematic Automation, Inc. (expired February 28, 2002).

Mr. Vellon indicated this item was for the renewal of the contract with Systematic Automation, the entity responsible for printing the DWP employees' annual statements. He recommended adoption of resolution 02-64. Ms. Calvache moved approval of resolution 02-64. Seconded by Mr. Mirisola and carried unanimously after the following vote:

Ayes: Mirisola, Vazquez, Romero, Calvache, Wiggs
Nays: None

23. Consideration of amendment to the Water and Power Employees' Retirement Plan to add a new Section III (a) (10) to provide payment of an attendance fee for the appointed retired member of the Board of Administration.

Mr. Vellon reported this item represents an amendment to the Plan allowing the retiree Board member to receive a small stipend consistent with other City of Los Angeles Boards. He indicated Attorney Donna Jones drafted the amendment as requested by the Board. It was suggested to wait until the new retiree representative is on board to determine her interest. Mr. Mirisola reminded this item had been requested by Mr. Williams and elected members are not interested in receiving a stipend. It was the consensus to table this item until the appointed retiree takes office.

24. Consideration of guidelines for the election of Active Members representatives to the Board of Administration.

Mr. Vellon reported election guidelines had been drafted and discussed in past meetings. He noted these were included in the Board packet for adoption. He further indicated he had reviewed the guidelines and summarized them for the Board members and recommended approval. Mr. Mirisola suggested Section 5 of the guidelines needs to reflect there should be a

candidate from Water, one from Power, and one from Joint, consistent with the last election. Mr. Vellon responded this will be included in the final draft for consideration at the next meeting.

25. Retirement Plan Manager comments

a) Legal Opinions received.

Mr. Vellon reported the summary of Legal Opinions received was included in the agenda packet.

b) Update on pending death benefit payments.

Mr. Vellon reported on the pending death benefits, adding he has been working with the retirees' DWPC-Net group, and they continue to be helpful in gathering information to identify some of the old cases. He added the next step is to work with the DWP Security and there has been a commitment from the Security Director to assist in this project.

c) Retirement Plan data collection project (Ms. Cecilia Weldon, Chief Information Officer, may be in attendance).

Mr. Vellon explained this project was reported to the Board 3 /2001 due to the urgent need for improving services, while enhancing the tools available to staff. He added this was also identified as an urgent problem by a consultant (Renaissance) in 1999. He reiterated the importance of the computerization of the Retirement Plan office, so the retirees/active members can receive accurate and timely information. He commended the Retirement plan staff for the work they do with limited resources, but noted it is imperative they be provided with computerized tools. He then introduced Ms. Cecilia Weldon, Director of the Informational Technology unit.

Ms. Weldon introduced herself as Chief Information Officer. She reiterated the commitment of the IT office in regards to the Computerization Project and explained the reasons why it has taken so long to hire IT personnel to be assigned to Retirement. She reported interviews were scheduled for early May. She stated the IT office already has 3 programmers working on the day to day Retirement Plan issues and programs, in addition to the two new positions to be selected soon. Ms. Calvache thanked Ms. Weldon for her support of the computerization project, for attending the Board meeting today and for her patience in waiting for this agenda item.

d) DWP Plan Newsletter for retirees

Mr. Vellon noted the March 2002 Newsletter for DWP retirees (first issue) was included in the agenda packet for information. He thanked Ms. Silvia Tesseneer for designing it and the staff for getting the newsletter mailed out in time.

e) General Items

1-800 Number

Mr. Vellon reported the 800 number discussed at the last Board meeting will be installed today. He added the assigned number is 1-800-367-7164 and it will be operational mid-May and will include a menu for the Retirees Association phone numbers to be easily accessible to retirees.

Staggering of Terms

Mr. Vellon reported there were some concerns about the staggering of terms from Mr. Burmahln (secretary of the Board of Commissioners) and Mr. Burmahln's e-mail was included in the packet for informational purposes.

Secretaries Week

Mr. Vellon congratulated the secretaries for Secretary's week and thanked all staff responsible for secretarial duties for all the excellent work they do.

Retirement Plan Personnel Study

Mr. Vellon reported Mr. Hokinson, Assistant General Manager, supports the Retirement Plan Personnel Study and a draft resolution will be presented at the next Board meeting. He added Mr. Hokinson also supported the Board's resolution authorizing a two step increase for Ms. Bhatia and he is in the process of implementing this.

Unfounded Accusations against the Manager

Mr. Vellon expressed his concerns about the unfounded accusations raised against him; particularly the attacks against his personal and professional integrity, including comments by Mr. Wiggs suggesting he [Mr. Vellon] can quit. He added he came prepared to read a statement, but he was interested in Commissioner Leslie's presence, so she could hear what he had to say. He indicated, since the agenda item #17 was tabled until next month, he will include his report and comments in the next agenda packet. He advanced, however, he was very hurt by Mr. Wiggs' suggestions today that if he didn't like what's taking place he should resign. He added he is also hurt by the pressure put on Mr. Wiggs' to terminate him. He took the opportunity to make it clear he is a professional and a Civil Service protected employee and his personal and professional integrity do not fit into the DWP building. He added he intends to defend his personal and professional reputation as necessary. He also indicated his report to the Board next month is intended to clear all the aspersions cast against his personal reputation and professional integrity.

The Board meeting was adjourned at 12:15 PM

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

SILVIA TESSENEER
Recording Secretary