

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

**MEETING – February 19, 2003**

**Present:**

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

**Others Present:**

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Ellen Shimamoto	Assistant Retirement Plan Manager
Silvia Tesseneer	Recording Secretary
Mike Wilkinson	Deputy City Attorney
Donna Weisz-Jones	Assistant City Attorney

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

[Pledge of Allegiance]

Mr. Vellon indicated the full Board was present, he also stated Item 1 (January 15, 2003 minutes) was included on the Agenda in error as the Board had acted on the item. He asked Board members to disregard Item 1. He reported Items 2 and 3 were submitted for consent approval as follows:

1. **(This item had been acted upon at a previous Board meeting.)**
2. **Approval of Special Board Minutes for the January 22, 2003 and January 24, 2003 Board Meeting.**
3. **Termination from Monthly Rolls as of February 2003:  
Retirement Resolution for February 2003  
Termination from the February 2003 Roll: Dorothy L. Erickson – death.  
Termination from the February 2003 Permanent Total Disability Roll: Artemio D. Santos – death.  
Appointment of Trustee for Casandra J. Alcantar (minor).**

Ms. Calvache moved to approve Items 2 and 3 as recommended by staff. Seconded by Mr. Wiggs and carried unanimously after the following vote:

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

Mr. Vellon indicated there was one request for public comments by President Lombard.

## **PUBLIC COMMENTS**

Board President Romero recognized Mr. Lombard. President Lombard approached the table and introduced himself as the President of the Department of Water and Power Board of Commissioners. He indicated the Department is going through significant changes in the areas of diversity and accountability will be key. He reported the Department is trying to be one with a spirit and a heart that reflects the same diversity that sits on this (Retirement) Board and throughout the City. He added this is the same spirit the Mayor has emphasized from the day he took office.

President Lombard referred to the approximately six billion dollars the Retirement Plan office handles which will be assigned to money managers under full discretion. He expressed this is a significant development for the plan and it is important to stay within the spirit of the Department and to pursue the various selections in a way that is inclusive of minority firms. Mr. Lombard (who had addressed the Board recently) again requested any investment firm selected by the Board should be held accountable and should be asked to come back to the Board with specifics, in terms of the minority participation they plan to have as part of the package. He emphasized the Board should not approve a Plan that is not inclusive of minority and women owned firms. He stated this would be inline with what the DWP is all about. He also stated he hopes the Retirement Board agrees with what he is suggesting and continues to move forward leaving this first RFP behind and doing what is in the best interest of the Plan.

Mr. Lombard thanked the Board members and retired to the audience.

Mr. Vellon reported Items 4 thru 15 were submitted to be received and filed. He noted a correction to the date on Item 15 should read "June 30, 2002", and indicated Item 13 referred to the merger of Standish Mellon with two other firms within the Mellon umbrella.

- 4. Report of Payment Authorizations as of January 2003.**
- 5. Short Term Investments as of January 31, 2003.**
- 6. Consolidated Stock Portfolio as of December 31, 2002.**
- 7. Security Transactions for the month ended January 31, 2003.**
- 8. Distribution of Securities by Type and Class as of December 31, 2002.**
- 9. Equity Investments as of December 31, 2002.**
- 10. Statement of Investments owned as of December 31, 2002.**
- 11. Notice of Deaths as of January 2003.**
- 12. Interpleader action filed to settle the death benefits of Charles Louis Parge.**
- 13. Relocation of Standish Asset Management Offices.**
- 14. Fifth Annual Client Conference 2003, "Effective pension Management in the 21<sup>st</sup> Century" by Klausner & Kaufman.**
- 15. June 30, 2002 Financial Statements.**

Ms. Calvache moved the above Items 4 through 15 be received and filed. Seconded by Commissioner Cho and carried unanimously after the following vote:

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

**16. Possible selection of Investment Management Firm or Firms (From those responding to the Plan's Request for Proposal – Russell 1000 Index).**

President Romero stated the Board has been at a stalemate relative to this item. He expressed his concerns with Merrill Lynch not meeting the minimum requirements of the RFP, specifically the 5 years in the Russell 1000 index. He referred back to a previous RFP, issued by the Board, wherein a firm did not meet the RFP deadline and Commissioner Cho emphasized the Board needed to run things like a business and adhere to the RFP requirements. He commended her for the response and suggested this should be the case in this RFP. President Romero also indicated he received a call this morning (from a fixed income manager) stating the firm did not meet the minimum requirements for the RFP, but he (the manager) had understood the Board is flexible on their requirements. He stated not sticking to the RFP requirements causes the Board to lose credibility.

Commissioner Cho clarified her statement of running the RFPs like a business was a separate issue regarding a different item involving missing the RFP deadline. She also commented she thought the Board was beyond their present point and were including women and minority owned businesses in order to be more inclusive. She added she has not seen changes from the previous meeting Commissioner Lombard attended regarding this issue. President Romero noted the Board had not excluded women and minorities. Commissioner Cho argued it was pointed out that the RFP did not include women and minority businesses and she thought the purpose of the previous Special Board meeting was to make the RFPs more inclusive. President Romero clarified, what the Board agreed upon, was to see what the firms (meeting the requirements) were doing for the community and all the firms responded and all have an inclusion policy. He pointed out this has not been a Board issue since the last time, but rather, the selection of managers who meet the RFP requirements. He inquired of Commissioner Cho what it is she feels the Board is not doing. Commissioner Cho stated if the Board had a special meeting and agreed they would be more inclusive in the search, as far as women and minority businesses, why are they not doing this. President Romero indicated all three finalist firms submitted their minority inclusion policy and the Board evaluated these.

Mr. Vazquez explained, as far as the first RFP for the passive index fund, there were not any women or minority owned firms, because there were none who are in that business probably due to the margins being too thin for them to do it on a small scale. He stated for this particular RFP, the Board asked the short-listed firms to present to the Board (in writing) their programs already in place, demonstrating their involvement with women and minority firms in relationship to the management of DWP's investment portfolio.

Ms. Calvache indicated she would like to see this matter move forward and requested Northern Trust, specifically report in writing, how they were going to use women and minorities relative to the subject RFP; how Northern Trust has worked with minority firms; and how the merger (with Deutsche Bank) is going to impact DWP, and who is on the team. She expressed concerns about the Board's failure to move forward on this issue and how this could be hurting the Plan. She indicated she would be ready to make her decision, on selecting a firm, as soon as she receives responses, preferably by the next Board meeting. Mr. Wiggs requested Northern add to this, a status report on any changes in the dollar amount under management since the

announcement of the merger. He commented he had serious concerns on who will be left to manage the funds (at Northern).

Ms. Calvache reported, for the record she received today (at 9:51 a.m.) an e-mail, forwarded by Mr. Vellon, from Michael Bowman at State Street, stating they will meet all minimum insurance requirements outlined in the Board's RFP.

Mr. Wiggs reiterated he would just have to agree to disagree with regards to Merrill Lynch not meeting the RFP requirements, because, in his opinion, they are the most experienced team with 18 years experience in the index and had the strongest outreach program. He suggested the Board request Mr. Vellon get the specifics from Northern and State Street on how they would incorporate and use minority firms.

Mr. Vazquez indicated his preference is to limit the decision between Northern and Merrill Lynch. President Romero noted he would like to leave State Street in contention, due to the fact most Board members had them as a possible 2<sup>nd</sup> choice. Commissioner Cho suggested all three firms be requested to respond to the Board's questions and concerns, in writing, in order to make a consistent analysis. She also requested each Board member be sent the firm's responses because she did not receive a copy of PCA's letter. President Romero commented the PCA letter was sent to all Board members through e-mail.

Mr. Joseph, from Northern Trust, indicated he was ready to comment on the questions presented by Board members. It was the Board's consensus for Mr. Joseph to submit his responses in writing. Mr. Vazquez inquired what the Board was doing to move forward on the other RFPs, indicating the 2<sup>nd</sup> RFP (Large Cap Growth) was closed and short-listed to 10 for interviews in March, but the Board has done nothing with regards to requesting specifics on the firms' inclusion policies. He suggested the Board move forward affirmatively with something in writing to all firms short-listed. President Romero commented Mr. Rue had already been directed to do this. Mr. Rue acknowledged he would do so. Mr. Vazquez suggested this should go forward, for each portfolio, well in advance, so the firms will have time to respond. Mr. Wiggs suggested deferring discussion of this item until the following week, if possible. Item 16 was tabled.

**17. Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9 re: Bobby L. Williams, Deceased Retired member.**

President Romero noted counsel had suggested this item be discussed in closed session. Attorney Weisz-Jones indicated the City Attorney's office had sent in an attorney-client privileged communication requesting closed session, but her written opinion has been presented as open session in the Board package. She advised this had the effect of waiving the attorney-client privilege and so it might as well be handled in open session. She noted this case involves a fairly simple straightforward case and their office recommends the Board allow the attorney for the claimant to select an Option "A" for Mr. Williams, but this should not set precedent.

President Romero requested a brief summary from Attorney Weisz-Jones regarding Mr. Williams' case. Mr. Vazquez inquired if the attorneys advised the Board to discuss the matter in closed session, why was it being discussed in open session. President Romero noted there were certain strict rules and guidelines for going into closed session. Attorney Weisz-Jones clarified the City Attorney's office asked for the issue to be discussed in closed session and it was just a mistake the item came on the open session packet. She added it is was a "no harm/no foul" case and the City Attorney's

office was recommending the Board permit the proper persons to select an option, to the benefit of the member, given the problems occurred in this particular case. Mr. Vazquez inquired if Attorney Weisz-Jones saw a problem with the Board discussing the item in open session. Attorney Weisz-Jones responded everything was already in open session and the only problem would be if the Board did not follow the legal advice, her office provided. She stated this was one of those things where Mr. William's was not contacted timely, he died without having been given a retirement option and it was the right thing to do and within the Board's discretion to provide the option now.

Mr. Vellon clarified this item was intended to be discussed in closed session as indicated in the wording of the agenda. He added staff put together the Board's agenda packets while he was not in the office putting forward their best efforts and, inadvertently, included the legal opinion in the packet. He apologized for this oversight, stating the legal opinion was intended to be a confidential attorney-client privileged communication.

President Romero inquired if there was any more discussion needed on this item. Mr. Wiggs then moved adoption of Resolution 03-69 authorizing the selection of Option "A" in this case. Seconded by Ms. Bertrand and carried unanimously after the following vote:

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

**18. Consideration of Resolution authorizing an amendment to Contract No. 132 (with Systematic Automation, Inc.) providing an additional \$250 fee for artwork for pictures.**

Mr. Vellon explained this item represents a small amendment to the draft contract with Systematic Automation. He stated staff added last-minute pictures (of the Board members) to the publication and the company wanted an additional \$500, and staff negotiated this down to \$250. He recommended approval of the contract amendment. Ms. Calvache then moved adoption of Resolution 03-70 authorizing the proposed amendment. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

**19. Consideration of reassignment of Ms. Bertrand's laptop to Plan staff.**

Mr. Vellon explained the Board had purchased and assigned a laptop to Ms. Bertrand, which she declined. He indicated he is proposing the opportunity for staff to use it as a "floater" laptop and recommended Board approval. Mr. Vazquez then moved adoption of Resolution 03-72 as proposed. Seconded by Ms. Calvache and carried unanimously after the following vote:

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

**20. Consideration of policy change relative to charging the Plan expenses against the trust (for payment of investment management fees due and payable under the newly adopted asset allocation structure).**

Mr. Vellon indicated this item was included on the agenda at the request of Mr. Vazquez.

Mr. Vazquez stated, in the past, the Board had investment advisors, which were retained for a relatively nominal fee of \$1 million for investing the Plan's assets. He explained the Board was now moving forward to full discretion management in order to transfer full fiduciary responsibility to investment managers and to improve the returns on the Fund. Mr. Vazquez also reported there was a provision in the Retirement Plan document allowing fees of fund managers or advisors to be charged directly against the income earned by the Retirement Fund. He proposed the Department not bear the direct cost of the management fees to be charged by the firms hired by the Board. He estimated the management fees will increase substantially, to \$13 million or more. He stated the intent of doing this was to improve the presentation of overall returns, net of fees. He requested the new contracts with the Plan's investment managers reflect the allocation of their funds and performance, be done on a net of fee basis.

President Romero inquired how the existing policy was adopted. Mr. Vellon responded this had been a past practice for many years, wherein the Department pays for the fees. Mr. Vazquez stated the Retirement Plan document agenda (on page 20.3), section 4e states: "The Department shall bear the cost of administering the retirement fund and in payment thereof shall contribute monthly in advance to said fund the amount necessary to compensate said fund for administrative expenses . . . . ." He recommended, in going into the Board's new full discretion arrangement, the Board should change the language to go from "investment advisors" to "fully discretionary fund managers" and the fees should be charged against the Fund.

Mr. Vellon commented there was a proposed resolution on page 20.2, of the agenda and, if adopted, would accomplish what Mr. Vazquez is suggesting.

Attorney Weisz-Jones agreed the language of the Plan should be changed to "fully discretionary fund managers". President Romero asked for an opportunity to analyze the issue a little more. Mr. Vazquez expressed this was fine, and requested the item be added to the next Regular Board meeting for reconsideration, along with the changing of the Plan language as necessary to accommodate the issue.

## **21. Consideration of Draft contract for fiduciary counsel services between the Board and Attorneys Klausner & Schulman.**

Attorney Weisz-Jones requested this item be continued, because the City Attorney's office has fairly new contract language and was provided a copy of what was on the Board's agenda just Friday morning. She stated the contract done for LACERS and Fire & Police, back in 1997, was continued but had not gone out for RFP and is not the type of contract City Attorney Delgadillo has for all outside attorneys. Attorney Weisz-Jones reported, under the Charter, the City Attorney does have to consent to the hiring of outside counsel and considers the terms of the contract very important as a legal document. She indicated the City Attorney's office would like to make some major changes to the format used for all the other Departments and give it to Mr. Vellon to review. She then stated the Board cannot have one contract for the two law firms as Mr. Klausner cannot sign for Mr. Schulman and vice versa. She requested continuing the item and she will get back to the Board in a couple of weeks. President Romero inquired if there could just be one joint contract. Attorney Weisz-Jones responded this could not legally be done. Mr. Wiggs inquired if the Board could get the contract by the next Board meeting and Attorney Weisz-Jones responded in the affirmative.

President Romero inquired if the proposed new contract was unique to DWP. Attorney Weisz-Jones responded the entire City will have the same types of contracts. She noted Mr. Delgadillo was a new City Attorney, so when Fire & Police and LACERS go out for new contracts for fiduciary, tax, and real estate counsel, those contracts will have the new format. Ms. Calvache inquired when did the change go into effect. Attorney Weisz-Jones responded when DWP's first

RFP went out it was stated the old contract would not be included. She stated in 2001, the two other funds were able to renew their contracts and continue another three years, if they were satisfied with performance, without issuing another RFP, but they have also been informed the new formats will be very different. She clarified very often, when continuing a contract, there is an amendment stating the contract will continue for another three years on the same terms and conditions and the only change would be the prices. President Romero stated this item would be tabled until the next Regular Board meeting.

**22. Consideration of late request for purchase of Other Governmental Service (OGS) military service filed by Mr. James Woodard (currently on Permanent-total Disability).**

Mr. Vellon explained this is a late request from Mr. James Woodard, (who was not present at the Board meeting). He stated there was a possibility Mr. Woodard could be able to purchase his Other Governmental (Military) Service if he was reinstated for a day as he (Mr. Woodward) had been negotiating this possibility with Mr. Frank Salas. He noted had this happened, (which it did not), there would not have been a need for this Board to take action. Mr. Vellon suggested Item 22 be tabled until the next Regular Board meeting when Mr. Woodard may be in attendance. It was the consensus to so proceed.

**23. Consideration of DWP Plan budget 2003-2004 – Authorized Personnel Resolution (APR).**

Mr. Vellon reported this item referred to the Plan's Annual Authorized Personnel Resolution (APR) and Ms. Bhatia would be presenting a report to the Board. He added there had been correspondence on this matter with the Budget Director, Jeff Peltola.

Ms. Bhatia reported Item 23 concerned the approval of the personnel budget for the Retirement Office for 2003/2004. She explained each year the Retirement Board is required to provide an estimate of staffing levels to be incorporated in the Department's Annual Personnel Resolution. She referred to the personnel budget in the Board package indicating a request for 11 additional positions to support 2 key initiatives the Retirement office is currently going through. Ms. Bhatia stated the first initiative was the implementation of full discretion investment management and the second concerned the computerization of the Retirement Office operations. She further explained, with regards to the first initiative, a new asset allocation structure was adopted and the Board is now in the process of implementing full discretion investment management, and, while providing the benefit of prompt trade executions, expected higher investment returns, and diversification, it also brings with it the added need for additional oversight and monitoring, performance reporting and recordkeeping. Ms. Bhatia indicated the Retirement Office did not currently have the necessary personnel to provide the adequate required due diligence and there existed a need to position the office in order to be able to perform the applicable fiduciary responsibilities.

Ms. Bhatia pointed out an insert in the Board package which is a report on how the Retirement office staffing levels compares with several other pension Plans (LACERS, San Diego City Employees Retirement System, and Fire/Police Pension Plan), all having similar asset allocation structures, but different levels of assets managed. She then compared the DWP Employee Retirement Plan's current staffing levels for the investment and accounting sections, stating DWP's totals 7 and San Diego's is 11, pointing out the assets managed under San Diego is only \$2.5 billion, half the size of DWP's. Ms. Bhatia reported the number of investment officers under the San Diego City Retirement System is 2 compared to DWP's 1 and compared LACERS assets managed at \$6 billion, substantially similar to the DWP Retirement Plan of \$5 billion, but their staffing is almost 3 times that of DWP's Retirement Plan. She stated the Retirement Office was asking for 4 additional positions in the investment and accounting

section, two positions for Senior Utility Accountant and two for Utility Accountant, resulting in a fiscal impact of \$280,000 a year. She added, even after adding these positions, the staffing level will still compare more to the San Diego City Retirement System, which manages half the assets DWP manages. Ms. Bhatia indicated Ms. Shimamoto would present the Board with a background on the other initiative concerning the computerization of the Retirement Office.

Ms. Shimamoto reported the Retirement System for active members was implemented in the early 90's and was intended to keep track of the ledgers for both the member contributions and the Department matching and interest. She indicated this was completed and works accurately, but the contractor never completed the second portion, created for service credit. She explained staff provides service credit, to determine how to pay the retirement benefits; they have to do a manual calculation based on the human resource and payroll systems and records on file. Ms. Shimamoto reported the Retirement Payroll System was implemented in the early 80's and had been purchased from LACERS after they implemented a newer system. She added, over the years, from 1997 on, there have been numerous Plan changes and the system has been altered and updated as much as possible over those years.

Ms. Shimamoto indicated when she was a supervisor in the Membership Section in the early 90's, the programmer told her he had been working on the Retirement System for two years and, since there was no documentation on it, he only knew 10% of the system. She added the fatal flaw in implementing the Retirement System was not having a programmer to interface with the contractor and their own IT staff, so when the contractor left DWP the programming became somewhat of a mystery. Ms. Shimamoto stated there are times when a change is made in one part of the program and, illogically, something else in the program changes, making it very difficult for the Retirement Office to do their job accurately.

Ms. Shimamoto reported, in looking to the future, the Retirement Office is planning to implement new systems that will accurately interact with other systems. She stated even with hiring experts in the field, the interface with the Retirement Office's own programmers would be key in implementing, updating and maintaining new systems while still maintaining the old system in this process.

Ms. Shimamoto compared Police and Fire Pension's Retirement payroll, which pays 11,760 members and DWP pays 9,700; their active employees 12,300 and DWP 7,700; they have 7 programmers assigned within their department and DWP retirement Office is requesting 4 with 2 support staff; they have a total of 81 positions and DWP has 40.

Ms. Bhatia elaborated stating, between the two key projects that will be worked on in the Retirement office, 4 staff will be put into the investment and accounting, 6 into the computerization and 1 replacing a seasonal part time position.

President Romero inquired if the request for 11 new staff members was sufficient to handle 14 new managers with all the new reports coming in, the computerization and staff already running at the bare bones level. He also inquired if the Retirement Office was administratively prepared, and how long would it take to get the new staff in place, because once all the managers were selected there would be a ton of work and the office had to be ready.

Commissioner Cho commented the Board needed to focus on the quality of work that needs to be done and get top people to do the work and develop a step-by-step plan with the fund managers coming on Board. She stated, in the beginning, it would be difficult dealing with firms we have not worked with, but the Board and staff should come up with a way to streamline their ability to interact with the fund managers, because they are not created to make more work, but staff does have to do the due diligence in the monitoring of their work. Commissioner Cho also

stated she knows staff has put in a lot of thought and time coming up with this proposal, but she suggests being more cautious in making sure the Retirement Office has what they need down the line when all the fund managers are in place.

Ms. Calvache expressed she had taken into consideration everything Commissioner Cho was saying, and she agrees the Retirement Office does need to hire the right staff to ensure they are best fit for the job, but the MOU has to be followed along with other standard policies and union contracts. She added a lot of times a section has to make a selection from a small pool of candidates and there are a lot of other issues that make the big picture work. Ms. Calvache expressed ever since she has been a Board member, technology has been a big issue for her as far as security with the files, getting the retirees better service and buying back Other Governmental Services (OGS), which has to be done manually by senior clerk typists. She stated, like it or not, the Retirement Office does not have the staff to make it forward and since she has personally been down there to see the kind of work put out by the Retirement Office, she does not feel what staff is requesting is unreasonable. Ms. Calvache emphasized there was a new year ahead with a lot of work and this is the reason the Plan should move forward and assist the Retirement Office in any way they can, considering the big picture, by giving them the staff they are requesting.

Mr. Vazquez indicated the Budget Director requested a copy of the study done in support of the request for additional accountants and investment officers. He stated even though there is documentation regarding the number of accountants, investment officers and asset allocation of other retirement systems, he does not think there is enough specificity as to what the current staff members are doing, what they will be doing after the transition to fully discretionary funds management and what specifically the additional staff requested will be doing. Mr. Vazquez reported the Department has a hiring freeze in terms of the number of budgeted staffing being carried forward from year to year and this increase would represent a 28% increase over the current staffing levels and a 65% increase to staffing over the past two years. He expressed there was a need to have the Retirement Plan office staffed adequately, but more details were needed in terms of the justification in what the new staff will be doing before going forward with this issue.

Mr. Wiggs stated he has had the same staffing story told very passionately by every business manager, in every business unit, at the request of about 600 new staff members, which cannot be done. He stated he did not know if this process was one the Board is recommending, but a decision would have to be made at the budget level. Mr. Wiggs explained he did not know if there was a conflict in him voting to approve the request when he might have to be the one to turn around and say the office will have to do the best they can, given the constraints on the overall budget, because the Department is simply not in the position to grow back to that level of staff. He then inquired if the vote was specifically for recommending the budget for what the Board thinks the Retirement Office needs. Mr. Vazquez responded this eventually goes to the Board of DWP Commissioners as part of the budget, to be approved or not approved and suggested, in Mr. Wigg's meetings with the different business units, there was a need to consider this as well as those requests, in determining what the staffing level is going to be. He then reiterated his request the item be deferred, so once it is voted on by the Retirement Board it would be done with an understanding and not be overturned by DWP management. He emphasized the need to see more detail in the justification. Mr. Vazquez also stated, with regards to upgrading the systems, he questions whether it is best for the Retirement Office to get its own staff of analyst and programmers to do this effort and inquired what does the staff do once it is done, adding it might be better for IT do the work.

Ms. Calvache inquired how the City freeze was going to impact DWP. Mr. Wiggs responded the City freeze does not impact DWP but he has put on a freeze due to the Department paid about

\$500 million a few years ago to reduce the staff from 8,700 down to 6,700 and it is now back up to 8,100 and with the current requests it would be back up to 8,700. He added he could not commit to it and he should not vote on any of this.

Ms. Calvache stated she understood Mr. Wigg's concerns regarding budgeting and inquired what would be a possible compromise to the 11 staff members requested for meeting the needs of the Retirement Office. Ms. Bertrand reiterated the Board needed more specificity as to what this new staff would be doing and who would be hired to do the job. Discussion continued among the Board members.

Ms. Bhatia emphasized there was a big change going on and there existed a need for required due diligence in order to fulfill the Board's fiduciary responsibility. She stated DWP will be paying \$20 million in investment fees for all the investment managers and staff is asking for just 4 positions in the investment side and 6 as a total minimum needed, which will not eliminate the need for overtime despite asking for the minimum positions. Ms. Bhatia indicated the Retirement Office would provide more details in the next package and the presentation was just a summary to put things into perspective. She also stated staff did not just pull numbers out of the blue and a lot of work was done to come up with the information provided.

Mr. Vazquez requested Ms. Bhatia work with Mr. Peltola and his staff in acquiring specificity and justification for the request of additional staff, to present to the Board to be considered in a fully supportive manner. President Romero stated the request for additional staff was not unreasonable but certain Board members require more information and this should be provided at the next meeting.

**24. Consideration and discussion of possible termination of the Plan's Consultant, Pension Consulting Alliance (PCA).**

President Romero indicated this item will be tabled at this time.

**25. Retirement Plan Manager's comments**

**a) Legal Opinions received.**

Mr. Vellon reported the Board has received a summary of the legal opinions.

**b) DWP Plan Newsletter for retirees (February 1, 2003 Edition).**

Mr. Vellon reported the Board had already received a copy of the February 1, 2003 Newsletter for DWP retirees.

**c) Board Election Update.**

Mr. Vellon indicated the election was completed and the preliminary information is the three elected members were re-elected by a significant margin. He stated the official report should be received from the City Clerk's Office within a couple of days and it would be sent directly to the Board of Commissioners for formal adoption.

**d) General Items.**

Old Death Claims

Mr. Vellon reported, the old death cases (which have not been able to be closed for many years) were posted on the web page to see if people could help find those individuals.

#### COLA-2003-2004

Mr. Vellon indicated the preliminary COLA for retirees is 2.8%, which will be on next month's agenda.

#### Pre-Retirement Program

Mr. Vellon reported, Rose Garcia, of the Human Resources Office, is still working on the formal pre-retirement program to reach out to potential retirees so they can plan their retirement accordingly.

#### Pre Tax OGS Purchase

Mr. Vellon indicated there was a request for the City Attorney to help the Board implement a pre-tax purchase of service credit program, the same as LACERS, as soon as possible.

#### DWP Plan Computerization

Mr. Vellon commented the preliminary plan for computerization had already been discussed.

#### Plan Amendment Re: Family/Supplemental Death Benefits

Mr. Vellon reported the Board of Commissioners approved the family/supplemental death benefit increases; the MEA unit Plan changes and another plan amendment recommended by the Retirement Board to cover other unions as these settle in the near future.

Attorney Weisz-Jones commented in regards to the request for the City Attorney's office to implement a pre-tax program, they do not implement programs but can prepare the language. She stated they are still trying to work with DWP to figure out how or why the employer pick-up program was or was not done and Attorney Curwen was working with labor relations on this and will submit a full report. President Romero inquired if a date could be given as to when the City Attorney's Office will have something for the Board. Attorney Weisz-Jones responded the Board will have a response before the next meeting.

President Romero requested Mr. Vellon submit a final draft regarding the pre-retirement program and training for prospective retirees.

Mr. Vazquez requested an item be considered at the next agenda addressing the formal adoption of an inclusion policy, similar to that of some other pension Plans, and to have an outline drawn up in advance.

Mr. Wiggs noted Item 24 (Possible termination of the Plan's Consultant) had been deferred, and, since Mr. Lombard was present today and Mr. Mirisola had some very serious concerns about his contact with PCA, this would be a good opportunity to get the issue cleared up. President Romero responded it was up to Mr. Mirisola, but the concern was not directly with Mr. Lombard, but with PCA not addressing the Board relative to their meeting with Mr. Lombard. Mr. Mirisola indicated he did not want to discuss the issue and was happy with the answers he received at last week's meeting and had no further issues with PCA. Ms. Bertrand suggested removing the item from the agenda rather than tabling it.

Mr. Lombard requested an opportunity to clarify, for the sake of the Board, the conversations that took place between himself and PCA. He stated there was only one conversation that took place, and prior to this, Mr. Emkin and himself had a conversation and there was one issue discussed consistent with the issue they had previously talked about. Mr. Lombard expressed PCA comes with a tremendous level of credibility and are considered one of the top gatekeepers in the country and looking at their list of clients speaks for itself. He stated his discussion with Mr. Emkin concerned inclusion. Mr. Lombard explained he met Mr. Emkin when

he was brought to the same type of situation that took place 15 years ago with CALSTERS and CALPERS, when there was no inclusion of minority firms. He noted Mr. Emkin was considered one of the bright lights in the industry, of a company that understood it and had a level playing field in terms of his analysis. He stated in order to ease everyone's mind, their conversation was specific to this concept and there was no specifics in terms of which firms to talk about and no mention of recommendations. Mr. Lombard expressed Mr. Emkin is a professional and PCA is a professional organization adding the one thing Mr. Emkin's reputation has been built upon his willingness to listen to anybody, but at the end of the day he is focused on the needs of his client and the Board did their due diligence before hiring him. He stated he wanted to make sure there was clarification, because it was his understanding, there were some accusations made, but there were no specific conversations other than what he has stated.

President Romero thanked Commissioner Lombard and the Board meeting was adjourned at 11:29 a.m.

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JAVIER ROMERO  
President

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DUAMEL VELLON  
Secretary

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SILVIA TESSENEER  
Recording Secretary