

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

MEETING – December 15, 2004

Present:

Javier Romero	President
Lilly Calvache	Vice President
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member
Ron Deaton	General Manager
Gerard McCallum II	Commissioner

Absent:

Vacant	Board Member
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Others Present:

Robert K. Rozanski	Acting Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Irene Colon	Recording Secretary
Neil Rue	PCA (Pension Consulting Alliance)
Mike Wilkinson	Deputy City Attorney

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

[Pledge of Allegiance]

Mr. Rozanski indicated there was quorum of the Board.

PUBLIC COMMENTS

There were no public comments.

- 1. Approval of Board Minutes:**
 - a) September 15, 2004 (Regular Board Meeting)**
 - b) October 20, 2004 (Regular Board Meeting)**
 - c) November 3, 2004 (Special Board Meeting)**
- 2. Termination from Monthly Rolls as of December 2004:**
 - Retirement Resolution for December 2004**
 - Termination of Rodolfo Torres and Gary Fitten from December 2004**
 - Permanent Disability Roll – Deceased**

Mr. Moore indicated he had a couple of minor changes to the September 15, 2004 Regular Board minutes. He stated page 4, in the second line of the 4th paragraph the word "initially" should be stricken, a period should be placed after the word "three", and to strike the phrase "and the lower estimate given by BNY based on five years." He also indicated at the bottom of that same paragraph, three lines up where it states, "Mr. Moore inquired if she were to identify overall the portfolio BNY managers for all of their customers" it should state, "if she were to quantify overall the portfolios BNY manages." He then referred to page 22 of the September 15th minutes, second paragraph where it states, "Therefore there might be superlatives" noting it should state, "Therefore there might be hurdles".

Mr. Deaton moved adoption of the above items 1 and 2 on consent. Seconded by Commissioner McCallum and carried unanimously after the following vote:

Ayes: Romero, Calvache, Vazquez, Martinez, Deaton and Moore

Nays: None

- 3. Report of Payment Authorizations as of November 2004**
- 4. Disclosure Statement and Acknowledgement**
 - a) BNY/Marwood Group**
 - b) Invesco Institutional (N.A.), Inc./Connors & Co.**
- 5. Vacant Positions in the Retirement Office**
- 6. Short Term Investments as of October 31, 2004**
- 7. Market Value of the Retirement, Death, and Disability Fund as of October 31, 2004**
- 8. Notice of Deaths for November 2004**

Mr. Vazquez inquired, with regards to pages 4a and 4b, what did this information mean and what do these firms do for the managers the Board deals with. President Romero responded, to his understanding those companies were marketers who promote the companies, promote business and seek out new business. He stated, according to Ms. Bhatia, there is no impact to the Plan with regards to fees. Ms. Bhatia clarified, based on their letters, it seems the investment managers compensate the firms. She stated she did not have much information about them except that she received a call requesting each firm needed to disclose the arrangement they had with the investment managers hired by the Retirement Board. She added, it seemed like an item for disclosure, which is why it is under the received and filed section of the Board package.

Mr. Vazquez requested PCA's comments. Mr. Rue stated, as President Romero indicated, these are third party marketing firms so the investment firms are outsourcing a portion of their marketing to these firms. He stated, over a course of three years, PCA has gotten a couple of contacts from the Marwood Group, but has not personally received any calls from Connors & Co. Mr. Rue expressed, in terms of utilization of third party marketing firms, PCA typically sees them with smaller boutique firms who do not have the manpower to manage

a marketing department, but apparently big investment organizations utilize third party marketers as well. However, it is not necessarily industry standard. Mr. Moore inquired if any of the compensation was directed commissions or straight dollar compensation. Mr. Rue responded from the Marwood Group and Connors & Co contracts it would appear that it is coming out of the fee being paid to the managers. Mr. Moore inquired if the managers would have to disclose this. Mr. Rue responded the type of compensation being received was disclosed in the letters provided in the agenda packet. Mr. Vazquez commented that the remuneration is rather large.

Commissioner McCallum moved to approve items 3 through 8 to be received and filed. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Calvache, Vazquez, Martinez, Deaton and Moore

Nays: None

9. PCA's Recommendations from the Appropriate Number of Managers for Emerging Markets Mandate

President Romero introduced item 9 as PCA's recommendation for the appropriate number of managers for the emerging markets mandate. He then noted, for the record, that Mr. Deaton had just joined the Board meeting.

Mr. Rue pointed out a memo in the agenda packet which answers the Board's question of how many managers are warranted for the active emerging markets mandate. He stated that typically within volatile asset classes, the distribution of an active manager's returns can be very difficult and, within volatile asset classes, the distribution between the managers hired tends to get wider which is reflected in the chart on the second page of the memo. Mr. Rue explained that given those factors, manager diversification is a good tool for the Board to utilize, and with a \$100 million mandate, PCA recommends two complementary managers. He pointed out that PCA has emphasized that viewpoint ever since the structural review for international equities, which was two years ago. Mr. Rue brought to the Board's attention a comment at the bottom of the recommendation stating if there is a special situation where for a limited period of time the Board wishes to utilize only one manager, PCA would be comfortable with that. However, for the longer term and for strategic purposes PCA recommends two emerging market managers. President Romero expressed his concern with the transition costs associated with funding one manager with the entire amount, and an additional transition cost for funding the second manager. He requested the representatives of T. Rowe Price and Boston Company address the Board and provide an update of anything new. Mr. Moore suggested addressing items 12 and 13 at this time also since they bear on the same matter.

Mr. Robert Harkins of the Boston Company and Mr. Ken Brooks of T. Rowe Price approached the podium.

President Romero recognized Mr. Harkins and Mr. Brooks.

Mr. Avery Neaman (DWP Risk Management) approached the Board table.

President Romero inquired of Mr. Harkins if there were any new developments regarding Boston Company's insurance issues. Mr. Harkins responded there were five areas of insurance coverage (auto, workers compensation, general, professional liability, and fidelity) that the WPERP (Water & Power Employees Retirement Plan) requires in their contracts. He indicated Boston was fully approved up until November 2005 in three out of the five insurances. Mr. Harkins explained his firm submitted the professional liability forms to Mr. Neaman previously and they were approved. He stated the same forms with extended dates were requested and Boston's insurance section has communicated to him those forms would be ready any day now.

Mr. Harkins indicated, with regards to the Fidelity bond, he spoke with Boston's insurance section this morning and they told him that Mr. Neaman should have the forms today.

Mr. Brooks stated T. Rowe Price had been in a number of conversations with the Retirement Office staff and Mr. Neaman regarding this issue. He pointed out that currently his firm manages the Plan's Large Cap Value, and in that structure T. Rowe Price was able to meet the insurance requirements. He expressed this particular commingled vehicle was causing his firm a few problems to say the least. Mr. Brooks indicated the only outstanding issue was the custody of indemnity, but the firm is working in trying to get that matter resolved. He stated T. Rowe Price has not only talked to their inside counsel, but outside counsel as well, in order to find a structure that will work for the Plan. Mr. Brooks indicated the firm has taken the additional step of talking to one of the recent managers hired by the Retirement Board for an EAFE mandate to find out how that firm was able to provide the custody of indemnity coverage in a commingled vehicle. He explained that in a commingled vehicle, one is not allowed to treat any one investor differently from any others, and this particular requirement that the Board is requesting would be a material change to that agreement. Mr. Brooks pointed out that when the RFP went out, it did so as a separate account mandate, and in that, T. Rowe Price met all of the requested requirements. Consequently, the firm stands ready and able to manage the account as a separate account if the Board decides to go that way. He emphasized that had the RFP gone out originally as a commingled vehicle his firm would have been able to indicate whether or not they could meet all of the requirements. Mr. Brooks requested that if the Board decided to go with a commingled vehicle, they make some type of exception for T. Rowe Price as they have been willing to do in other cases. But if not, they stand ready to manage the account as a separate account.

President Romero inquired if Mr. Neaman had any comments with regards to T. Rowe Price. Mr. Neaman stated it was as simple as either they can or cannot provide the protection needed in the form of the indemnity in the insurance. He indicated the firm is working on it and he has had conference calls with their legal team in Baltimore who is doing further research. Ms. Calvache inquired how long the whole process would take. Mr. Neaman responded the proof of insurance process should be forthcoming shortly after the firm determines whether or not they can provide the required protection. Mr. Brooks commented there was not a person within T. Rowe Price that is not working on the issue very diligently and making every effort to get this accomplished as they did with the large cap situation. President Romero inquired if it was conceivable that the matter could be resolved before the end of the year. Mr. Brooks responded he could not guarantee it, but it would not be for lack of effort on T. Rowe Price's part.

President Romero expressed that at this point it is going to be an issue of waiting on Boston Company to resolve their issues so they can be funded. He stated the second issue is upon the Retirement Board to decide what options they feel comfortable going forward with, whether it is giving an exception to T. Rowe Price or allocating to State Street, who has met all of the requirements.

Mr. Rue referred to PCA's memo included in the agenda packet under tab 12 and presented a summary to the Board. He noted one of the questions from the Special Board meeting was do the other commingled emerging markets commingled funds that were in the finals qualify and did they meet the insurance requirements. He stated PCA went back and pulled those manager's information. Mr. Rue reported PCA did not contact Baillie Gifford because they refused to meet some of the City requirements. He explained State Street's insurance carrier, AIG, will not agree to a Waiver of Subrogation, but State Street Global Advisors will agree to the waive. Mr. Rue stated he did not know whether or not this would be acceptable to the Retirement Plan's risk manager. He expressed in the strictest sense, none of the commingled funds meet the insurance requirements because they either do not give indemnification or do not waive subrogation. However, the managers are interested in discussing the insurance levels. Mr. Rue reminded the Board that as Mr. Brooks stated, the industry standard is that in commingled funds a firm will not indemnify one investor over the other. He stated if the Board decides to adopt a commingled fund then the quickest way to do this is to decide as a Board to let the indemnification insurance go. He then pointed out other large pension public funds that have waived the indemnification. Mr. Rue noted, in terms of going into a commingled fund, the Board chose this route for economic reasons in the sense that it will save the Plan money versus insurance issues that would not go away.

Mr. Moore commented that when the Board originally selected T. Rowe Price, one of the rationales used was that PCA had done a correlation comparison and

that firm looked like a better fit with Boston Company, more so than the others. He stated he noticed that State Street looked good when reviewing the selection materials provided by PCA. Mr. Moore inquired of Mr. Rue if he recalled this to be true. Mr. Rue responded that there were two managers who are complementary with one another in emerging markets. He then read State Street's footnote wherein it states, ". . . AIG will not agree to waive subrogation rights. If another party contributes to a loss, the insurance will want subrogation against such a party. Nevertheless, State Street will agree to either a waiver of subrogation as described in our previous RFI." Mr. Neaman argued that this was not true. He stated he had two documents before him that are proof of insurance forms approved by AIG, both having waivers of subrogation. Therefore, there must be some type of communication issues and he would talk to the underwriter at AIG. He stated the forms were for Mellon and Loomis Sayles. He stated it was the same insurance company with a different underwriter, the forms have been completed, and a waiver of subrogation submitted. Mr. Vazquez inquired if they were separate accounts or commingled. Mr. Neaman responded that Mr. Harkins approved proof of insurance for professional liability, which is blanketed and would cover all of their agreements has AIG as the carrier. He expressed he seriously questions the underwriter of AIG that made the statement of not agreeing to the waiver of subrogation. Mr. Neaman stated, in general, with regards to proof of insurance for professional liability, the waiver of subrogation was requested and received from all of the managers, from the largest to the smallest. He indicated things could be worked out with State Street if he talks to the underwriter and faxes him proof of insurance clearly showing that every carrier the Plan works with has provided the waiver of subrogation.

President Romero inquired if State Street is unable to provide the waiver, what direction did the Board feel comfortable in going. Mr. Moore suggested scheduling this item for the next Regular Board meeting and addressing all of the issue at that time. He requested PCA provide an update in terms of comparisons of the competitive organizations who submitted bids to the extent they are still interested. President Romero suggested the agenda item reflect a decision to be made. He expressed the Board needed to move forward on this issue, fund Boston as soon as they comply, deal with the T. Rowe Price issue, and then make a final decision. Mr. Rue inquired if the Board was opening the bid back up to the finalists. Mr. Moore clarified that decision will be on the table when the item is discussed at next month's Board meeting. Commissioner McCallum requested clarification because according to the memo there is only one firm to look at. Mr. Moore concurred there was only one firm for consideration. Mr. Vazquez commented, in terms of pursuing anything with State Street, if Boston Company becomes the manager and State Street is not complementary with that portfolio, he does not see any benefit in the Board pursuing State Street. He reminded the Board of PCA's recommendation of not hiring like-minded managers and putting all of the risk in one area. Mr. Rue responded this would all be flushed out in the data that will be submitted to the Board for the next Board meeting. Mr. Vazquez inquired how far should the Board pursue State

Street when they may not even be considered as a viable candidate. President Romero agreed with Mr. Rue in just reviewing the information at the next Board meeting and making a decision regarding, correlations and performance at that time. Commissioner McCallum expressed that there seemed to be a number of variables. He pointed out if it is discovered that State Street's insurance requirements are as written, then the Board will be making an exception to the insurance requirements. He added this would not really be insurance, but rather the company indemnifying themselves. Mr. Rue responded that Mr. Neaman is disagreeing with the comment that State Street made and is saying that AIG has waived subrogation in cases of the Plan's other managers. Mr. Neaman stated whether the manager waives the right of subrogation, it is not important because it is the carrier that pays the claim. He explained that the waiver of subrogation prevents the carrier, after agreeing to that from coming back and suing the Plan. Therefore, State Street agreeing to the waiver would be relatively inconsequential. Mr. Rue pointed out that AIG is the insurance carrier for a couple of the other managers to the Plan and have waived subrogation for those managers, according to Mr. Neaman. Therefore, if this is agreed upon for State Street then it will be consistent.

Mr. Brooks and Mr. Harkins returned to the audience.

10. PCA's Report on Changes in High Yield Investment Policy Guidelines (Loomis Sayles)

Mr. Rue introduced item 10 as the guidelines for the high yield managers. He indicated Loomis Sayles was pushing for guideline changes. Mr. Rue stated he was not going to go into details, but would answer any questions the Board may have. He reported Loomis has very strong expertise in the non-U.S. markets, in which the Plan's benchmark has exposure to.

Mr. Moore noted that Mr. Neaman sent a stern letter in December to Loomis Sayles regarding their insurance status. He inquired if any response had been received and if their insurance issues had been resolved. Mr. Neaman responded in the negative, but that they are working on it. He stated the firm did submit some proof of insurance, which he reviewed last night, and have quite a ways to go on their professional liability and crime insurance. He added Loomis's other coverages were now approved.

Mr. Vazquez moved approval of Resolution 05-57. Seconded by Commissioner McCallum and carried unanimously after the following vote:

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

11. PCA's Reports on Post-Transition Analysis a) BNY Transitioning of WPERP Equity Assets to US Small Cap Equity

Managers
b) Boston Company Remnant Assets to Fidelity International

Mr. Rue reported the transitions involved about \$450 million of assets in total. He stated about \$265 million of the transition was for Fidelity, transitioning assets from the old Boston portfolio to Fidelity International commingled fund. He also stated another \$190 million went to two small cap mandates. Mr. Rue reported BNY played a role in both of these and actually did their portion simultaneously to take advantage of any trading economies. He stated when selling the Boston portfolio they were selling on behalf of the international and small cap mandate. Mr. Rue explained that BNY was the buyer of securities for the small caps, and cash was given to Fidelity, which created their own portfolio. He stated the memo indicates that the vendors did a very good job in both transitions.

President Romero inquired if the remnant portfolio had been completely liquidated. Ms. Bhatia responded there was approximately \$400 million left. President Romero commented this was still a rather good-sized balance. Mr. Rue stated one of the things they have been able to do is draw pro rata from across the portfolio so the investment ideas and the quality has not changed. He added, after the last funding, the tracking of the S & P was still less than 3%.

President Romero inquired what the plans were for the \$400 million. Mr. Rozanski responded the plan is to fund two mandates. Ms. Bhatia clarified there was still one high yield manager, the Boston Company for the International mandate, and the new emerging managers (Boston and T. Rowe Price) remaining.

12. PCA's Report on the Ability of the Emerging Market Investment Manager Finalists to Comply with Insurance Provisions as Set Forth in the Request for Proposal Under a Commingled Account Structure

This item was taken out of order.

Mr. Rue left the Board meeting.

13. Status of Insurance Compliance on Remaining Transitions Approved by the Board (Avery Neaman)

Mr. Neaman indicated Loomis Sayles did follow through and submit proof of insurance. He stated their crime insurance was approved on a facsimile basis last night and expired at 11:59 p.m., therefore the firm does not have approved crime insurance. Mr. Neaman further stated that the firm submitted a very complex set of proof of insurance for professional liability, and there were multiple layers of policies that he could not understand how they fit into place.

However, he would be writing them a letter today requesting clarification. Mr. Neaman indicated, at this time, Loomis Sayles did make an attempt to comply, their policies have expired, and their professional liability is currently in question.

President Romero inquired if the final terms for Merrill Lynch were still being negotiated. Mr. Neaman responded in the affirmative, stating he and Mr. Rozanski are attempting to get Merrill to comply with the Department's letter of credit terms and conditions.

President Romero inquired if a representative from Merrill could give the Board a timeframe when this issue would be resolved. Mr. Joseph Silver (Merrill Lynch) responded hopefully within the next week. Mr. Rozanski indicated he reviewed the remaining outstanding items and there was only one. He stated he spoke with Mr. Silver this morning and it appears, at this point, BNP Paribas is not going to budge. Mr. Rozanski indicated this leaves two options of either accepting the language set forth in the letter of credit, or look to Wells Fargo who was the original letter of credit provider that was offered by Merrill. He stated the original letter of credit does provide specific language on one item that would probably be satisfactory to Mr. Neaman, but would at the same time modify other aspects of the letter of credit that would have to be further analyzed. He stated the plan is to review both of those options and make an internal determination quickly.

14. Staff Report on the Evaluation of the Water and Power Employees' Retirement Plan (WPERP) Requests for Proposal (RFP) for Investment Consultant

Mr. Rozanski reported that at the August 18th Board meeting, the PCA contract was extended through April of 2005 and the Board authorized staff on September 15th to issue an RFP for the mandatory search for an investment consultant. He indicated six responses to the RFP were received, and staff conducted a thorough evaluation and ranked the companies based on their capabilities and resources. Mr. Rozanski informed the Board that based on this, Callan Associates, Pension Consultant Alliances and New England Pension Consultants received the top three scores. He explained how one of the items that created difficulty was comparing the fees as it relates primarily to the alternative investments and real estate because the various respondents had to make their own assumptions as to what the Board would ultimately do with respect to those allocations. Mr. Rozanski stated staff's recommendation is to short list the top three finalists and have the Board instruct staff to seek the final and best offer in terms of fees from those three. He further stated staff was also recommending the issuance of a consistent set of guidelines so that the assumptions are consistent across for all three firms with respect to the fee structure for real estate and alternative investments.

President Romero noted that the fees from the three finalists were based on "none in discrete real properties" and inquired what that meant. Mr. Rozanski

responded the word “discrete” in that context means buying a specific building. President Romero inquired if the Board had decided whether or not this was the direction they were going to go in. Mr. Rozanski responded the Board had been given two briefings by PCA regarding real estate and alternative investments, but at this point had made no decisions. President Romero suggested having further dialogue with the consultant as to where the Board needs to invest. Ms. Bhatia commented that, at this point, these are only assumptions prepared by staff as a basis to obtain fee quotes from the finalists. President Romero inquired if there was a secondary assumption as to what it would be, and if so, should be included as part of the interviews. He then inquired, if the Board should decide to go this route with a very small portion, how would that impact the fees. Mr. Rozanski suggested, with respect to real estate, the assumptions should be modified to state “If in the event the Board should go into discrete property investments, and assume that this amount was invested in multiple properties, what would the fee structure be?” and then the assumptions could be appended.

Ms. Calvache inquired if Mr. Rozanski had reviewed the investment consultant RFPs. Mr. Rozanski responded he had not reviewed the RFPs, but had reviewed the scoring. He explained the scoring has detailed spreadsheets behind the numbers assessing the capabilities of each of the firms to see if there were any major differences and the reasons for them.

President Romero inquired how long the Retirement Board has had the present actuary. Mr. Rozanski responded that the Segal Company has been in place for approximately 5 years. President Romero noted on page 14.9 of the agenda packet, under General Consulting Fees, it states that it is likely in the next two years there will be no actuarial searches. He suggested this fee be included in case the Board decides to do an actuarial search.

Mr. Vazquez moved the adoption of staff recommendations with the noted changes. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Calvache, Vazquez, Martinez, Deaton and Moore

Nays: None

15. Authority to Purchase Commercial Paper from the List of Approved Issuers

President Romero referred to page 15.2, item 4 of the agenda packet, wherein it states “all such purchases and sales to be conducted by the Treasurer of the City of Los Angeles at market, for and on behalf of the Board, at times and in amounts specified by the Retirement Plan Manager of the Water and Power Employees’ Retirement Plan or to be settled through the Bank of New York Western Trust Co. He then inquired if the Retirement Board had historically used the City Treasurer to conduct such business, or was this something new. Ms. Bhatia responded that the City Treasurer is always involved in connection with

the settlement of the transactions, and this was standard language.

President Romero referred to Resolution 05-57 on page 15.3 of the agenda packet, wherein it states, "any unvested money received, therefore should be deposited with the Treasurer of the City of Los Angeles to the credit of the respective Fund or Funds from which said purchases and repurchase agreements have been made pursuant to this Resolution." He then inquired if the Plan was receiving interest on the money that is not being invested. Ms. Bhatia responded that the non-invested money, which is limited to a very small amount in anticipation of benefit needs, is with the Bank of New York (custodian bank). She explained the City Treasurer's account is used mainly for transferring funds to the Treasurer's account for the payment of benefits, therefore, there is no interest being paid. President Romero inquired if there was a way to get interest on those funds. Ms. Bhatia stated the balance was kept to a minimum and sometimes as low as \$500, or so, so not much interest was being lost.

Mr. Vazquez moved approval of resolution 05-57. Seconded by Commissioner McCallum and carried unanimously after the following vote:

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

16. Retirement Plan Manager's Comments

a) DWP Newsletter for Retirees (December 1, 2004, Edition)

b) Retirement Planning Seminars

Ms. Calvache noted that EAP would be gone soon and inquired if any plans had been made for the retirement seminars to continue. She indicated there were members who were complaining that they had to wait until it was time to start thinking about retiring before they could attend the seminars. She inquired if those members could call and schedule a planning retirement seminars or do they have to wait until two years before they are ready to retire. Mr. Rozanski responded that normally an employee is scheduled to attend the retirement seminars two to three years prior to retirement. However, alternative seminars could be developed for new employees. He stated the seminar being held in January would be videotaped for the outlying areas where employees could not attend and also for those who want to look at the seminar at their own leisure. He suggested the videotape could possibly be used to address Ms. Calvache's concerns also. Mr. Rozanski indicated when the new EAP is in place, arrangements would be made to assist the Retirement Office in conducting the seminars. He also expressed to the Board members that if they receive any suggestions from the members, to forward those calls to Conney Williams in the Retirement Office.

Ms. Calvache expressed she would like to push a seminar for new employees who would like to start planning their retirement early.

Mr. Conney Williams (Retirement Office) approached the podium.

President Romero recognized Mr. Williams.

Mr. Williams indicated he attended a LACERS seminar in order to get some ideas since they already have an early employee retirement seminar in place. He stated he was working on a tentative RFP where an individual would conduct early seminars for members who are new to the Department. He added there were issues that individuals should be involved in like knowing how to do retirement planning, financial planning, and estate planning. Mr. Williams indicated he was receiving a lot of feedback in the current classes of employees saying, "I wish I had known about these types of things earlier in my career". He stated his only questions are what will EAP's role be in the future, will it be the same type of role they currently have, and whether or not individuals will need to be brought in on a contract basis to provide that particular aspect. Ms. Calvache requested to be kept abreast of the RFP process Mr. Williams was working on. President Romero commented that the initial goal was to have an early, mid, and post career retirement seminar. Mr. Williams returned to the audience.

c) Contact – Article entitled, “LADWP Retirement Pension Fund is Sound”

NEW ELECTION BALLOTS

Mr. Rozanski reported that yesterday the City Council did a “friendly Prop 5” and the new election ballots are in the process of being sent along with voicemail messages and the General Manager’s bulletin.

Mr. Rozanski reported, as part of the Department’s audit plan, the internal audit organization along with Deloitte Touche assessed potential risk throughout the Department in order to figure out how to deploy their resources to those areas they consider to be the highest risk. He stated the Retirement Plan Office was on the list of being one of the higher priority audits. Mr. Rozanski indicated Deloitte Touche approached the Retirement office last week regarding an internal audit that they plan to conduct on the investment area. He indicated there was a meeting scheduled in the afternoon in which they would expand this by taking a look at the controls with respect to retirement, death benefit, and disability, which is not a part of their original scope. President Romero inquired if this was something that the Retirement Board’s Audit Committee should be involved with. Mr. Rozanski responded, with regards to the Audit Plan for the Department, something should have happened in between. He stated the Board of Water and Power Commissioners Audit Committee provides input and approves the plan. He stated in this instance, there was no connection made that the Retirement

Plan was affected, therefore he agrees the Retirement Board Audit Committee should be apprised of it. President Romero suggested the Audit Committee meet and make their recommendations. Mr. Vazquez noted that some time ago the Board had expressed a number of concerns about investments and it had been suggested that an internal audit group do an audit of the investments. He stated he had expressed to the Board that they did not have the expertise to do this, which led them to engage an outside firm to act on behalf of the Department and the Retirement Board. Mr. Vazquez indicated this issue goes back a year or more ago before there was an audit committee. He expressed he would be happy to have the Board's internal Audit Committee and Deloitte Touche meet after they determine the scope to see whether there is any additional input the Audit Committee would like to make. Mr. Rozanski indicated an Audit Committee meeting would be set up for January and a proposed scope would be provided to them.

Ms. Calvache noted that it was previously stated the new election ballots for the elected employee member of the Retirement Board would go out December 20th along with a General Manager's bulletin and voicemail going out to every employee. She expressed a lot of the members would be off on vacation during the holidays and would be unable to receive the bulletin or voicemail. Therefore, a notification should be sent to each member's home indicating that the old ballot was voided and a new ballot was forthcoming. Mr. Rozanski responded that the new ballots would probably arrive before the notification Ms. Calvache is recommending be sent. He added the ballot information sheet that is contained within the ballot would specifically indicate that the member would have to vote again. He stated staff pushed the initial date for members to submit their votes after the holidays and extended this into mid-January.

President Romero inquired if the Plan had reviewed every item that has gone to the members such as letters, instructions, and envelopes. Mr. Rozanski responded in the affirmative. President Romero inquired if the instruction letter indicates that the first election would be voided. Mr. Rozanski responded in the affirmative, adding the fact the members must revote had been bolded and underlined in order to call it to their attention. Ms. Calvache reiterated her feelings that separate literature should still be sent out to DWP members. Mr. Rozanski stated if the Board requests an additional letter be sent then the Retirement Office would do so. Commissioner McCallum noted that in the ballot package information would be included that would be duplicate of the letter Ms. Calvache is requesting. Therefore, he did not see how a letter after the fact would be effective. Mr. Deaton inquired when the deadline was to vote. Mr. Rozanski responded by January 15th or 17th, which was set intentionally at that date due to the holidays. Mr. Deaton commented if something were going to be sent out it should be done so the first week of January in order to avoid any confusion. He suggested the letter inform members they should have received their ballot and be sure to vote.

Ms. Calvache motioned a letter be sent to DWP membership after Christmas informing them they should have received a new ballot and to please vote. Seconded by Mr. Deaton and carried unanimously after the following vote:

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

17. Future agenda items.

President Romero thanked the Board and the meeting was adjourned at 11:14 a.m.

JAVIER ROMERO
President

ROBERT ROZANSKI
Acting Secretary

IRENE COLON
Recording Secretary