

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

MEETING – June 16, 2004

Present:

Javier Romero	President
Lilly Calvache	Vice President
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member

Absent:

Frank Salas	Acting General Manager
Gerard McCallum II	Commissioner
Dan Mirisola	Board Member

Others Present:

Adriana Rubalcava	Acting Retirement Plan Manager
Lesley Kuo	Investment Officer
Tom Harrington	Consultant
Irene Colon	Recording Secretary
Neil Rue	PCA (Pension Consulting Alliance)
Donna Weisz Jones	Deputy City Attorney

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

[Pledge of Allegiance]

Ms. Rubalcava indicated there was quorum of the Board.

- 1. Approval of Board Meeting Minutes:**
 - a) May 19, 2004 (Regular Board Meeting)**
 - b) April 7, 2004 (Special Board Meeting)**
- 2. Termination from Monthly Rolls as of May 2004:
Retirement Resolution for May 2004.
Termination from the June Survivorship Roll: Nadine Blackford - Death**
- 3. Resolution Denying (On Appeal) the Payment of Permanent Total Disability Benefits from December 16, 2002, to Mr. Richard H. Hoffman.**
- 4. Resolution Denying (On Appeal) the Payment of Permanent Total Disability Benefits from May 28, 2003, to Mr. Gary G. Brown**

5. Amendment of Resolution 04-80, Re: Approval of July 1, 2004, Annual Cost of Living Adjustment (COLA) Increase for Eligible Monthly Allowances

Ms. Calvache referred to page 1a.7 of the agenda packet, second paragraph and indicated there was a comment made by Ms. Bhatia regarding a time delayed email and it was not put in the minutes. President Romero referred to page 1a.10 under item 15 and stated he recalled a statement made by Ms. Bhatia regarding \$1.5 billion being split equally between the fixed income managers and he wanted the record to reflect this conversation because it is relevant to item 25 of the June 16th Board meeting. He also indicated he wanted to discuss the process of how the minutes are transcribed at next month's meeting because this was something that should not have been missed. He added he was concerned why certain things are not in the minutes and they need to be accurate whether someone intended to make a particular statement or not. He suggested tabling the approval of the minutes and approving items two through five. Ms. Rubalcava stated staff would place the process of transcribing minutes on the agenda of next month's meeting.

Ms. Calvache inquired who was transcribing the minutes. Ms. Rubalcava responded different staff members in the Retirement Office. Ms. Calvache inquired who in management reviews the minutes after they are transcribed. Ms. Rubalcava responded herself and Mr. Harrington. Ms. Calvache also requested a clarification of the process for transcribing minutes because there may be things being missed in the minutes. She expressed concern about the phrase "more discussion ensued" being used in the minutes rather than actually describing the discussions.

Ms. Calvache moved adoption of the above items 2 through 5 on the consent agenda. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

PUBLIC COMMENTS

President Romero inquired if there were any public comments. Ms. Colon indicated there was one public comment.

Mr. Frank Miramontes (Retiree) approached the podium.

President Romero recognized Mr. Miramontes.

Mr. Miramontes stated he was a member of the Retirement Plan and was a 32-year veteran of DWP and a lifelong citizen of Los Angeles. He indicated he came before the Retirement Board at a previous Board meeting to voice his concern about allowing a nonqualified person to oversee a multibillion-dollar fund. He stated he voiced his concern about the management in the Department usurping the authority of the Board and appointing a nonqualified manager to the fund. He also stated he voiced his concern regarding management overriding the DWP employee's right to oversee the Plan, by once every three years voting for Board members to have that responsibility.

Mr. Miramontes explained his reason for voicing his concern was because the Department has put a multibillion dollar fund at risk by allowing an individual who has no qualifications for the job to oversee and manage it. He informed the Board he had no other choice but to take his concerns to the DWP Commission and would be sending a letter directly to Mr. Rubalcava and carbon copying the Board. He stated if there were no action taken, he would be communicating this information to all active and retired DWP employees. Mr. Miramontes expressed his belief that all active and retired employees are very concerned about what happens to the funds they have in the Retirement Plan because they depend on those funds to live on for the rest of their lives. He stated these employees have invested their time and energy working for the Department to provide water and power to the citizens of Los Angeles and they need to have that comfort. Mr. Miramontes concluded by telling Ms. Rubalcava (Acting Retirement Plan Manager) her appointment by Frank Salas (Acting General Manager) was not very clear in that her responsibility is not to the acting general manager of DWP, but to the members of the Plan and the Retirement Board. He stated this is the way it is written up and she needed to understand that she is working for them and they are not working for her. He added hopefully this issue will be resolved shortly.

Mr. Miramontes returned to the audience.

Mr. Moore indicated he wanted to respond to Mr. Miramontes' comments since the Board had never done so. Mr. Moore expressed he appreciated Mr. Miramontes' concerns and acknowledged the diligence he has shown in coming before the Board several times. He stated, at the same time, since there has not been any reaction on the part of the Retirement Board to his remarks, he feels compelled to say the Acting Retirement Plan Manager was put in place on a temporary basis because the prior Retirement Plan Manager was put on administrative leave pending an investigation. He stated, with respect to the comments regarding the responsibility of Ms. Rubalcava to respond to the Retirement Board and the Board to oversee the whole activity, he feels she has done a very fine job in being responsive to all of them. Mr. Moore further expressed he did not feel anyone has any reason to complain in that regard. He reiterated Ms. Rubalcava has shown great responsibility and has done a fine job in shepherding the activities during the interim period and she should be commended.

Ms. Calvache indicated she had some concerns regarding this and stated she would go into some discussion at a later time.

President Romero reminded the Board that public comments were not for a back and forth discussion. He stated if the Board wanted to discuss something it needed to be an agenda item. Mr. Vazquez requested the item be placed on the agenda for the next regular Board meeting. Attorney Weisz Jones stated she would work with Ms. Rubalcava in finding out whether or not this issue was within the jurisdiction of the Board to be placed on the agenda and discussed. She added she had to research whether the Board could discuss personnel matters if there are complaints. President Romero suggested finding out what exactly Mr. Vazquez wanted to discuss. Mr. Vazquez responded that he wanted the opportunity to respond to the public comments made by Mr. Miramontes. Attorney Weisz Jones indicated she would get back to the Board.

President Romero reminded the Board that everyone would have the opportunity to speak their mind and to respect other Board members and not interrupt them when they are speaking.

- 6. Report of Payment Authorizations as of May 2004.**
- 7. Distribution of Securities by Type and Class as of March 31, 2004 and April 30, 2004.**
- 8. Equity Investments as of March 31, 2004 and April 30, 2004.**
- 9. Notice of Deaths as of May 2004.**
- 10 Report on Long Term Investments as of April 30, 2004**
- 11. Short Term Investments as of May 31, 2004.**
- 12. Statement of Investments Owned as of March 31, 2004 and April 30, 2004.**
- 13. Investment Manager Status Report as of June 4, 2004**
- 14. Commissioner Update – Political Fundraising Ban**

Mr. Vazquez referred to page 6.78 of the agenda packet regarding a disbursement of pay and inquired what it was for and why it is noted as being past due for services rendered. Ms. Rubalcava responded she did not have the answer, but would bring it back to the Board. President Romero inquired who signed the payment authorization. Ms. Rubalcava responded she signed it.

Mr. Vazquez referred to page 7.1 of the agenda packet and requested the pages be turned the opposite way so that it was easier to read. He also requested the investment manager status be placed as a regular agenda item for possible discussion. He inquired since the date of the report (June 4, 2004), if any additional funding had been made. Ms. Rubalcava responded INVESCO was funded last month and staff is close with Wells and ING and is just cleaning up some of the wording in the contract with Bank of New York. She added it should be signed either late this week or early next week. Ms. Rubalcava stated in terms of Fidelity, the Board chose a commingled account for International and the language needs to be worked out for the participation agreement. President Romero inquired, when Ms. Rubalcava referred to the Bank of New York, was this for small cap. Ms. Rubalcava clarified it was for transition. President Romero inquired what the status was for the small cap. Ms. Rubalcava informed the Board that staff sent Earnest Partners their contract, but has not started with Bank of New York.

President Romero noted at the meeting of May 19th, it was discussed that through the Retirement Office's weekly staff meeting it was discovered that Earnest Partners' fees had not been negotiated. He then inquired if the fees had been negotiated yet, and if not, what was holding this up. Ms. Rubalcava responded, as mentioned in a previous Board meeting, her focus has been Wells, ING, INVESCO, and Fidelity because staff is close to wrapping up those contracts and actually funding them.

President Romero inquired if it was possible for staff to create a timeline as to when the Board could expect each phase to be completed. Mr. Vazquez suggested an expected funding date. Ms. Rubalcava expressed her concern of providing a funding date because the Board previously requested this not be discussed publicly; however staff

could provide a timeline. President Romero explained the purpose of the timeline would be to inform the Board of when the insurance and contract language would be complete and to make the managers accountable. Ms. Rubalcava stated she would be more than happy to provide a timeline but wanted to note that the insurance issue and going back and forth with the investment managers could be very fluid. She stated she would submit a rough draft of the timeline and the Board could make recommendations.

President Romero noted there was nothing in the status report regarding PCA's contract, adding it was ending in the end of October. He stated, at minimum, there should be an advertisement for a consultant because the alternative investment and real estate mandates were still pending under the existing contract with PCA. President Romero stated the Board decided to RFP and include the real estate in order to have some fluidity as to the further development of the asset allocation. He suggested reviewing the RFP that was sent out initially when PCA was hired, including alternative investments and real estate, and sending it out for advertising. Ms. Rubalcava responded she reviewed PCA's contract and their RFP and, regarding real estate and alternative investments, nowhere in the contract does it state it was one of their work assignments. She stated there might have been some miscommunication in the past because PCA does not have a requirement for real estate and alternative investments. She clarified it might have been discussed but was not put in the actual contract.

Attorney Weisz Jones informed the Board this topic of discussion had nothing to do with item 14. President Romero requested the issue be placed on next month's Board agenda. Mr. Vazquez inquired what the agenda item was going to be. President Romero responded the item would be the "discussion and possible action for Board's consultant relative to the expiration of PCA's contract". Mr. Vazquez indicated he would like to have discussion of real estate and alternative investments, because in addition to sending out an RFP, the Board needs to be educated.

Mr. Vazquez moved to approve items 6 through 14 to be received and filed. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

President Romero indicated he would like to take a couple of items out of order and he then introduced item 27.

27. Discussion of Recurring Annual Issues Related to Health Plan Subsidies and Premium Changes Reflected in Retirees' Pension Checks

Ms. Rubalcava stated Ms. Gleyce Baca from ITS kept the Retirement staff updated and had recently run a preliminary test to review health benefits. She stated Ms. Calvache requested that staff members from ITS come to the Board meeting to address this item.

Ms. Calvache inquired what steps have been taken to prevent the recurring problem.

Ms. Cecilia Weldon (Assistant General Manager ITS) and Michelle Nagin (Director of

Human Resources) approached the podium.

President Romero recognized Ms. Weldon and Ms. Nagin.

Ms. Weldon stated ITS staff is aware of the problem and there are several steps that have been taken. She stated last year there were approximately 40 retirees that were impacted, while in 2001 the number was 4,000. She explained those 40 retirees are primarily those who left under the SRP, and a remaining smaller number are retirees with special circumstances. Ms. Weldon indicated, since then, ITS has gone into the retirement system and made a programming change, so rather than manually having to go in and input the subsidies for the retirees under SRP, it is now automatic. She stated the second step taken has been to work closely with Human Resources (HR). Ms. Weldon explained that HR inputs the rate changes every year and ITS is running a report and will be submitting it to HR. Next, the Health Plans office will carefully walk through it and check to see where there may have been an input error. She stated the third step, which is the most significant in catching mistakes, is that they run a simulated payroll that flags retirees who fall in the SRP category and might be a problem. She added Health Plans is looking at this report, which includes retirees who might fall under the odd coverage situation. Ms. Weldon expressed that hopefully the steps being taken will take care of the problems, but there may still be a handful of situations that fall through the cracks.

Ms. Nagin stated the Health Plans Office staff has reviewed the preliminary check register, and as of 10:00 a.m., it looked good so far. She stated they were continuing to look at it and will submit it to the Retirement Office so they can do their inputting by noon today. Ms. Calvache thanked ITS, Health Plans Office and HR for their hard work in resolving the problem

15. TCW Quarterly Presentation – March 31, 2004

Mr. Barr Segal approached the table.

President Romero recognized Mr. Segal.

Mr. Segal presented a brief overview of the first quarter of 2004. He stated TCW's retirement fund portfolio's market value was approximately \$680 million with an additional, \$18 million in the Death Benefit's fund, and \$25 million in the Disability Fund. He reviewed the quality and sector weightings, stating there was a solid amount of treasury and agency, and Baa securities that are less than 20%. He stated the sector weightings of all three funds have a heavy weight in investment grade corporate bonds.

Mr. Segal summarized DWP's portfolio rates of return stating that in the first quarter the Retirement Plan was up 3.9%, Lehman was up 3.1%, and Citigroup up 2.7%. He explained that interest rates rose very sharply in April so they gave back some of the absolute returns. He reported year-to-date, through the end of May, the Retirement Plan is down .5% and the markets are down .6% for the government credit index and .4% for the broad index, and subsequently they have given back some outperformance and are matching the benchmarks year-to-date. He indicated the Retirement Plan is

down .5% year-to-date since yesterday and the benchmarks are down .7% and .4% for the Retirement Plan. He stated, with regards to the Death and Desirability Plans there was not much difference in terms of the first quarter.

Mr. Moore noted there was quite a difference in the mix in the types of investments for the Retirement Plan versus the Death Benefit Plan versus the Disability Plan. He stated he understands why there would be a difference with the Retirement Plan, but he did not understand the rationale for the difference in allocations to the Death and Disability Plans. Mr. Barr responded some of it was based on the history of the portfolios, which were non-discretionary for many years, and several years ago the Plan moved some assets out of the death benefit fund leaving it looking quite a bit different. He stated all of the Plans are strongly underweighted in treasuries and overweighted in corporate bonds. He added the slight differences being noticed are not that critical to the performance because they are very correlated assets.

Mr. Moore inquired to what extent are decisions with respect to the structure of each of the portfolios governed or influenced by the amount of pay out that is regularly required. Mr. Barr responded, to a modest extent, but this was not a driving force.

The Board thanked Mr. Barr for his presentation

Mr. Barr returned to the audience.

16. Resolution Authorizing Purchase of Other Government Service Time for Michael D'Andrea

President Romero indicated item 16 was addressed at the last Board meeting and the resolution needed to be approved.

Mr. Moore moved adoption of resolution 04-129. Seconded by Ms Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

17. Electronic Data Management System

Ms. Rubalcava stated there had been some discussion in the past regarding revamping the beneficiary forms and having some kind of electronic system because there was no backup if the original forms were somehow destroyed. She stated Mr. Conney Williams from the Retirement Office was present to provide the Board with an update.

Mr. Williams approached the podium.

President Romero recognized Mr. Williams.

Mr. Williams stated currently the Department has been working with IT in seeking a couple of vendors and have actually put two RFP's out last year in trying to seek

individuals to bid. He added there was currently no DWP budget. Mr. Williams reported, currently, the status is that each individual business unit would have to provide their own funding in order to carry out the project. He stated the Board could opt to do their own RFP and decide to fund the project. He indicated he would be working on the actual budget to come up with the actual cost to backup the beneficiary forms for the active employees and the retirees.

Ms. Calvache inquired what Mr. Williams meant when he referred to “budget and funding”. Mr. Williams responded the project involves an electronic data system, which will scan all of the beneficiary forms and also a system allowing one to peruse via personal computers. He added not only is a machine needed to scan, but also an individual to do the scanning, which amounts to approximately 16,000 to 20,000 documents. He reiterated, since there was currently no funding available for this project, a budget will have to be developed to decide what the actual cost is going to be for the Retirement Office to carry out the project, since IT would not be able to provide this department wide.

Ms. Rubalcava stated one time this was going to be an enterprise project and DWP issued an RFP to find a vendor to scan documents for all of the business units needing to retain important documentation within DWP. She added, because of the budget cuts due to the City crisis, the project was scrapped. She stated, next year when it is time for the new budget, the Retirement staff could come to the Board with a budget of what the project would cost and request additional funding.

Ms. Calvache commented when visiting the City Retirement Office they had an updated system that works very well for them and she had discussed this with the Retirement Plan Manager. President Romero noted there had been some discussions in the past regarding the computerization of the entire office. Ms. Rubalcava clarified that this issue was just regarding Mr. Mirisola’s request to scan the beneficiary forms. President Romero stated the Board had been discussing the computerization of the Retirement Office and this issue would encompass that project. He added Mr. Mirisola was more concerned with the beneficiaries as something in the interim for disaster recovery, which is something all pension plans have. President Romero suggested sharing DWP’s computer data with the City, in case something happens, but if the beneficiary cards are not computerized this would be of no help. Mr. Moore inquired if there was actually a requirement from a legal standpoint that there be a hard copy of the beneficiary statement or is it satisfactory as a resident in a computer. Attorney Weisz Jones responded when a member signs a beneficiary form, it is her belief that the best practice is to have a signed copy by the member. She noted that LACERS does scan the beneficiary forms, but unfortunately if someone challenges a scanned document it is difficult to use in court. She expressed it was probably best to have a hard copy of the document.

Mr. Vazquez stated in financial services, they have been using the Filenet system to scan all the accounts payable documents and invoices for 10 years. He added this was one of the two vendors who responded to the RFP. Mr. Vazquez suggested staff put together what would be needed to get the forms scanned, the estimated resources, and maybe talk with the City and see what their experience has been and bring something

to the Board for approval. He added, whether it is budgeted or not it is something that needs to be done. Ms. Calvache requested the item be placed on the next Board agenda. Ms. Rubalcava stated she would come back next month with an estimated budget and find out the process to piggyback off the Filenet contract that financial services has in order to resolve the issue.

President Romero inquired how many beneficiary participants there were. Mr. Williams responded there were approximately 8,000 active and 9,000 retirees. Ms Rubalcava informed the Board that if a private company were utilized for the scanning, staff would have to go to the unions through the labor relations department due to the outsourcing.

Mr. Williams left the meeting.

18. Report on Missing Beneficiaries

Ms. Rubalcava informed the Board that Ms. Linda Le of the Retirement Office was present to provide the Board with an update. She stated Ms. Le was new to the department and there have been a number of managers that have gone through the Death and Disability Section of the Retirement Office. Ms. Rubalcava noted the Board had mentioned a second company that the Retirement Office had contracted to do the searches that she was not aware of and staff has researched this.

Ms. Le approached the podium.

President Romero recognized Ms. Le.

Ms. Le stated there were currently 36 outstanding beneficiary files and 19 of those files were sent to the International Claim Services (ICS), which is a search company. She explained, of those 19, the firm came back with only a few matches that staff could do anything with. Ms. Le stated the information the company provided is available on the internet through the Social Security Death Index (SSDI). She added staff could have performed this research themselves. Ms. Le indicated the company was able to help staff locate two of the missing beneficiaries. She stated there are still currently 17 files that have not been submitted to them, but staff is prepared to do so if the Board requests it. She further stated the other contract is through Docu-Search, and any file that ICS did not find, staff is going to forward to Docu-Search but this has not been done yet. Ms. Rubalcava indicated this has not been done because staff was not aware of the second contract. President Romero commented due to the changing of the guard, a lot of things may be missed but the information is in the minutes.

Mr. Moore commented that it seems staff is looking for direction from the Board with respect to whether the unsuccessful searches should be submitted again to Docu-Search. He expressed he was open to this, in terms of a test case, to see how much better they do than ICS, but he did not think he would be comfortable on an ongoing basis. Mr. Moore indicated the problem he has with the second company is that they charge regardless of whether they are successful or not. He noted that staff is also requesting the Board consider Lexis Nexus service.

President Romero stated the reason why the Board decided to go with an outside source is because, to his understanding, staff did make an attempt to locate the beneficiaries and was unsuccessful. He stated the Board made an effort by utilizing this company to perform the searches and provided an incentive for hits. He added, if this firm could not locate them then staff should go with Docu-Search and if they were unsuccessful in locating the beneficiaries then the money stays with the fund because the Board made a reasonable effort to locate them.

Mr. Vazquez inquired what remaining number in missing beneficiaries was left. Ms. Le responded there were approximately 36. Attorney Weisz Jones commented that staff has taken something that has been languishing and has been prudent and diligent in trying to find them. But at some point the Board has to decide what is cost effective. President Romero stated these companies have access to many more databases in addition to Lexis Nexus; therefore he really does not think it is necessary to go that route. Mr. Vazquez inquired if the number of beneficiaries still unidentified had gone through ICS. Ms. Le responded that 19 out of the 36 had been submitted to ICS. Mr. Vazquez inquired about the remaining 17 beneficiaries. Ms. Le responded there were still 17 because at the time the contract was submitted back in September or October, the staff member who started working on them moved on and the project came to a halt.

Mr. Vazquez recommended, to the extent that the amount owed justifies the expense, the remaining missing beneficiaries should be sent through ICS and then all the unsuccessful ones to Docu-Search and let it go at that.

President Romero thanked Ms. Le and she left the Board meeting.

19. Consideration of Changes to the Plan's Statement of Investment Goals and Guidelines to Update High Yield and Fixed Income and Amend Core Fixed Incomes

President Romero introduced item 19 and inquired if Mr. Rue had anything he wanted to discuss. Mr. Rue responded in the negative.

Mr. Vazquez moved adoption of resolution 04-130. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

20. Standish Mellon Asset Management Company Contract Extension

Mr. Moore noted that Standish Mellon has indicated a willingness to extend their contract for another month. He inquired if TCW could do it on a month-to-month basis if the Board requests. Ms. Rubalcava responded that staff has had discussions with TCW and they are willing to give the Department two weeks for protection. President Romero noted if TCW gives the Department two weeks, then this gives the Board until the 15th of July.

Mr. Moore moved adoption of resolution 04-131. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

21. Authority to Purchase Commercial Paper from the List of Approved Issuers (July through September 2004)

President Romero introduced item 21 and there was no discussion.

Mr. Moore moved adoption of resolution 04-132. Seconded by Ms Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

22. Discussion and Possible Action on Transition Options – Merrill Lynch to T. Rowe Price

President Romero stated he read PCA's and T. Rowe Price's memo that was included in the agenda packet. He expressed concerns that there is a cost analysis using PCA's software as to what it would cost and also something from T. Rowe Price, but nothing from Bank of New York to compare apples to apples. President Romero stated he also wanted the \$.02 per share commission addressed, as far as whether the Bank of New York would do it for less. He also requested something on paper to review in order to decide whether it is a good deal or not. He then requested Mr. Rue address his concerns.

Mr. Rue stated the memo is basically about the cost of doing the transition, and PCA came at it from a variety of different angles and came up with an estimate of 31 basis points. He indicated PCA asked T. Rowe Price what they thought it would cost and the firm quoted approximately 37 basis points. Mr. Rue stated PCA reviewed DWP's history of BNY doing the transitions using several different formats and it has been in the range of 35 to 40 basis points regardless of format. However, two equity transitions were done as mentioned in the memo. He indicated he had talked to Bank of New York's transition team that morning and they stated their conclusion was based on a history of a 30 to 40 basis point range, which is appropriate for the large value transition. Mr. Rue expressed no matter how one looks at it, it is going to cost between 30 to 40 basis points to transition and all the estimates were in the same ball park. He then suggested simply transferring the assets from Merrill to T. Rowe Price and letting them handle the trades themselves, pointing out this would be appropriate and easy. President Romero inquired if there would be any significant savings going through Bank of New York. Mr. Rue responded it was not like Bank of New York is going to come in and say we can do this for 10 basis points. President Romero expressed he wanted this stated for the record.

Mr. Vazquez referred to PCA's memo wherein it states "T. Rowe Price estimates

approximately 36.8 basis points (11.3 in commission and 25.5 in market impact)". He inquired how the 25.5 in market impact relates to the email from T. Rowe Price to Ms. Bhatia on the next page wherein it states their best guess of market impact is 15 basis points. Mr. Rue responded he would have to clarify this, but his guess is that they might have been looking at a bid ask spread when they were determining market impact in their e-mail.

President Romero inquired if the Board decides to go with T. Rowe Price is the \$.02 commission negotiable. Mr. Rue responded he did not know the answer to that but the Board can ask them if they can strive to do trades at \$.01. He stated typically they were going to be doing crossing trades. But the issue is that the total cost is going to be in the ballpark of 30 basis points regardless of what the commissions are.

President Romero inquired if they were going to turn over 86% of the portfolio. Mr. Rue responded in the affirmative. President Romero inquired where the crosses come in with the other securities. Mr. Rue responded T. Rowe Price could do external crossing. He stated in the contract language that T. Rowe Price submitted the firm indicates they would like to perform internal crossing among their fund vehicles and requests approval of this in the contract. Mr. Rue explained if T. Rowe Price were allowed to do this there would be no market impact because it is book entries across the mutual funds. President Romero inquired if there was a commission fee with internal crossing. Mr. Rue responded he did not know the answer to this. President Romero requested Ms. Rubalcava find out.

Mr. Moore inquired if this issue was being put on hold until these questions are answered. President Romero suggested the Board proceed, but ask the questions and see what the responses are. Mr. Vazquez said the answers to the Board's questions will not change the decision no matter which way they go. President Romero stated the only issue is can they get any more savings.

Mr. Moore moved approval of resolution 04-134. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache

Nays: None

23. Discussion and Possible Action to Implement Monthly Retirement Classes

Ms. Rubalcava indicated Ms. Calvache requested item 23 be placed on the agenda and she had been working with staff regarding this issue. She stated the Retirement Office has not interviewed for the management analyst position that would be responsible for the classes yet, but has discussed different ideas with staff.

Ms. Calvache expressed that she and Ms. Rubalcava had a disagreement with regards to the wording of the agenda item. She indicated when she spoke with Ms. Rubalcava about changing the wording, she was told she did not have the power to tell her how to run the administration in the Retirement Office. Ms. Calvache stated all she wanted was the agenda item worded differently than it was originally written. She stated since

the two of them could not agree they ended up taking the issue to the City Attorney. Ms. Rubalcava explained that she and Ms. Calvache did disagree, but in their conversation she did adhere to her. She stated she told Ms. Calvache she disagreed with her, but she would place the item on the agenda as Ms. Calvache requested. Ms. Rubalcava further clarified that at no time did she state she would not place the item on the agenda, but she did disagree with the language. Ms. Calvache responded that this was correct. Ms. Rubalcava reiterated that she adhered to Ms. Calvache as she adheres to all of the Retirement Board members who request something she may disagree with. Ms. Calvache indicated that Ms. Rubalcava informed her she had “no power” to change the language of an agenda item. Ms. Rubalcava clarified she did not tell Ms. Calvache “she did not have the power” but actually stated “she did not have the authority”.

Attorney Weisz Jones informed the Board that how an item is placed on the agenda is really a question of whether it is put on so the public knows what the Board is going to discuss and whether or not they are planning on taking action or just hearing a presentation. She added, under the Brown Act, the agenda item could be up to approximately 20 words. Attorney Weisz Jones explained that when a commissioner, the City Council, DWP Board, and any other Board in the City wants a specific agenda discussed, the City Attorney’s office makes sure that “Discussion of and possible Board Action” is sufficient. She further explained that the item on the agenda should be very neutral and has nothing to do with who has authority. Attorney Weisz Jones clarified that a Board member, under the policy of the Retirement Board, has the right to say we would like this on the agenda, but she did not think that an individual Board member should be wording the item. She expressed the City Attorney’s office would be glad to work with staff to make sure the language of the item gives the Board leeway to take action.

Ms. Calvache stated that Ms. Rubalcava never stated she would not place the item on the agenda. She stated she emailed Ms. Colon (Retirement Office) to tell her she did not like the language of the item and let her know how she wanted the item worded and this was when Ms. Rubalcava told her she did not have the authority to change the language. Attorney Weisz Jones stated that she and Ms. Rubalcava discussed the issue and decided on what language should be used in order for the Board to discuss the item and give direction. Ms. Calvache stated, for the record, she wanted to make sure that she was not violating anything.

President Romero stated this issue has previously come before the Board and it was clarified that if a Board member wants to discuss something it should be placed on the agenda. Attorney Weisz Jones clarified it has to be within the Board’s jurisdiction, adding that Ms. Rubalcava has been really good in sending the City Attorney’s Office a first draft of the Board agenda to make sure the language is acceptable.

President Romero inquired about the status of the Management Analyst and the Retirement Office’s role in handling the monthly retirement classes. Ms. Rubalcava stated that a two-page report was prepared and was included in the agenda packet regarding the transitioning of a position from Training and Development to the Retirement Office. She added staff has not yet conducted the interviews for this

position, but has discussed ideas of what could be done with the position.

Ms. Calvache indicated that she and President Romero have received calls from employees stating they were told there is no room for them in the class and they would have to wait three or four months. She stated it was her understanding that the class was given every other month. Ms. Rubalcava clarified the class is currently being given every month. She explained there was a time when the class was given monthly but the Retirement Plan Manager only wanted the class held six months out of the year and then Training and Development began receiving so many requests, they went back to giving the class on a monthly basis. She stated the Retirement Office has been participating with Training and Development in having a staff member attend all of the classes.

Ms. Rubalcava stated she previously requested that Ms. Calvache and President Romero forward any calls they receive regarding this issue to her and any calls that have been forwarded have been taken care of. She reported there had been a death of an active employee at one of the yards and Mr. Harrington (Consultant) and Ms. Santos (Death Benefits) went out to speak with the employees and answer their questions. She added in the coming months, staff would be going to Haynes Generating Station to speak with employees and tomorrow Mr. Harrington would be speaking with the account executive group. President Romero indicated there was a difference in the classes given by the Retirement Office when going out into the field and the ones given at GOB, which are given monthly. Ms. Rubalcava clarified that the Retirement classes given at GOB were done so on a monthly basis. Ms. Calvache expressed she did not believe these were given once a month. Mr. Harrington clarified that in 2003 the classes were given monthly and in 2004 they started giving them every other month. As a result, of too many employees and not enough classes, additional classes were inserted and when looking at the schedule from May thru December there ends up being a class every month. President Romero expressed his concern that information is not going through the rank and file when adding additional classes because the posting reflects the classes are scheduled every other month. He added there are employees on a waiting list and inquired if other classes are being inserted then why are these employees not being added to those additional classes. Mr. Harrington responded that Human Resources is currently in charge of these classes and in his conversations with them this particular issue never arose. He stated he was not sure if Human Resources was contacting employees who are on the list. President Romero indicated the employees are using the contact number that is on the flyer. Ms. Rubalcava clarified the classes were given through Training and Development, but once the Retirement Office takes over the classes they would be in charge of this. Mr. Moore inquired if staff was satisfied as to the reasonableness in terms of their resources that they be the ones that have a lead on this rather than leaving it with Human Resources. Ms. Rubalcava responded there was a previous discussion with Mr. Vellon and Human Resources in terms of having the responsibility of the retirement classes transitioned over to the Retirement Office at some point. She noted in the report she submitted she talks about staff reviewing the seminars, possibly revising and updating, and adding an investment and estate planning section, but this was all preliminary.

Ms. Calvache expressed her concern of receiving calls from members stating they felt

the class was great but they wanted the representative from Retirement to remain after the class to answer questions they have and do not feel comfortable asking in front of the other employees. She indicated she wanted the retirement representative more visible during the day of the class and staying longer. Ms. Rubalcava indicated that Ms. Calvache had previously asked this question and it had already been answered and discussed with her. She stated she previously told Ms. Calvache a month ago that the retirement representative attends the two hour retirement portion of the class and goes back at the end of the seminar for the question and answer session. Ms. Rubalcava stated, with regards to Ms. Calvache's issue of retirement being there all day, this would be fulfilled once the classes are completely transitioned to the Retirement Office. She explained that whenever there is a retirement class scheduled outside of JFB, the retirement representative stays the entire day. Ms. Calvache expressed she was satisfied with the additional classes that were added and she was not aware that the representative returned to the class at the end of the day for the question and answer session.

Mr. Moore applauded the addition of investment and possibly estate planning information to the retirement classes. He added when attending a program by LACERS, some years ago, there was an outside presenter who was a financial planner offering employees a free hour of consultation in which he advised them to go into different types of investments which were very high in commission. Mr. Moore stated, since the representative was invited by LACERS to participate, this gave him the "seal of approval", which disturbed him because he felt some of the things that were done were inappropriate. He cautioned staff to be careful of such investment representatives. Attorney Weisz-Jones indicated that the City Attorney's office would be happy to work with staff in making sure the plans are not putting themselves in any kind of risk. She also suggested inserting reminders of important information and upcoming events in the active employee newsletter in order to be proactive towards the members.

President Romero inquired if the monthly newsletters were still being sent out. Ms. Rubalcava responded in the affirmative. She then addressed Mr. Moore's concern, stating she and Mr. Harrington have already been discussing the issue and are looking for a speaker internally at the DWP Credit Union to speak at the classes. Mr. Harrington commented that it has been made very clear to the credit union and deferred compensation that they are not selling but are present to give information to the members.

Ms. Calvache inquired if spouses or partners of employees are welcomed to the retirement classes. Ms. Rubalcava responded in the affirmative. Ms. Calvache inquired how the attendee's time is absorbed because she has received calls that supervisors have wanted to charge it as a vacation day. Ms. Rubalcava responded she did not know, but would find out. Attorney Weisz Jones stated this was not a Retirement Board issue.

24. Summary of Cost Estimates for Core Fixed Transition

Ms. Rubalcava informed the Board that item 24 was just informational. She stated President Romero had requested a memo from PCA at the end of last month's meeting

and it was included in the agenda packet.

Mr. Moore noted that the Board discussed this issue at the last meeting and the memo submitted by PCA indicated they felt the Bank of New York would be able to complete the Core fixed transition for 11.9 basis points. He added this was theoretically after PCA canvassed Bank of New York, Frank Russell, and State Street, wherein they were to include explicit commission costs, market spread, and market impact. Mr. Moore stated he was not certain, but he believes during the discussion it was indicated that Bank of New York would be charging their commission on top of that, which is 2 basis points. He expressed he did not understand how this number has grown from the 11.9 plus 2 basis points to the 26 to 56 range that is indicated in the new report. Mr. Rue responded that Ms. Bernstein had presented this information to the Board and during that meeting she indicated the Bank of New York cost estimate, at that time, did not include benchmark-tracking cost, which is a key component to implementation shortfall. He referred to the second paragraph of the PCA memo on page 24.2 of the agenda packet, wherein PCA eludes to this fact. Mr. Rue explained this was really the key difference between the two estimates and this information is coming straight from Bank of New York and is not an estimate on PCA's part at all. Mr. Rue clarified PCA was simply getting reports from Bank of New York and advising the Board to use an industry standard for the transition and to also use an implementation shortfall, which consists of three components: 1) commissions, 2) bid ask spread estimates, and 3) market impact estimates. He stated historically the Bank of New York pre-trade analysis have included the commission and the bid ask spread, but they are currently beginning to use more implementation shortfall industry standard metrics.

Mr. Moore expressed his frustrations stem from feeling he has been "baited and switched" because it seems to him the Board is being presented with an entirely different set of numbers. He indicated he was originally quite comfortable with the original staff and PCA's recommendation of going with ING and Wells Capital. Mr. Moore stated, at the last meeting, the Board agreed to go with BNY, but he was not aware they were talking about numbers this large. He indicated he did recognize that regardless of which firm the Board goes with, they will just be estimating a range and presumably the firm will try to execute the transition as inexpensively as possible. Mr. Moore added, it was very disturbing that BNY's range is so much higher than the other two companies. He then inquired if a representative from BNY wanted to address this issue. Mr. Rue commented, when looking at Wells Capital their estimate is 20 to 40 basis points and BNY is from 26 to 56 basis points, so there is an overlap and these are just guesses.

Lou Mastro of Bank of New York approached the podium.

President Romero recognized Mr. Mastro.

Mr. Mastro informed the Board that he works on the custody side of the business and was really not prepared to talk about the details on the transition services, but he did have a couple of points to make. He noted there was an RFP process and BNY was the lowest bidder on that process. Ms. Rubalcava clarified there was no RFP process for the transition and the Board decided to go with BNY last month. Mr. Mastro

indicated he was reviewing last month's minutes and there was some sort of bidding process. Mr. Moore clarified it was not bidding, but simply estimates being submitted. Ms. Rubalcava explained that Wells and ING submitted estimates for the transition and the Board requested staff to take a look at BNY because they had expressed some concerns with the transition. She stated at that meeting, the Board approved BNY for the transition, but staff did not sit down and communicate via email with BNY in terms of estimates. Mr. Mastro continued by stating in the minutes it appears BNY did give some ranges, and like Mr. Moore states, there does appear to be a big change in the numbers. He indicated the minutes also state BNY estimated 11.8 basis points, not including opportunity cost in the market, emphasizing this was explicitly stated, therefore it was not a "bait and switch". He added the transition cost estimate was for one basis point and how it turned out to be two basis points was that the liquidation is one basis point and the funding would be another basis point. Mr. Mastro noted when looking at the agenda, there was some discussion at the last meeting with regard to the approach on how to determine the analytics, and in reality each manager may have used a different analytical approach. He stated BNY has done two transitions for the Plan in the past and have done an excellent job because they have met the expectations of the benchmark in both cases. Mr. Mastro commented, as Ms. Rubalcava has stated, BNY has worked with the Board and staff regarding their contract and are ready to conclude it this week.

Mr. Rue stated Mr. Mastro was alluding to some caveats in the prior comments. He stated BNY's staff has tried to include the potential opportunity cost in the estimate in addition to the 11 and 12 basis points that was discussed. President Romero inquired if the estimate included opportunity cost and market impact. Mr. Rue responded in the affirmative. President Romero inquired if there was any way of knowing what the market was going to be. Mr. Rue responded there was not and the estimates submitted were just guesses.

Mr. Moore noted that one of the other things that was persuasive in terms of going with BNY was the fact that it was likely the contract could be concluded much more quickly than the others. He inquired of Mr. Rue, given the difference in the estimates, but recognizing they are just estimates, was he still comfortable in using BNY for the transition. Mr. Rue responded that he is still comfortable with BNY. He explained one of the reasons is because the contracts between ING and Wells do not necessarily mesh with determination dates of TCW and Standish's contract, which leaves a potential for fiduciary exposure. Mr. Rue added since everything is already in place with BNY they will be able to furnish this. He indicated this was more important than the differences between the estimates.

Ms. Rubalcava recommended continuing with BNY because staff is working very hard with them to move forward on the contract and funding. She stated she disagreed with Mr. Rue because, prior to the Board choosing BNY, staff was moving very quickly in closing out the contracts with Wells and ING and if the two firms had been chosen it would have been completed by now. She stated the contracts for Wells and ING have not been signed yet and she did not want to put a yes on the contract being completed until President Romero has signed them, but the contracts are 99% completed. However, she did concur with Mr. Rue in moving forward with BNY because the Board

made this decision and a lot of time has been spent working out the issues.

Mr. Moore expressed he was disappointed with BNY because when they were represented at the last meeting they should have been much more clear about the numbers. He stated to say market impact was not included and not give an estimate, if it was going to make that big of a difference in the ultimate number, is very disturbing. He added BNY had the responsibility to the Board to be a little more forthright with the numbers. Mr. Mastro suggested a representative from the BNY come before the Board to provide an explanation. Mr. Moore indicated he would be happy with a letter from BNY explaining the differences in the estimates. Mr. Mastro stated he would be happy to see that this is done.

Mr. Mastro returned to the audience.

Mr. Vazquez requested that, in the future, PCA give the Board apples and apples with regards to the comparisons of companies. Mr. Rue responded this was a fair request.

25. Board's Request from PCA Regarding the Account Structure for the Disability and Death Benefit Accounts for the Fixed Income Mandate

Mr. Rue indicated that item 25 was a follow up to President Romero's request for PCA to submit a recommendation with regards to the adoption of a commingled fund account structure for the Death & Disability Plans. President Romero stated his concern was that the initial discussion regarding the \$750 million funding did not include the death and disability funds. He further stated the initial discussion was to give \$750 million to each manager. He noted, at the last meeting, Mr. Moore brought up the question if more was being given to one manager than the other without an open competitive basis; and Ms. Bhatia responded in the negative, adding it would be split down the middle so that no one had more or less. President Moore stated, according to the PCA memo, it seems that Wells Capital will be receiving more. Ms. Rubalcava responded that President Romero was correct in it being split down the middle, but since he raised those concerns, staff requested that PCA submit an analysis and their recommendation. President Romero stated this brings him back to his question, and noted there was almost \$26 million in the disability fund, \$18 million in the death benefit fund, and also \$17 million in cash in each fund. He expressed the Board needs to be aware that somewhere down the road when someone asks how did this happen, the minutes should reflect there was no favoritism or improprieties. He stated the minutes should also reflect a clear direction as to how Wells Capital received additional funds. Ms. Rubalcava clarified that this was just PCA's recommendation, no one had been given extra money, and the Board needed to make this decision.

Mr. Vazquez inquired if the additional funds were going to be put into a commingled account. Mr. Rue responded in the affirmative. Mr. Vazquez commented it was his understanding that each of the managers is accommodating the Board's need to invest the additional smaller amount of funds as a favor to DWP's Retirement Plan and doing it at the same fee as for the other amount. He stated he was completely comfortable with just splitting the original mandate and then adding this to Wells. He added since it was an accommodation, it was his opinion the Board would not be disadvantaging ING.

President Romero inquired if Wells would be profiting from the additional \$78 million. Mr. Rue responded the firm would be receiving incremental fees at 10 basis points, which amounts to \$40,000 - \$50,000.

Tom Harrison of Wells Capital Management approached the podium.

President Romero recognized Mr. Harrison.

Mr. Harrison stated he was not aware of the cash portion of the fund. President Romero responded he did not know if the cash is a part of it but it was something that needed to be addressed. Mr. Harrison stated in the discussions Wells was told it was \$44 million, but they are in a position to do whatever the Board wants them to do. President Romero clarified it was \$34 million.

President Romero inquired of Mr. Rue what PCA planned on doing with the \$34 million in cash. Mr. Rue responded that he did not have the accounting in front of him, but he understands the Death and Disability Plan is to be \$18 million and \$25 million, but he does not know where the other cash allocation comes from. Mr. Moore stated up until now, staff has been investing the cash as opposed to the securities. President Romero clarified staff stated the cash is used to pay benefits. Ms. Rubalcava requested to come back to the Board, with regards to the cash, because she did not have all the answers.

President Romero reiterated his question to PCA as to what is their recommended amount of cash to keep and which amount to invest. He further inquired, if the consultant recommended an amount to invest, how much of the cash should go to Wells Capital. President Romero stated the Board could not just keep \$34 million cash on hand and there has to be a process. He expressed his belief, based on historical expenses per month, there only needs to be 2% cash on hand. Mr. Rue responded, to the extent that there is cash that could be invested, it is part of the manager's assignment and the Board should decide on how to split it up and he advocates that this be part of the commingled fund.

Mr. Vazquez noted the Board just received a presentation by TCW on the Death and Disability Fund. He stated a component of the funds are cash and equivalent and he believes the \$30 million the Board is discussing and additional cash is something that is not their right to occupy. He expressed he felt the cash is included in the entire amount of the fund. President Romero disagreed with Mr. Vazquez, stating he feels this was what they actually manage and the \$17 million is what staff has for each account. Ms. Rubalcava indicated she did not have the answer for that and Ms. Kuo was not working on this project and would not have the answer either. Mr. Harrington responded the cash is used to pay benefits and it was his understanding that the \$750 million was the entire amount including the cash. Mr. Rue inquired when Mr. Harrington says "benefits", was he referring to just death and disability benefits or are benefits paid for the Retirement Plan out of that cash also. Mr. Harrington replied it was just for death and disability benefits. Ms. Rubalcava commented, that per the City Charter, the Retirement Fund and Death and Disability Fund have to be kept separate from the Retirement Fund. Mr. Rue stated based on Mr. Vazquez's lead and looking at the report, TCW has a cash balance of \$49 million, which is in addition to the \$18 million

and the \$25 million.

Ms. Kuo commented she remembers from the last meeting that there was \$25 million total for the cash. President Romero stated he remembers Ms. Bhatia stating there was \$17 million cash for each the death and disability fund. Ms. Rubalcava inquired if Mr. Rue had a recommendation. Mr. Rue responded that PCA did not have the account statements for the accounting of each of the Plans. He stated it would appear, based on the TCW report, there is another \$49 million in cash. Mr. Vazquez commented this was noted on pages 11.2 and 11.3 of the Board agenda packet. He noted it states there is \$17 million in cash in disability and there is \$17.3 million in death benefit, both held at the Bank of New York. Mr. Rue recommended that all the assets for both of the Plans be invested into a commingled fund because there is daily liquidity in there.

President Romero stated there was close to \$75 million to \$80 million going to Wells Capital and inquired if everyone agrees that this is the amount. Mr. Vazquez stated he was fine with that amount. President Romero indicated he needed the discussion to be on the record. Mr. Moore commented he agreed with President Romero that when this issue was first being discussed it was to split it down the middle. He expressed at the last meeting he left confused on whether the issue was resolved or not. Mr. Moore pointed out that PCA's recent memo emphasizes the fact that the only reason they are looking at the two funds together is because of the potential to kind of piggyback the contract in order to obtain a better fee for the disability and death benefit funds. He added, otherwise they should be looked at separately, which argues that the retirement money should be split down the middle as originally proposed (\$750 million each). Mr. Moore stated he feels the cash should be invested with the manager that is selected and there may be some additional funds that could be tweaked in the process. Mr. Harrison (Wells Capital) commented, since it is in a commingled format, there was going to be some residual cash there all the time. He indicated his firm could work with staff to ensure there is a transfer of cash when needed. He also recommended whatever amount of cash is decided to put in the commingled fund that some also be left aside to make sure it covers those immediate needs.

Mr. Vazquez suggested the cash flow requirements in the funds need to be looked into and maybe all the cash should not be invested. Mr. Vazquez then moved the funds being managed in the death and disability funds by TCW be turned over to Wells Capital for management. He also motioned that to the extent the Board chooses to do anything with the cash differently in the future, the matter should be considered in the future. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache

Nays: None

26. Resolution Authorizing The Boston Company to Manage the International Equity Account by Utilizing a Certain Account Structure

Mr. Rue noted PCA submitted a memo addressing item 26, which was included in the agenda packet. He indicated Boston Company expressed they could go either way in terms of either a separate account or a commingled fund. Mr. Rue stated Boston

Company has communicated with staff and the consultant the tradeoffs of each. He conveyed Boston Company's opinion, is that after reviewing all the issues, it is very marginal as to the comparisons of a commingled versus a separate account, but the preference would be to utilize a separate account. Mr. Rue indicated the fees would stay the same and the custodian is already set up to bring in non-U.S. assets under a separate account structure, and PCA concurs with the Boston Company.

Ms. Calvache moved the approval of resolution 04-133. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Moore, and Calvache
Nays: None

27. Discussion of Recurring Annual Issues Related to Health Plan Subsidies and Premium Changes Reflected in Retirees' Pension Checks

Item 27 was discussed on page 5.

28. Retirement Plan Manager's comments.

a) Legal Opinion

Ms. Rubalcava reported there were two legal opinions from the City Attorney regarding the payment of disability.

Ms. Calvache inquired about the reason for the legal opinion regarding partial days of disability. Attorney Weisz Jones responded there was an employee who was approved to come back to work on a partial day basis. She explained because of the ADA, the requirement to have reasonable accommodations, and the City looking at trying to get people back to work, the unions may want to discuss if, in the future, the Department would be interested in amending the Plan. She stated the Plan, as old as it is, does not contemplate allowing someone back to work part time and receive part-time disability payments. Ms. Calvache commented this was good information to have so the Board would know what to do in case an employee wanted to challenge it. Ms. Rubalcava indicated that the person who brought this question to the Retirement Board was invited to speak at today's Board meeting or any other meeting and under public comments. She stated there was a conflict in her schedule and she could not attend, but may come to next month's meeting. Attorney Weisz Jones informed the Board there was nothing they could do, but she suggested, as a Board, they could send a letter to the Department pointing out the Plan was negotiated back in 1938 and it did not take this issue into consideration. Ms. Calvache inquired to whom the Board should send the letter. Attorney Weisz Jones responded that LACAERS and Fire Police Boards send their letters to the Mayor and the City Council.

b) DWP Plan Newsletter for retirees (May 1, 2004 Edition).

Ms. Rubalcava reported the Board members had already received a copy of the June 1, 2004 Newsletter for DWP retirees.

c) DWP Employees' Retirement, Disability and Death Benefit Insurance Plan – 2003 Summary Annual Report

Ms. Rubalcava stated her preliminary report was to talk about the status of Wells, ING, Bank of New York, and Fidelity. She also informed the Board that INVESCO had been funded.

d) General Items:

President Romero inquired if the Board receives an active member newsletter. Ms. Rubalcava indicated the Board packet has not included that newsletter since she has been acting Plan Manager. Mr. Moore clarified there was an active member newsletter issued on a quarterly basis. Attorney Weisz Jones reiterated that staff could remind active members about checking on their future for retirement in those newsletters. President Romero requested his copy of the Retiree newsletter be in color in the future.

29. Presentation of Mayor's Directives 2 and 3 by City Attorney

Attorney Weisz Jones noted that two months ago the City Attorney's Office brought before the Retirement Board the Mayor's Executive Directive No. MO-1. She stated Nos. MO- 2 and MO- 3 were just in the newspaper with the Federal investigation and the DA's investigation due to concerns about the integrity of the contracting process. She explained MO-2 states that before a contract is awarded no Commissioner or any group of commissioners except at a publicly noted Board meeting can having anything to do with the contracting process. Attorney Weisz Jones pointed out MO.-3 is an additional prohibition on the actions of individual commissioners in order to further the integrity of the contracting process, and under the Mayor's directive it prohibits any individual commissioner from being involved in any way with any subsequent negotiations on the terms or other criteria of the contracts or leases after the Board, in a public meeting, has approved the contract.

Mr. Moore commented that the directives were fairly significant. He noted that under MO-2 it focuses on the word "contracts". He stated, in terms of contracts, the Retirement Board, to his knowledge, has not acted on a contract, but they have been executed by the Retirement Office staff and the president of the Board. He added the Board just awards the business to a company. Attorney Weisz Jones clarified that MO-1 is to prevent commissioners from individually being involved with staff and the interview process before the Board chooses a candidate. She stated MO-3 now clarifies that the same prohibition that was there before the Board acted is in place after the Board acts.

Mr. Moore noted there were sometimes changes made to a contract after the Board actions and one of the things that is always a variable is that the change in fees do not come back to the Board. He expressed he was troubled by this and feels this should be revisited after the managers are all in place. Attorney Weisz Jones stated if in fact the Chief Financial Officer or the Plan Administrator can negotiate lower fees that is great, but if there is a problem with the fees after what the Board has done, then this should

appropriately come back to the Board. Ms. Rubalcava clarified that during her time as Acting Plan Manager there has not been a situation where the fees have been increased.

30. Future agenda items

Ms. Calvache inquired about the status of the form for domestic partners. Mr. Harrington indicated he had reviewed a completed form and it is currently being used.

The meeting was adjourned at 12:23 p.m.

JAVIER ROMERO
President

ADRIANA RUBALCAVA
Secretary

IRENE COLON
Recording Secretary