

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

MEETING – November 20, 2002

Present:

Javier Romero	President
Dan Mirisola	Vice President
Lilly Calvache	Board Member
Ron Vazquez	Chief Financial Officer
Annie E. Cho	Commissioner
Norma Bertrand	Retiree Member

Absent:

David H. Wiggs	General Manager
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Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Silvia Tesseneer	Recording Secretary
Mike Wilkinson	Deputy City Attorney

The meeting was called to order at 10:07 am after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Vellon indicated there was quorum of the Board.

President Romero inquired if there were any public comments and there were none.

Mr. Vellon reported items 1 and 2 were submitted for consent approval as follows:

- 1. Approval of Minutes for the September 18, and October 16, 2002 Board Meetings.**
- 2. Termination from Monthly Rolls as of December 2002:**

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

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

Public Comments

There were no public comments.

Mr. Vellon reported items 3 through 14 were submitted to be received and filed as follows:

- 3. Special Board Minutes of October 3, October 9 and October 24, 2002.**
- 4. Benefits Committee Minutes of October 16, 2002.**
- 5. Report of Payment Authorizations as of October 2002.**
- 6. Short Term Investments as of October 31, 2002.**
- 7. Stock Portfolio Listing as of October 31, 2002.**
- 8. Report on Long Term Investments (Bonds) as of October 31, 2002.**
- 9. Consolidated Stock Portfolio as of September 30, 2002.**
- 10. Security Transactions for the month of October 2002.**
- 11. Distribution of Securities by Type and Class as of September 30, 2002.**
- 12. Statement of Investments owned as of September 30, 2002.**
- 13. Equity Investments as of September 30, 2002.**
- 14. Notice of Deaths as of October 2002.**

Ms. Cho moved the above items 3 through 14 be received and filed. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Mirisola, Calvache, Vazquez, Cho and Bertrand

Nays: None

Mr. Peter Lakatos approached the table.

- 15. Consideration of Resolution adopting Plan language as requested by Mr. Peter Lakatos in accordance with Board of Commissioners Action November 5, 2002 relative to members represented by the Management Employees Association (MEA) and Non-represented members (Unit V coded employees).**

Mr. Vellon recommended the approval of regular item 15, an amendment of the Plan language to recognize MEA and Non-represented employees (for benefit purposes) receive the same benefits as Local 18 under a "Favored Nations" clause for the different MOUs. President Romero noted the record should state the cost, as clarified by the actuary, is \$17.8 million instead of \$14.3 million.

Mr. Vellon commented the actuary's numbers were calculated, the discrepancy found and an email was submitted indicating a second discrepancy regarding the allocation of actuarial costs to the MEA under a "rule of thumb". He indicated the cost percentage initially allocated to MEA by Management was \$477,000, but the actuary recalculated it at \$1.4 million. He noted this should not represent a major problem because the whole package, as Mr. Wiggs reported at the last meeting, it is intended to ultimately apply to all DWP employees, therefore the cost breakdown becomes secondary (since it is already calculated at 3.95% of payroll, resulting in the \$17.8 million just discussed). Mr. Vellon indicated Mr. Lakatos would like to start the process for amending the Plan, the first step being the Board adopting the proposed plan language as drafted by the City Attorney's office staff. Ms. Calvache then moved adoption of Resolution 03-39 with the noted corrections. Seconded by Ms. Cho and carried unanimously after the following vote:

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

16. Consideration of Resolution extending certain existing Plan language, as amended, to members represented by the following bargaining units: EAA, Association of Confidence Employees, Water and Power Dispatchers Association, LA Building Trades Counsel, Security Union Counsel 347, and employees not covered by the Business Units identified as Business Unit U conditioned upon Board of Commissioners actions extending such Plan benefits to such bargaining units.

Mr. Vellon explained item 16 as a Management recommendation to the effect, rather than coming before the Board for every MOU amendment (as the other labor organizations settle under the meet and confer and under the "Favored Nations" clause) all settlements be incorporated into the Plan, subject to the Board of Commissioners certification through a resolution indicating the MOUs have been adopted. Mr. Mirisola then moved adoption of Resolution 03-40 as presented. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

Mr. Vellon addressed Commissioner Cho and strongly recommended the Board of Commissioners find a way to combine all of the retirement changes at future negotiations, so instead of trickling them down by bargaining unit they are stored until all units settle (on the retirement issues alone) so one plan amendment can be adopted, representing all bargaining units. He stated the Board would always be given various excuses why it makes sense to trickle the amendments, but he believes the Commissioners should consider perhaps creating a pension study committee to force all the amendments to go through them and perhaps have all different unions settle on the retirement items, before settling on other economic issues, so there will be a uniform amendment to the Plan. Ms. Cho inquired if Mr. Vellon had already discussed this with Mr. Wiggs. Mr. Vellon responded he

had discussed this with Mr. Wiggs and with other management staff. He explained the administrative difficulties associated with the piece meal amendment process.

Mr. Vazquez expressed concerns, based on Mr. Vellon's statement, this may cause a delay in payments to the first unions. Ms. Calvache inquired, if this took place, in the future will payments or benefits be held because the other unions have not settled. Mr. Vellon responded the idea would be to settle the retirement issues initially, rather than trickling these down by union and consequently no one will be first or last.

A discussion ensued among the Board on the issue. Mr. Lakatos expressed he would not go into all the reasons this could not be done because he appreciated the administrative difficulties, however, it needed to be noticed the contracts expire on non-concurrent basis, so the negotiations begin and end on non-concurrent basis. He stated it would not be impossible to try and get a so called "Board of Unions" to come in and address the issue, but insofar as it is an MOU or contract issue, the contract is not closed until all issues are agreed upon, so since they are staggered across a number of years, there would be great difficulty, strategically and otherwise, to try and implement them all at the same time.

Mr. Mirisola inquired what the chances were on moving forward on the supplemental death benefits issue, because a file was received regarding an employee dying as a result of injuries sustained at work. He added the employee was earning \$70,000 a year for his family, the family now receives a check of \$151,000 and \$450 monthly, and had this amendment been adopted the family would have received \$2,000 monthly, putting the department in conformity with the rest of the City. Mr. Mirisola suggested putting the issue back on the agenda and moving it forward. Mr. Lakatos responded he did not know the basis of it being removed from the agenda and stated last April everyone had the opportunity to meet and confer on the issue, and there was opposition from only one union and this was recently resolved, subsequently the department prevailed on this affair so to the best of his knowledge there is nothing to prevent the Board from taking action. President Javier concurred with Mr. Mirisola on \$450 monthly for a single mother with three small children being unacceptable. Board members agreed to put the matter back on the agenda in the future.

Ms. Calvache addressed Mr. Vellon's previous concerns, expressing her sympathy for the hard work the retirement office is going through with the Plan changes. Mr. Mirisola commented the death benefit amendment was referred to the Board of Water and Power Commissioners and came back to the Retirement Board, and stopped there. He suggested the Board make the amendment retroactive to that point. Ms. Cho stated since the item had already been before the Board and discussions had already taken place, then she sees no reason why it should not be brought back, in order to make it retroactive to that date. Mr. Vazquez requested Mr. Wilkinson review the progress of the supplemental death benefits issue and see if it could be done retroactive. Mr. Wilkinson expressed

he would be happy to work with Mr. Lakatos to see what they could come up with.

Mr. Lakatos clarified the budget Director and himself were in contact with the Plan actuary, Paul Angelo (Segal Company) and reconciled the question of the disparity between the figures the Board of Commissioners adopted (\$14.3 million), which he stated Mr. Jeff Peltola indicated was an incremental cost beyond that which was already budgeted. He stated both parties agreed on the \$17 million figure as accurate total cost associated with the Plan changes and the MEA amendment considered today is a subcomponent to that total figure.

Mr. Lakatos left the meeting.

17. Consideration of Board Policies Implementing the Technical and Local 18 MOU (and other bargaining units) Plan Changes Adopted by the Board of Commissioners October 1, 2002 and November 5, 2002 for MEA and Unit V Non-represented employees.

a) Policy No. 6 relative to technical amendments.

b) Policy No. 5 relative to MOU related Plan changes

Ms. Bhatia introduced item 17 as two issues, stating the first concerned Plan changes to implement benefits as the result of the union negotiations for Local 18, MEA and Unit V bargaining units. She added Local 18 Plan changes were brought before the Board last month and the Board directed staff to consult with Local 18 for the appropriate terminology to use relative to “fee members” versus “agency members” represented by IBEW Local 18. She stated, after discussions with IBEW Local 18, the details of the item were outlined in policy No. 5 where the reference was amended to read, “members represented by IBEW Local 18”, which is considered to be the appropriate terminology.

Ms. Bhatia stated the second item concerned the authorization of the acceptance of rollovers from eligible tax deferred accounts. She noted this amendment allows individual members to purchase OGS (Other Governmental Service), ODS (Other Department Service) and OCS (Other City Service) by using rollover of tax deferred accounts. She added this includes payment of other services (OGS, ODS, and OCS) they might be under contract for currently. She indicated this amendment responds to current federal and state laws. Ms. Bhatia indicated the details of the Board policy were outlined in the draft policy No. 6 in the agenda package and both items were incorporated in Resolution 03-41, and Board adoption was recommended. Mr. Vellon clarified the policy on the technical amendment permits, under the federal law, any tax deferred account to be moved into DWP’s account to pay for purchases of OGS, military services, etc. including 457 plans (which balance generally may increase every pay period). He added one of the major points of the proposed policy staff is submitting for Board approval recognizes the rollover would be once a year, to prevent members from creating administrative difficulties by pursuing rollover of small amounts every pay period.

Mr. Mirisola suggested, at the next meeting, Board members address implementing a similar Plan as other cities, where they allow rollover of money into the Plan to the members' additional annuity account. Mr. Vellon noted one of the main goals of the policy is to accept a rollover only to the extent of the amount of money the person owes for the purchase of service and what Mr. Mirisola is proposing is not within the scope of the policy. He explained under the new Federal legislation any qualified Plan receiving rollover funds can receive more funds and create an annuity, but these funds must be invested, a separate accountant created, and assumptions adopted to determine annuity values when members retire. He indicated Mr. Mirisola's idea represents a whole different concept, but this proposed policy recommended by the staff, specifically does not allow a rollover amount in excess of what is owed.

President Romero expressed Mr. Mirisola had a good point and the computerization of the office would facilitate the staff in keeping track of these new rollovers and perhaps after the process of selecting managers, the Board can look into fast track on the computerization, because there are going to be members who will want to start rolling over their funds. Mr. Mirisola indicated a foreseeable problem of employees transferring from the city to DWP, wherein under the reciprocal agreement between the DWP and the City, the employee can roll over their money, and inquired how would DWP handle this money. Mr. Vellon responded the department would not handle such rollover moneys. Mr. Mirisola inquired if the money would end up in the city in their annuity, whereas before it would rollover. Mr. Vellon replied currently the annuity moneys do not apply under reciprocity, but it could be rolled over to some other eligible account the member may have elsewhere. Mr. Mirisola suggested it would make it easier if they could move the money over to DWP. Mr. Vellon responded it would be easier for the member, but for this to happen a structure would need to be established to determine how to account for the money, what kind of assumptions to put in the plan to determine the annuity the person will get, how much interest to credit, restrictions on the investments of funds, etc. He stated it is something that can be done, but would take time. Mr. Mirisola then moved adoption of Resolution 03-41. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

18. Consideration of Board Policy Implementing the City Charter Reciprocity provisions between LACERS and DWP Plan.

Ms. Bhatia indicated this item consisted of a reciprocal arrangement currently in place between the Plan and the Los Angeles Employees' Retirement System (LACERS), wherein the contributions account is transferred only after seven months has elapsed from the date of the (new employment) transfer, due to the charter provision allowing the member to opt out of reciprocity within such seven

months a period. She added staff experience has been very few members elect out of the Reciprocity Provisions, and, as a result of meetings with management of LACERS, it would be more efficient to transfer the account balances as soon as possible after the member's new employment, and if the member were to opt out of reciprocity the transaction can always be reversed. Ms. Bhatia added this way there is no need to "play catch up" with the retroactive interest credits associated with the transfer (after seven months). She indicated the details of the policy were outlined under Policy No. 7 (including the agenda packet) and the Resolution 03-42 is recommended for Board adoption. Mr. Vazquez then moved adoption of Resolution 03-42. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

19. Consideration of Resolution Approving the Schedule of Funding and Mailing of Monthly Pension Payments.

Ms. Bhatia explained item 19 was discussed at the October 16 Board meeting. She noted the proposed resolution authorizes the funding of monthly pension payments earlier, on those occasions when the first of the month falls on a weekend or holiday. She stated, currently, checks are mailed on the last business day of the month and data mailers are mailed two business days prior, but as a result of the new policy, staff will mail out checks two days earlier to allow access to the funds as applicable.

Ms. Bertrand inquired if there were arrangements with the post office in regards to this. Ms. Bhatia responded the DWP's mailroom sends these items out the same day to the post office. Mr. Vazquez then moved adoption of Resolution 03-43. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

20. Consideration of Resolution Authorizing An Amendment to the Plan's Custodian Agreement No. 119 with Bank of New York, to Provide for the Short Term Investment Fund (STIF) Fee To Be Reduced from 35 Basis Points to 10 Basis Points.

Mr. Vellon explained item 20 as a resolution to formalize, in the existing contract with the Bank of New York (BONY), the 35 basis point charge for the Plan's use of the Short Term Investment Fund (STIF) be negotiated down to 10 basis points. He stated the resolution would authorize staff to prepare a contract amendment to be signed and submitted to the Board and to authorize the Board President to sign a Bank of New York form stating the 10 basis points charged is in compliance with the contract. President Romero reiterated his appreciation for Mr. Vellon's efforts in saving the Plan, long term, millions of dollars and emphasized his value to the Plan. Mr. Vazquez then moved adoption of

Resolution 03-44. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

21. Consideration of Retirement Plan Election Guidelines (for 2003) and allocation of election costs, as proposed by the City of Los Angeles City Clerk's Office.

Mr. Vellon presented item 21 for consideration of the Retirement Plan Election Guidelines proposed by the City Clerk's Office, to be referred to the Board of Commissioners for formal adoption at their December 3rd meeting. Mr. Vellon requested Commissioner Cho provide assistance in allowing staff to submit the guidelines to the Commission, the following day (November 21) assuming the resolution was adopted in today's Retirement Board meeting. He explained the current Board of Commissioners' schedule for the December 3rd Agenda items includes a deadline 12:00 noon today. Mr. Vellon introduced members of the City Clerk's office who were present to address the Board.

Benjamin Vargas, Amife Ganaden Milo, and Jinny Pak approached the table.

Mr. Vargas reported Jinny Pak, Amife Milo and himself were involved in preparing the preliminary Board Election Guidelines. He stated, they saw a need to make some changes to the rules and regulations concerning the elections, adding one of the major changes was to include the authority to use a contractor to conduct the elections. He stated after making this change and through more research, they found, by going through an outside contractor, the cost of the election for DWP would be doubled and it would be more cost effective if the City Clerk's Office conducted the elections themselves and hire extra temporary staff to help. He noted one minor change on the draft of the guidelines (on page 8, item 3) the date the bulletin announcing the election will be mailed out should be December 5 rather than December 4.

President Romero expressed his appreciation, on behalf of the Board, on the efforts and hard work of the City Clerk's Office. President Romero also inquired about the cost to the Board if the City Clerk's Office conducts the election. Mr. Vargas responded the estimate comes to \$15,000. President Romero inquired what the cost would be if they had chosen to go through a contractor. Mr. Vargas responded \$37,500. Mr. Vazquez then moved adoption of Resolution 03-45. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

Benjamin Vargas, Amife Ganaden Milo, and Jinny Pak left the meeting.

22. Consideration and action relative to Law Firm Bailey & Associates' late response to the DWP Retirement Board Request for Proposal (RFP) for legal

services.

Mr. Mirisola suggested tabling item 22 in order to review paperwork from counsel on the issue. Attorney Wilkinson interjected by stating he had sent the plan Manager an e-mail indicating the City Attorney's office is prepared to advise orally, today, if necessary. Mr. Mirisola indicated he would like the opportunity to review the documents beforehand, adding the documents from the City Attorney's office are often times submitted at the last minute. President Romero suggested, for the sake of expediting this meeting, there was a suggestion to table the item and he would like to do so.

Attorney Wilkinson addressed the delay of documents from the City Attorney's office, stating the office was asked not to do initiative legal research except as requested by the Board or the Plan management, and because of that, there was no research done on this. He added, he saw it for the first time in the Board package and requested if there were things coming up in the Board package, the City Attorney's office be consulted so they can be better prepared to do the job right for the Board and would not otherwise have to delay things to this point. Mr. Mirisola then moved to table item 22. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Mirisola, Calvache, Vazquez, Cho and Bertrand

Nays: None

23. Consideration of reactivation of the Board's Investment Committee.

Mr. Vellon reported President Romero and Mr. Mirisola requested to reactivate the Investment Committee. President Romero indicated, since there have already been so many Investment Policy changes, and to keep things rolling, he suggested putting back the Investment Committee only in the event there is not full Board quorum. Ms. Bertrand inquired what the Investment Committee's purpose would be. Mr. Mirisola responded, meetings the Board has been trying to schedule to interview prospective managers are being cancelled due to lack of full Board quorum and the Investment Committee can conduct the interviews subject to final Board decision. President Romero added there was a schedule of meetings the Board was given and Board members should try to adhere to this schedule as best as possible, but as long as there is full Board quorum this will not be an issue.

Ms. Bertrand inquired if the Investment Committee would report to the Board. Mr. Mirisola responded the Committee would report back what was heard and noted there would be minutes to reflect what the managers said. More discussion ensued and Mr. Vazquez inquired of the proposed membership of the committee. President Romero responded he would reactive the previous committee of (President Romero, Mr. Vazquez and Mr. Mirisola, with Ms. Calvache, Ms. Bertrand, Ms. Cho and Mr. Wiggs as alternates) but the ultimate decisions will always be made by the full Board.

Mr. Wilkinson clarified if there is a quorum of the full Board at the Investment Committee this would be an action of the full Board. Mr. Mirisola commented, in those cases, a decision could be made that day, but otherwise, it would have to go over until there was a full Board meeting to give all members time to review the tapes and minutes and discuss it further. Mr. Mirisola then moved adoption of Resolution 03-46. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

Mr. Vellon inquired if Mr. Wilkinson was going to have a written opinion on the Law Firm. Mr. Wilkinson responded he would be happy to work with staff on this, and requested Mr. Vellon work with him on coordinating the dates.

24. Retirement Plan Manager's comments

a) DWP Plan Newsletter for retirees (November 1, 2002 Edition).

Mr. Vellon reported the Board had already received a copy of the November 1, 2002 Newsletter for DWP retirees.

b) DWP Plan Newsletter for Active Employees (October 2002).

Mr. Vellon reported there was favorable response regarding the active employee newsletter and members found it informative, easy to understand and many welcomed the opportunity to see who the Board members are.

c) General items

Mr. Vellon reported there was an indication by Rose Garcia, of the Personnel Department, they are finalizing the pre-retirement planning program and are confident it will be in place by December.

Mr. Vellon reported the Retirement Plan personnel study was completed, there were some minor corrections being made and the final report will be submitted by next meeting and, hopefully, it will contain input from the Director of Human Resources as well as from Mr. Hokinson. He also stated the retirement office is in the process of filling the Assistant Plan Manager vacancy, which will take place early December.

President Romero reiterated his appreciation of the retirement staff's format of the newsletter, expressing he received favorable input from many employees, particular that everything was in plain English and the benefits were understandable. He added as new changes are implemented, he feels it is important to continue to keep active members informed on what the Board is doing and why. President Romero thanked the Board members on their attendance.

The Board meeting was adjourned at 10:52 AM

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

SILVIA TESSENEER
Recording Secretary