

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

MEETING – July 31, 2002

Present:

Javier Romero	President
Lilly Calvache	Board Member
David Wiggs	General Manager
Norma Bertrand	Retiree Member

Absent:

Ron Vazquez	Chief Financial Officer
Dan Mirisola	Vice President
Mary Leslie	Commissioner

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Mike Wilkinson	Deputy City Attorney
Mary Joe Curwen	Deputy City Attorney
Silvia Tesseneer	Recording Secretary
Paul Angelo	Actuary, Segal Company

The meeting was called to order at 10:05 am after the Pledge of Allegiance.

[Pledge of Allegiance]

PUBLIC COMMENTS

President Romero inquired if there were any requests for Public Comments. Mr. Vellon stated there were 2 requests for general comments from Mr. McPoland and Ms. Bendikson.

President Romero recognized Mr. McPoland.

Mr. Don McPoland, a retiree, stated that he would like the Board to consider Ms. Bertrand for the position of 1st Vice President.

President Romero recognized Ms. Bendikson.

Ms. Becky Bendikson, a spouse of a retiree, described the problems she had with the Kaiser over-deduction on her June 30, 2002 check (paid July 1, 2002). She stated she had contacted the Retirement Office which in turn transferred her to the Health Plans. Thereafter she contacted the Health Plants 2 more times to no avail. She noted she

just received her July 31, 2002 direct deposit stub (for August 1, 2002) and the amount deducted for Kaiser is not included in this stub. She wondered if Board members had any comment.

President Romero indicated public comments are not subject to discussion. Mr. Wiggs inquired of Mr. Vellon if he can comment on the matter. Mr. Vellon stated this is a Health Plans problem, and he intended to provide his comments under his general report at the end of the meeting. Discussion ensued and it was noted this is the 3rd year the problem occurs. Mr. Vellon indicated it appears the problem has to do with an IT system (RAP) which is also used to produce the Plan's monthly pension payroll. He added the Retirement Plan's newsletter for this month includes a summary explanation regarding the problem. He clarified, unfortunately, this is not an item under the Board's control.

Ms. Calvache reported she is aware of the problem and she has been talking with Mr. Bruce Raskin and they have informed her they have been working to rectify the situation from the very beginning. Ms. Bertrand expressed concerns about this being the third year in a row the problem reoccurs. Mr. Wiggs stated if there is anything he can do to help solve the problem, he would be happy to do so.

- 1. Election of President, First Vice President, designation of the remainder of the Board members as Vice Presidents, appointment of Board members to various Board Committees**
 - a) Investment Committee**
 - b) Benefits Committee**

Ms. Calvache nominated Mr. Javier Romero for President. Seconded by Mr. Wiggs. There were no further nominations and the motion was carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero
Nays: None

Mr. Romero nominated Mr. Mirisola for 1st Vice President. Seconded by Mr. Wiggs. President Romero asked if there were any other nominations. Ms. Bertrand nominated Mr. Vazquez for 1st Vice President.

Mr. Wiggs expressed his desire to leave things the way they are. He also stated it was his understanding Mr. Vazquez was not interested in being the Vice President of the Retirement Board, because his schedule was very busy as it is, this is based on a conversation he had with Mr. Vazquez. There was no second for Ms. Bertrand's nomination. President Romero's nomination of Mr. Mirisola (seconded by Mr. Wiggs) was carried by majority after the following vote:

Ayes: Calvache, Romero and Wiggs
Nays: Bertrand

President Romero expressed appreciation for Mr. McPoland's suggestion under Public Comments, but at the present time the Board is going through a lot of changes, such as

amendments to the Plan, full discretion, and he feels it is crucial to have experienced Board officers. President Romero expressed confidence Ms. Bertrand's development through trainings and seminars will help her as Board member.

After some discussion, President Romero stated the Investment Committee will be comprised of all Board members (committee of the whole). He added the Benefits Committee will remain the same (Calvache, Mirisola, Romero) as will the Board's representative to the Deferred Compensation Board (Mirisola).

Mr. Vellon reported Items 2 to 3 were submitted for consent approval as follows:

- 2. Approval of Minutes for the June 19, 2002 Board Meeting.**
- 3. Termination from Monthly rolls as of July 2002;
Retirement Resolution for July 2002
Resolution Terminating the Deceased Doris Steel from the Survivorship Roll
Resolution Terminating the Deceased Bobby L. Williams from the Permanent Total Disability Roll
Resolution Terminating the Deceased Michael C. Robles from the Permanent Total Disability Roll**

Ms. Bertrand stated there was a minor typo on the Minutes for the June 19, 2002. Mike "Buccal" was misspelled, it should be Mike Buccat. Mr. Wiggs moved approval of the consent items with the proposed change on the minutes. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs and Romero
Nays: None

Mr. Vellon recommended Items 4 to 15 be received and filed as follows:

- 4. Investment Committee Minutes of June 5, 2002, Special Board Minutes of July 3, 2002.**
- 5. Benefits Committee Minutes of June 26, 2002.**
- 6. Report of Payment Authorizations as of June 2002.**
- 7. Short Term Investments as of June 28, 2002.**
- 8. Stock Portfolio Listing as of June 28, 2002.**
- 9. Report on Long Term Investments (Bonds) as of June 30, 2002.**
- 10. Security Transactions for 4 weeks ending June 28, 2002.**
- 11. Distribution of Securities by Type and Class as of May 31, 2002.**

12. **Statement of Investments owned as of May 31, 2002.**
13. **Equity Investments as of May 31, 2002.**
14. **Notice of Deaths as of June 2002.**
15. **Details of trades under Full Discretion.**

Ms. Calvache moved Items 4 to 15 be received and filed. Seconded by Ms. Bertrand and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero
Nays: None

Mr. Romero stated Items 16 through 18 were put at his request in case Investment Managers wanted to make a report.

16. **TCW Asset Management Company investment counsel updates on trade activity.**

Mr. Vellon indicated there was no report from TCW.

17. **The Boston Company Asset Management, LLC investment counsel updates on trade activity.**

Mr. Vellon indicated there was no report from The Boston Company.

18. **Standish Mellon Asset Management Company LLC investment counsel updates on trade activity.**

Mr. Vellon indicated there was no report from Standish Mellon.

Mr. Vellon reported staff found the Investment Managers have been very active lately and more information will follow.

19. **Update on New Pre-Retirement Training program being coordinated by the Training Section of the Human Resources Department – Presentation by Ms. Rose Garcia.**

Ms. Garcia approached the podium.

Ms. Garcia stated she is designing a retirement program training presentation with the help of Ms. Sangeeta Bhatia and Mr. Duamel Vellon. She noted the initial pre-retirement training program will cover overview of the changes on the Retirement Plan, targeting employees who are within 5 years from retirement. She added the training will also cover the human side of retirement and will include a disk program in which employees can input information and the program will calculate an approximation of what they can expect when they retire. She further stated the training will cover information regarding Health Plans, Deferred Compensation, Investment Portfolio in

general terms (more in-depth information on Investment Portfolio will be offered to employees in an after hours program), long-term care, beneficiary issues, etc. Ms. Garcia stated her target date to have this training is December 2002 or before. President Romero expressed his desire to see this training program on videos, making it available for employees to watch these on their own time. Mr. Vellon noted Ms. Garcia's program will be enhanced over time to include these ideas.

20. Consideration of Board resolution authorizing reasonable expenses for the improvement or replacement of the Plan's Retirement Automatic Payroll (RAP) System.

Mr. Vellon stated this is in reference to the comments he made under the Public Comments. He explained IT reported the problem with the Health Plan deduction had to do with the nature of the RAP System, and they have asked the Retirement Plan Office if there would be support to help with funding for revamping it. Mr. Vellon recommended approval of Resolution 03-05, providing funding for the RAP System improvement.

Ms. Bertrand inquired if there was a cost estimate. Mr. Vellon responded in the negative, but noted IT will have estimates and he will bring these up to the Board. Ms. Bertrand inquired if there was a timetable. Mr. Vellon answered a timetable has not been defined yet, but IT plans to provide one. After more discussion, Mr. Wiggs moved approval of the proposed resolution. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero
Nays: None

President Romero commented he supported Ms. Bendikson point of view as outlined under call to the Public. He noted the erroneous deduction happened three years ago, and perhaps it was okay, but again two years ago and again this year, is just not acceptable. President Romero and Mr. Wiggs requested for the Health Plans representatives to be at the next Board meeting to give a report. Ms. Calvache indicated she will coordinate this for the next Board meeting.

21. Actuarial (5 years) Experience Study by The Segal Company "Analysis of Actuarial Experience during the Period July 1, 1996 through June 30, 2001".

Mr. Paul Angelo approached the table.

Mr. Angelo stated the 5 years experience study is intended to compare the assumptions with the actual experience, to determine if there is a need to change any assumptions. He noted, because lack of data, a study wasn't done by the previous actuary, therefore this would be the first experience report in 10 years. Mr. Angelo went on to say the last 5 years have not been stable, primarily because of the SRP retirement window and it has been "unpredictable" time to predict the future. He reported, there are a limited number of changes as a result of the Study. The following are Mr. Angelo's summarized recommendations:

- Investment Return:

Mr. Angelo recommended staying with the current 8.0% rate.

Mr. Vellon inquired what was the estimated time horizon this assumption was for. Mr. Angelo responded 60 years. He clarified the actuary's time horizon is much longer than the Investment Managers', who focus on 10 or less years.

- Retirement Rates:

Mr. Angelo recommended to adjust the current retirement rates to reflect more accurately past experience, use separate rates for those with 30 or more years of service and use gender neutral rates.

- Mortality Rates:

Mr. Angelo recommended using the same mortality table for pre-retirement, post-retirement and for disability.

- Termination Rates:

Mr. Angelo recommended adjusting the current rates for females.

- Disability Incidence Rates:

Mr. Angelo recommended no change.

- Individual Salary Increases:

Mr. Angelo recommended no change.

- Inflation:

Mr. Angelo recommended no change.

With regards to the Investment Return, Mr. Angelo stated one couldn't just take the last 5 years and average it out. He pointed out, Investment Companies may use 10 years to base their planning, but the Actuary cannot do this. With regard to the Retirement Rates, Mr. Angelo reported the year ended June 30, 1999 was excluded, since this would skew the statistics due to the SRP retirements.

Ms. Calvache inquired what is the average age of a DWP employee. Mr. Angelo responded 45 years old. He then noted the study shows the termination rates have been favorable for the Plan. With regard to the Individual Salary increases, Mr. Angelo stated the actual raises are lower than the proposed. With regard to Inflation, Mr. Angelo recommended to stay with the 4%. Mr. Angelo concluded the actual employer cost impact, after the proposed assumption changes, was essentially neutral. He

referred to his employer contributions comparison report reflecting the employer contributions would remain essentially the same.

Mr. Vellon inquired if these assumptions changes will take effect 2002 or 2003. Mr. Angelo responded these will take effect 2002 in conjunction with the actuarial valuation currently under way. Mr. Vellon noted the Board's approval of the Segal actuarial report will incorporate the changes in various assumptions as recommended by Mr. Angelo. After some discussion, Ms. Bertrand moved approval of the Actuary's report and recommendations. Seconded by Mr. Wiggs and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero

Nays: None

22. Review of the Death Benefit Fund as of June 30, 2001 by Segal Company.

Mr. Angelo reviewed the Death Benefit Plan as of June 2001. He explained the actuary reports on the Death Benefit Plan every other year (odd years) and on the Disability Plan on even years. He explained the Family Death Benefits (\$160 family; maximum \$450) is an income replacement program through a stream of payments. He added this portion of the death benefits was so well funded that the employer contributions were suspended a few years ago. He noted the overfunded status still exists and, therefore, employer contributions can continue to be suspended.

Mr. Angelo discussed the Supplemental Family Death Benefit program (paid for by the members at \$2.25 biweekly, \$4.90 per month if retired) which continues to be well funded. He stated the actual cost to the Plan is a little less than what the members pay, this has been the case for years. President Romero noted at one point the Board recommended an improvement in the Family Death Benefit to make it more comparable to LACERS program. He added an actuarial cost analysis had been completed by the Plan's actuary showing virtually no impact due to the overfunded status.

Mr. Angelo talked about the Insured Lives program wherein members pay a nominal \$1 biweekly and Department contributions had been suspended due to the overfunded status of the program. He stated the overfunded position continues and recommended Department contributions continue to be suspended. He noted on the Non-contributory portion of this program the overfunding is such that the cost of \$1.74 would have been reduced to \$1.36, only using interest on the surplus. He explained a systematic reduction of the (reserves) surplus would have further reduced the cost to \$1.17, but the Board adopted, two years ago, a \$1.50 charge (in between the then cost of \$2.00 and \$1.30). He then recommended adoption of \$1.30 cost producing an amount between \$1.74 and \$1.17, taking credit for interest on the reserves and somewhat amortizing the surplus.

Mr. Vellon indicated the Board's adoption of the Actuary's Death Benefit report would incorporate the approval of the Segal recommendations. After a brief discussion, Ms. Calvache moved approval of the Segal actuarial report and recommendations relative to

the Death Benefit Fund. Seconded by Mr. Wiggs and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero

Nays: None

Mr. Angelo was excused and retired to the public.

23. Update on problems with Systematic Automation, Inc. (SAI) relative to their production of the Plan's Annual 2001 benefit statements.

Mr. Vellon reported the pending bill the Retirement Plan owes Systematic Automation had been negotiated down from \$8,000.00 to \$7,000.00 and he negotiated it further down to \$4,000.00. He reported there were also negotiations to insure quality service and the Retirement plan will give Systematic Automation a much lower advance at the beginning of the job, and the rest is payable only if the job is completed to the satisfaction of the Board. He clarified no payment to the vendor will be due if they do not do a good job.

Ms. Bertrand inquired if staff identified where the problem was regarding the erroneous information on the statements. Mr. Vellon responded it was the result of Systematic Automation's computer problems as they left some fields blank. President Romero thanked Mr. Vellon and staff for their efforts in renegotiating the bill and solving the situation.

24. Consideration of resolution authorizing the use of Police Department Services (through DWP security).

Mr. Vellon explained there are many beneficiaries of death cases which have not been located. He reported the DWP Security Services Unit was used as part of the due diligence effort, and, although they were not able to find the beneficiaries, they suggested the best way to find them is through the use of Police Department resources. Mr. Vellon recommended adoption of Resolution 03-06 so that Security Services can continue negotiations with the various Police Departments as part of the Board efforts to locate beneficiaries of death benefits.

Ms. Bertrand inquired if there were any parameters. Mr. Vellon responded these will be refined once DWP Security staff get the okay to proceed. He added the Security Services Unit will be the Board's conduit between the Plan and the Police Department. Ms. Bertrand inquired the reasons why Plan staff will not negotiated directly with the Police Departments. Mr. Vellon explained the Director of the Security Services is a former Police Officer, and he probably can get better results, since he knows his way around the Police Departments. Ms. Bertrand expressed her preference to have Plan staff be the contact with the various Police Departments. Mr. Vellon indicated he will so proceed.

Ms. Calvache inquired how many beneficiaries we are still looking. Mr. Vellon reported there are 27 missing beneficiaries, eligible for combined payments of between half a million to a million dollars. Mr. Wiggs moved adoption of Resolution 03-06 with the

amendment suggested by Ms. Bertrand to the effect Plan staff will be the contact. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero

Nays: None

Ms. Calvache noted this was brought to her attention last year. She commented she would like a resolution of these cases, as she has felt very strongly death benefit claims should be closed expeditiously.

25. Consideration for one-year contract with TCW Asset Management company (domestic Fixed Income Account/Domestic Equity Account) to provide investment management services.

Mr. Vellon reported the DWP Accounts Payable Section didn't realize the Board had already adopted various Resolutions and these have been provided to them, therefore, Mr. Vellon requested Item 25 be disregarded.

President Romero ruled Item 26 be discussed last, since it involves a closed session. President Romero proceeded to consider Item 27.

27. Update report on data collection project (Marie Park).

Ms. Park reported on the status of the data collection project for active employees. She indicated her team is formed of 2.5 business experts and 1 System Analyst. She stated that she, being new to the Department, is conducting a research for tools that will help her team finalize this project as soon as possible.

President Romero inquired where would this project be if she were to leave the Department, and how would she ensure the integrity of this program. Ms. Park responded the IT Business Unit has a group of employees which provide support to the Retirement Office, and one IT employee is her back-up and can carry-on. She added another alternative will be to bring an IT consultant.

28. Retirement Plan Manager comments

a) Legal opinions received.

Mr. Vellon noted the summary of legal opinions was included in the agenda packet.

b) DWP Plan Newsletter for retirees (June 30, 2002 Edition).

Mr. Vellon reported the June 30, 2002 Newsletter for DWP retirees was included in the agenda packet. He reiterated the August 1, 2002 Newsletter will include an explanation of the Health Plans problem and a status report on the Board's asset allocation review.

c) General items.

Mr. Vellon reported a handout given to Board members explains CALPES filed a lawsuit against WorldCom. He added Mr. Wilkinson had attended a presentation on the matter by a Law Firm and suggested the Board may want to explore the situation. Mr. Vellon suggested this item be discussed at a future meeting.

26. Conference with Legal Counsel – Existing Litigation (Closed session pursuant to Government code Section 54956.9) Gary Brown v. City of Los Angeles, L.A.D.W.P., Water and Power Employees' Retirement, Disability and Death Benefits Insurance Plan; L.A. Superior Court Case #BC276340.

Attorney Curwen suggested Item 26 be discussed in closed session after the public is excused.

President Romero expressed his concerns about having a closed session given Mr. Brown's disability claim is still under consideration by the Benefits Committee. He noted a hearing on appeal has not yet concluded. Attorney Curwen indicated the only purpose of the closed session is for her to update the Board on the pending litigation.

Mr. Vellon explained Mr. Brown had been denied disability benefits and he appealed before the Benefits Committee. He added no final decision had been made, because the Committee members were interested in learning about any medical treatment Mr. Brown had in Idaho, where he now resides. Mr. Vellon added Mr. Brown's attorney provided the necessary information and/or statements and the continuance of the hearing has been scheduled for August 21, 2002, and at this time a final determination may be made.

Ms. Calvache moved to convene in closed session to confer with counsel relative to existing litigation in the Gary Brown's case. Seconded by Mr. Wiggs and carried unanimously after the following vote:

Ayes: Calvache, Bertrand, Wiggs, and Romero

Nays: None

Members of the Public left the room.

[Closed session took place at 11:20 a.m.]

Board members reconvened in open session at 11:40 a.m.

There was no Board action relative to this item.

The Board meeting was adjourned at 11:45 AM

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

SILVIA TESSENEER
Recording Secretary