

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

**MEETING – August 21, 2002**

**Present:**

Dan Mirisola	President
Lilly Calvache	Board Member
Ron Vazquez	Chief Financial Officer
Norma Bertrand	Retiree Member

**Absent:**

Javier Romero	President
David H. Wiggs	General Manager
Mary Leslie	Commissioner

**Others Present:**

Duamel Vellon	Retirement Plan Manager
Mike Wilkinson	Deputy City Attorney
Tony Pech	Utility Administrator
Silvia Tesseneer	Recording Secretary
Paul Angelo	Actuary, Segal Company

The meeting was called to order at 10:00 am after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Vellon indicated there was quorum of the Board. He noted Mr. Romero had an emergency and he would try to attend the Board meeting if possible (Vice president Mirisola to act as President). He then proceeded to introduce the following Items 1 and 2 for consent action:

- 1. Approval of Minutes for the July 31, 2002 Board Meeting.**
- 2. Termination from Monthly rolls as of August 2002;  
Retirement Resolution for August 2002  
Terminations for September 2002 Family Death Benefit Roll**

Ms. Calvache moved adoption of the above Items 1 and 2 on consent. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand  
Nays: None

## **PUBLIC COMMENTS**

President Mirisola inquired if there were any requests for Public Comments. Mr. Vellon stated there was 1 request for general comments from Ms. Dolores Foley.

President Mirisola recognized Ms. Dolores Foley.

Ms. Dolores Foley introduced herself as the President of the Department of Water and Power (DWP) Retired Employees' Association. She indicated the DWP Retired Employee's Association has four general meetings a year, the agenda of those meetings always includes an educational speaker. She added traditionally, the Retirement Plan Manager is invited to be the guest speaker at their October meeting and their Vice President and Program Director, Don McPoland contacts the speakers and makes the arrangements for their appearance. She noted this procedure works great with everybody, except with the current Retirement Plan Manager, Mr. Duamel Vellon, because he insists the Association's President must send him a personal invitation or he will not agree to be the guest speaker. Ms. Foley stated she, as the Association's President, does not send letters of invitation to any speakers, not even to the DWP General Manager. Ms. Foley stated that Mr. McPoland will contact Mr. Vellon again to invite him to their October meeting.

Mr. Vellon recommended Items 3 to 13 be received and filed as follows:

- 3. Special Board Minutes of August 7, 2002.**
- 4. Report of Payment Authorizations as of July 2002.**
- 5. Short Term Investments as of July 31, 2002.**
- 6. Stock Portfolio Listing as of July 31, 2002.**
- 7. Report on Long Term Investments (Bonds) as of July 31, 2002.**
- 8. Consolidate Stock Portfolio as of June 30, 2002.**
- 9. Security Transactions for the month of July 2002.**
- 10. Distribution of Securities by Type and Class as of June 30, 2002.**
- 11. Statement of Investments owned as of June 30, 2002.**
- 12. Equity Investments as of June 30, 2002.**
- 13. Notice of Deaths as of July 2002.**

Ms. Calvache moved Items 3 to 13 be received and filed. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand

Nays: None

President Mirisola ruled Item 21 be discussed next to accommodate Mr. Bruce Raskin who had to leave early to another meeting.

Mr. Raskin approached the podium.

**21. Update on health insurance deduction problems for the July pension payroll, (Presentation by representatives from the Human Resources Unit).**

Mr. Raskin introduced himself as Manager of Employee Health and Benefits for Human Resources Business Unit and was there to give an overview of the problem they had with the retirees' checks for the month of July. He stated about 1,400 surviving spouses had erroneous health plan deductions taken from their July checks, ranging anywhere from \$187.00 to \$560.00, with the majority being \$422.54. He explained that each year in May, after the open enrollment period and the renewals of the health plan contracts, the Health Plans staff enters this data into the RAP System, this is the system that calculates and prints the retirees' checks. He added subsequent to this, the Health Plans gets a report showing them what was accepted by the RAP System and staff compares this information with what they have entered making sure everything is correct. Mr. Raskin indicated apparently everything seemed correct, but, unfortunately what happened was the RAP System used the wrong formula to calculate the health plan deductions.

Mr. Raskin reported he immediately notified the Retirement Plan Office and Vince and Dolores Foley, and held meetings with Human Resources, Payroll Section from the Accounting Business Unit, and ITS to come up with a strategy on how to resolve this problem. He noted it was determined at these meetings to have ITS prepare a program to process the refunds either by direct deposit or hard check. Mr. Raskin reported direct deposits refunds were made within 2 weeks and the refund checks took another week. He further indicated the Health Plans Manager worked with the Employees' Association Manager to issue checks from the Employee's Association fund, to those surviving spouses that the erroneous health plan deduction caused them a serious hardship. He stated sixty-seven checks were issued, totaling \$21,728.00, and these checks were available within 24 hours. He indicated, because of the number of phone calls received, Health Plans personnel even went to the extent of working overtime, in order to return retirees' phone call messages that were left on voice mail.

As far as long-term solutions, Mr. Raskin explained Human Resources met with ITS and Retirement Management to determine long term strategies to prevent from this happening again. He mentioned ITS representatives pledged their commitment to revamping the RAP System, and Health Plans staff is working along with ITS to improve the edit review process. Mr. Raskin noted Human Resources has received verbal approval from Financial Services Organization to get a trust fund so that if in the future there is any need to refund checks due to hardship situations, Human Resources will be able to do so in a more expeditious way.

Mr. Raskin explained that he met with Retirement, ITS and members of the Retirement Board and it was agreed to prepare a letter to all affected employees, apologizing and thanking them for their patience and informing them of the Departments' commitment to providing error free checks in a timely manner. He reported this letter should be going out to the affected employees within the next few days.

Mr. Vazquez inquired if Human Resources received any calls from retirees that incurred in late bank fees, because of the underpayment on their checks. Mr. Raskin responded that they did, and his office is also refunding those late bank fees.

Ms. Calvache thanked Human Resources, ITS and the Retirement for taking care of this problem.

Mr. Raskin left the podium.

[The regular order of the agenda resumed.]

**14. Consideration of adoption of Asset Allocation policy for the DWP Plan (Mr. Neil Rue may participate via conference call).**

Mr. Vellon indicated that neither Mr. Allan Emkin nor Mr. Neil Rue were able to attend today's Board meeting. He added they had talked to President Romero and agreed to table this item until a future Board meeting when they could be present.

Mr. Vazquez commented his understanding was that if the Board accepts the recommended portfolio, the Board still has discretion as to the utilization of those asset classes. Mr. Mirisola and Mr. Vellon indicated this was their understanding too. Mr. Vazquez stated he was not comfortable with investing in Real Estate at this time, without a lot more education.

**15. Consideration of Contract No. 132 between Systematic Automation, Inc. and the DWP Board for the production of Annual Employee Statements.**

Mr. Vellon recommended Contract 132 with Systematic Automation, Inc. for one-year be approved. He explained Contract 132 has a provision Item 4, Clause (b) stating the Department pays a certain amount and if the June 30, 2002, Annual Employee Benefit Statements are not to the Board's satisfaction, the Board will not have to pay the remaining balance. He noted he plans to clarify the fee provision with Ms. Bhatia to make sure it so reflects.

Ms. Calvache moved approval of Contract 132, Resolution 03-10. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand  
Nays: None

**16. Consideration of Contract 131 between The Segal Company and the DWP Board, for Actuarial Services.**

Mr. Vellon indicated Contract 131 with The Segal Company was prepared by Ms. Sangeeta Bhatia. He noted the contract essentially has the same provisions as the expiring contract with some additional cost of living adjustments. He indicated he would like to look more into Item 6, Clause B. of the contract, he wants more clarification from Ms. Bhatia regarding the \$40,000.00 item. Mr. Vellon recommended adoption of Contract 131 with The Segal Company subject to clarification of the item noted.

Mr. Vellon reminded Board members the Actuary will participate via conference call at 11:00 a.m. to discuss agenda Item 17.

Mr. Vazquez moved approval of Contract 131 and Resolution 03-11. Seconded by Ms Calvache and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand  
Nays: None

**17. Consideration of Cost Analysis of Recent Changes to the Los Angeles Water and Power Retirement Plan by The Segal Company (Mr. Paul Angelo will participate via conference call).**

Mr. Vellon indicated Mr. Angelo will be participated via conference call at 11:00 a.m. therefore, he recommended this Item be delayed until 11:00 a.m.

**18. Consideration of authorization of actuary fees of up to \$50,000 for their actuarial report on the costs of various Plan amendments resulting from the “meet and confer” process.**

Mr. Vellon explained DWP Management and Local 18 negotiated certain changes to the Plan, and it was necessary to complete an actuarial cost analysis. He explained the Board approved the negotiated Plan amendments, subject to the completion of an actuarial report. He reported the Plan’s Actuary, has provided a maximum fee estimate of \$50,000 for such actuarial report. Mr. Vellon recommended approval of Item 18, Resolution 03-13.

Mr. Vazquez inquired about the other actuarial work needed for the other MOU’s. Mr. Vellon responded the Board can do the same, letting the Actuary know what the changes are and requesting an estimate. He explained if the changes negotiated under other MOU’s are the same, the Actuary has already provided a “rule of thumb” for DWP to allocate the cost impact on a union basis. He clarified this would work as long as the Plan benefits negotiated are exactly the same.

Ms. Calvache moved approval of Resolution 03-13. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand  
Nays: None

**19. Consideration of adoption of resolution to change the frequency of the Investment committee meetings.**

Mr. Vellon stated Resolution 03-14 is the result of last Board meeting. He added it confirms the Investment Committee meetings are going to be 1) a Committee of the whole and 2) these will be held once every quarter after the end of the calendar quarter. Mr. Vellon recommended adoption of Resolution 03-14. Mr. Vazquez moved approval of Resolution 03-14. Seconded by Ms. Bertrand and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand

Nays: None

**20. Consideration of Transfer from “Reserve for Investment Gains and Losses” to “General Reserve” in accordance with III C (8).**

Mr. Vellon explained Item 20 is a routine transaction that Retirement accountants do every year. He clarified the Plan language provides for transfers from the Reserve for Investment Gains and Losses, to the General Reserve. He explained, this time the Reserve for Investment Gains and Losses has a negative balance of \$7.95 million and this is the first time it has been negative. Mr. Vellon further indicated historically the Board has had a minimum balance of \$5 million in the Reserve for Investments Gains and Losses. He added Ms. Sangeeta Bhatia, who is not present today, recommends authorization to transfer \$13.5 to such account, to bring it to \$5.5 million, in line with past practices. Ms. Calvache moved approval of Resolution 03-15. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Mirisola, Calvache, Vazquez and Bertrand

Nays: None

**21. Update on health insurance deduction problems for the July pension payroll, (Presentation by representatives from the Human Resources Unit).**

This item was discussed out of sequence, see page 3 of these minutes.

**22. Update on various pending items referred to the City Attorneys Office.**

Mr. Vellon explained this item was placed on the agenda at the request of Mr. Mirisola, for the City Attorney to give an update on the pending items.

Attorney Wilkinson stated he has had continuous discussions regarding rollovers and the tax law, his office has proposed some draft language to the Plan and he is working with Mr. Vellon and staff on this issue.

President Mirisola asked Attorney Wilkinson regarding a letter from Donna Jones Weisz, dated August 16, 2002, regarding annual statements given to the Plan’s accountants, about our status of lawsuits and litigations. Attorney Wilkinson stated he

wasn't familiar with that letter and he would like to have time to look into that, so that he could properly address it.

Ms. Bertrand inquired about 50/30 Rule listed under Legal Opinions - Item 24. Attorney Wilkinson explained the legal opinion is a format that the Retirement Plan Manager uses to give a brief summary or an update on the things the City Attorney's Office and the Retirement Plan are working on. He added this format is not designed for the City Attorneys' Office to communicate to the Board. Mr. Vellon went on to say that on this particular legal opinion, 50/30, Mr. Hokinson had distributed an Administrative Bulletin, department wide, addressing the 50/30 extension for certain employee groups. President Mirisola indicated he did not receive the bulletin, and requested to activate the old Retirement Plan newsletter for active employees so that the 50/30 extension and other Plan changes can be publicized. Some discussion ensued as to the content and frequency of the newsletter for active employees. It was the consensus to reactivate this form of communication.

### **23. Update report on data collection project (Marie Park).**

Ms. Park approached the podium.

Ms. Park reported her team has continued its work of documenting the operation of the Retirement Office functions. She reported the bid for Systems Analyst would be going out for posting September 6. With regards to the concern the Board had for backup in the event something were to happen to her, she reported there was a suggestion to hire IT consultants to work in conjunction with her team.

Mr. Vazquez inquired what was involved in this project. Mr. Vellon responded an example of the project the Retirement Office is pursuing is found in LACERS. He reported LACERS system permits staff processing of benefit calculations by pushing a button. He added LACERS has 27,000 active employees and it took them only 3 years to complete this project. He explained the Department of Water and Power only has 8,000 active employees and is expected this project will take much less time. He further indicated Ms. Bhatia has been assigned to oversee this project and the first stage is the data validation.

Mr. Vellon reported data fields are being identified and defined, to later develop routines to help staff process all the necessary calculations for active employees, such as death benefits, retirement benefits, disability benefits, etc. He stated a full automation process will follow, after the data is accurately collected. Mr. Vellon stated he is hoping to have a more concrete report for the following regular Board meeting, including a calendar of events.

Ms. Park clarified LACERS was an already made system, and it took 3 years to make changes to an already existing system, to meet the needs of the Retirement System at the City. She added, the project at DWP is different in the sense that there is no existing system and her team is starting from inception. She explained the current system DWP has is RSS, which only serves the Membership Unit and her goal is to create a database where the work is automated and used by all the units within the Retirement Office.

President Mirisola commented the data on retirees need to be captured as well. He inquired about what is being done regarding compatibility with other databases that already exist. Ms. Park stated she is researching what tools she can use to convert IMS database and take it out of the mainframe. She is also looking into DB2, Sequel Server, and Access. President Mirisola also inquired about what is being done regarding parallel system. Ms. Park responded she has been talking with ITS to see what is available.

Ms. Park left the podium.

Mr. Angelo participated via conference call.

**17. Consideration of Cost Analysis of Recent Changes to the Los Angeles Water and Power Retirement Plan by The Segal Company (Mr. Paul Angelo will participate via conference call).**

President Mirisola introduced the attendees at the table to Mr. Angelo. Mr. Vellon noted, according to Mr. Angelo's memo dated August 7, 2002, the Actuarial cost of the negotiated Plan changes under the package was originally estimated at 3.95%, and, after receiving a letter from Ms. Renee Luke, Mr. Angelo resubmitted a new cost estimate for the package of 4.59% of payroll.

Mr. Angelo went to explain the differences between the 3.95% and the 4.59% cost. He explained that when he arrived at 3.95% figure, Item 3 of a DWP letter (dated May 23, 2002) stated a pension formula increase, from 2.1% to 2.3%, applied to members who met the age of 55 with 30 years of service. He clarified this memo did not include members who receive unreduced benefits under the window program which is age 50 and 30 years of service. He indicated the memo from Ms. Luke (Labor Relations), dated August 15, 2002, (Item 2) reads: "*Employees retiring with an unreduced pension except for those retiring under the 50/30 provision, would retire under enhance formula 2.3%, this includes those retiring with a minimum of 55 and 30*". Mr. Angelo explained Ms. Luke's memo doesn't say the 2.3 formula is limited to members retiring minimum of age 55 and 30 years of service. He explained the other way one can get unreduced benefits is to retire at age 60 with only 5 years of service. He indicated he called Ms. Luke and asked her if under the negotiated packet it was her understanding members retiring at age 60 with 5 years of service will get the 2.3% benefits and she responded that they would get it. Mr. Angelo further explained this opens up the range of members who are eligible to receive the 2.3% benefits considerably and in light of this new information, he went back to the computers to find out what would be the cost for this package. Mr. Angelo further clarified that 4.59% (of payroll) was the cost for all bargaining units and for the "rule of thumb", one will simply take this percentage and apply it to the salaries of the affected groups.

Mr. Vellon noted the actuary's information had been provided to DWP Management. Mr. Angelo reiterated the original documentation was clear that the 2.3% formula was only intended for members who were 55 years of age and had 30 years of service, but Ms. Luke's memo now interprets it differently.

Referring to his memo dated August 20, 2002, he explained the \$138,895,000 cost refers to the additional unfunded liability, based on the entire package. He stated that in his previous computation for the August 7, 2002 memo the additional liability was \$124,523,000. He would not know how this figure (either \$138,895,000 or \$124,523,000) would balance against the surplus until he has done the June 30, 2002 evaluation. To clarify even more, Mr. Angelo stated (referring to his August 20, 2002 letter) the total cost for the package 4.59% of compensation equals \$20,707,000 and this is an annual figure that applies to all active members. He added, on the other hand the 4.59% can be applied to either an entire group or a subgroup. He provided, as example, if the 4.59% would apply to only half the members, the \$20,707,000 figure will change to \$10,353,500. Mr. Angelo commented on how this 4.59% (made of a combination of 3.47% unfunded liability plus 1.12% normal cost) will last for 15 years. At the end this first 15 years DWP would have paid off the additional accrued unfunded liability of \$138,895,000, therefore the 3.47% goes away, and that leaves on going the cost of 1.12%. In summary, the cost for the first 15 years is 4.59%, and 1.12% thereafter forever. This concluded Mr. Angelo's conference call and Board members thanked Mr. Angelo for his presentation. It was the consensus to obtain clarification as to under what circumstances employee groups get the 2.3% versus 2.1% pension formula factor.

**24. 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 (July 31, 2002 Edition).**

Mr. Vellon reported the July 31, 2002 Newsletter for DWP retirees was included in the agenda packet.

**c ) General items.**

Mr. Vellon indicated there were no general items to report.

The Board meeting was adjourned at 11:20 AM

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JAVIER ROMERO  
President

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DUAMEL VELLON  
Secretary

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SILVIA TESSENEER  
Recording Secretary

