

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

MINUTES – February 16, 2005

Present:

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

Absent:

Ronald Deaton	General Manager
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Others Present:

Robert Rozanski	Acting Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Irene Colon	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 10:04 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Rozanski indicated a quorum of the Board was present.

President Romero congratulated Mr. Rozanski on his new appointment t. He also conveyed the Board's appreciation of the good job Mr. Rozanski did as Acting Retirement Plan Manger.

PUBLIC COMMENTS

Mr. Rozanski stated there were no public comments.

President Romero reported items 1 and 2 were submitted for consent approval as follows:

- 1. Approval of Board Minutes:**
 - a) November 17, 2004 (Regular Board Meeting)**
 - b) December 15, 2004 (Regular Board Meeting)**

- 2. Termination from Monthly Rolls as of February 2005:**
 - Retirement Resolution for February 2005**
 - Termination from the February 2005 Family Death Benefit Roll – Antonio**

**Torres and Corey Barnes – Attained 18 years of age
Termination of Bettie Healy from the March Survivorship Roll as a Result Her
Death**

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

Ayes: Romero, Calvache, Vazquez, McCallum and Moore

Nays: None

- 3. Report of Payment Authorizations as of January 2005**
- 4. Notice of Deaths for January 2005**
- 5. Short Term Investments as of January 31, 2005**
- 6. Market Value of the Retirement, Death and Disability Fund as of December 31, 2004**

President Romero reported items 3 through 6 were submitted as having been received and filed.

Mr. Vazquez requested an update on the status of the unfunded managers. He inquired, with regards to the Russell 1000 Passive mandate, where things stood in transferring assets from Northern Trust to Merrill Lynch. Mr. Rozanski responded this transaction had already been accomplished. He reported there were four additional contracts that have been authorized by the Board and are in the process of being finalized. He stated two contracts had been executed and the third one would be completed today. He added that arrangements had been made with BNY to do the transition, and it is expected that the transition for the three International mandates will occur within the next week or so. Mr. Rozanski indicated the only outstanding unfunded manager was Loomis Sayles, due to a struggle with their professional liability insurance. He stated staff has communicated with Loomis Sayles in the last couple of weeks and the firm is committed in their desire to resolve their insurance issues and are working with Mr. Avery Neaman to do so. Mr. Rozanski conveyed staff's concern of the amount of time elapsing since the Board expressed their desire to move forward one way or the other. He stated staff followed up with Loomis Sayles with a fairly stern letter requesting things be expedited, and the last communication from the firm state they agreed to the insurance requirements. However, they still have not provided evidence of professional liability insurance.

Mr. Moore noted that the Large Capital managers have all been in place for a year with the exception of the change-out of the Merrill Lynch mandate. He then inquired what the sense of timing was in performing manager reviews. Mr. Rozanski responded there had not been any discussion at staff's level with respect to manager reviews other than the ongoing monitoring of existing managers to ensure there are no issues or considerations as to whether or not to continue retaining them. However, there would be a move to a new level with the new contract being negotiated and the focus needs to shift to the rebalancing issues and manager reviews.

Ms. Sarah Bernstein of Pension Consulting Alliance (PCA) approached the podium.

President Romero recognized Ms. Bernstein.

Mr. Bernstein indicated PCA recommends conducting structural reviews for the Plan's portfolio by major asset class, which would include reviewing each manager starting with the mandates that have been funded the longest. In addition, PCA would work with Mellon in setting up official rebalancing policies, refining the existing policies, and have staff monitor the market value of each category by each manager on a regular basis. She indicated PCA would be submitting a "to do list" at the March Retirement Board meeting of the various outstanding items, and also discuss with the Board what they would like to accomplish during the first year. President Romero requested that Ms. Bernstein meet with staff to make this a formal agenda item.

Mr. Moore inquired how things have transpired with respect to Mellon taking over the custodial functions. Mr. Rozanski responded that the reconciliations were proceeding and it was last reported it would take somewhere between six to eight weeks for completion. He stated the training and access to Mellon Bank's systems had begun in the last week. Ms. Bhatia reported the training consisted of going over the various types of reports and available access depending on the functions of different staff members. She indicated the reports will be very useful and will put staff in the position to effectively monitor the portfolio as needed. President Romero inquired how many Retirement Office staff employees were participating. Ms. Bhatia responded that everyone in the Accounting Section and all employees involved with the reconciliation in the Investment Section.

Mr. Moore moved the above items 3 through 6 be received and filed. Seconded by Mr. McCallum and carried unanimously after the following vote:

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

7. Approval of July 1, 2005, Annual Cost of Living Adjustment (COLA) Increases for Eligible DWP Plan Monthly Allowances

President Romero introduced item 7 as the July 1, 2005, Annual Cost of Living Adjustment (COLA) for eligible DWP Plan monthly allowances for increases.

Mr. Moore moved approval of Resolution 05-68. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

8. Retirement Plan Manager's Comments

- a) DWP Plan Newsletter for Retirees (February 1, 2005, Edition).**
- b) Retirement Board Election Results**

Mr. Rozanski reported that Mr. Eugene Canzano was the successful candidate to represent the power system on the DWP Retirement Board. He stated the Board of Water & Power Commissioners met yesterday and approved it, but the decision will not become final until 5 Council meeting days has lapsed, which is roughly 10 elapsed calendar days. Mr. Rozanski further stated it is expected that Mr. Canzano would be attending the next Retirement Board meeting. President Romero requested that staff

give Mr. Canzano a welcome package that includes a copy of the Plan. Ms. Bhatia indicated that staff had already begun preparing a package for Mr. Canzano.

c) Update on Remaining Investment Manager Transitions

d) LADWP'S Nomination in the Category of "Investment Shift of the Year" at the 4th Annual *Money Management Letter Public Pension Fund Awards for Excellence*

Mr. Rozanski reported that DWP has been nominated as one of three finalists for "Investment Shift of the Year" at the 4th Annual Money Management Letter Public Pension Funds Award ceremony being held in Phoenix on March 13th, 2005. Mr. Moore inquired if anyone from the Retirement Board would be attending in representation of DWP. Mr. Rozanski responded, at this point, there was no representation. Mr. Moore inquired if President Romero would be interested in attending the award ceremony. President Romero responded he might be able to attend.

e) General Items

Mr. Rozanski informed the Board that a new examination had been given for the Retirement Benefit Specialist classification and a number of staff members from the Retirement Office took this examination and scored in the top 10. He informed the Board that staff would be working with the Department's Human Resources office to assess whether or not the Retirement Office should adopt the Retirement Benefit Specialist class. He added the new position would provide the employees working in that capacity a slight increase in their pay. President Romero inquired what were the exact duties of this classification. Mr. Rozanski responded these employees act as retirement counselors for both retirees and active members. He stated it was his understanding that the Board was interested in pursuing this a few years back. Ms. Calvache confirmed this, adding there had been a few meetings regarding this issue and Human Resources did perform an audit to observe if the Department's duties matched that of the City's.

Mr. Rozanski expressed that one of the concerns he has regarding the Retirement Plan in general is that it seems like many of the Retirement Office positions are dead end positions in that they are not of a nature where one can go to another organization and advance. He pointed out that Retirement Office employees are reachable on the list and other City Pension Plans do have vacancies. Therefore, if the Department does not act it may lose some of the expertise of good employees. Mr. Rozanski expressed that at some point there needed to be a review of how the levels are structured with an eye towards providing employees with an opportunity for growth and promotion. President Romero requested the Board be kept informed.

9. Future agenda items.

10. Approval of Mellon Bank's Securities Lending Investment Guidelines

Ms. Bernstein approached the podium.

President Romero recognized Ms. Bernstein.

Mr. Vazquez stated it was his assumption that PCA had reviewed Mellon's Securities

Lending Investment Guidelines and are comfortable with it. Ms. Bernstein referred to PCA's recommendations for WPERP Securities Lending Program on page 10.10 of the agenda packet. She pointed out PCA had already discussed this with the Board when they originally recommended the Retirement Board go with Mellon's commingled vehicle. Ms. Bernstein referred to a table provided by PCA's giving the Board additional information such as the fact that Mellon guidelines are more conservative and fall within the broader guidelines that DWP adopted. She noted at the bottom of page 10.12 there were a couple of edits in the Plan's guidelines that the Board may want to consider. Ms. Bernstein stated the first thing to do was approve the actual guidelines of Mellon's ASL fund, even though the Board had already approved investments in Mellon's commingled vehicle. President Romero inquired if the split on the securities lending had been discussed. Ms. Bernstein responded it was her belief the split ended up at 80/20 and that there is some graduation after a certain amount.

Mr. Alex Leonard of Mellon approached the podium.

President Romero recognized Mr. Leonard

Mr. Leonard confirmed that the split on the lending was 80/20 up to \$2 million and exceeding this amount the split would advance to 85/15. Mr. Rozanski commented that this was a change that was made during negotiations. Mr. Leonard stated that originally it was a straight 80/20 split, and in order to meet the objectives of some of the other bidders Mellon advanced the split to 85/15 for any revenue in excess of \$2 million. President Romero inquired if this was in writing. Mr. Rozanski responded it was part of the contract. President Romero requested a copy of the Mellon contract for his review.

Commissioner McCallum moved the approval of Mellon Bank's Securities Lending Investment Guidelines. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Calvache, Vazquez, McCallum and Moore

Nays: None

The Board meeting was adjourned at 10:24 a.m.

JAVIER ROMERO
President

ROBERT ROZANSKI
Secretary

IRENE COLON
Recording Secretary