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

MINUTES – June 22, 2005

Present:

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

Absent:

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Irene Colon	Recording Secretary
Michael Wilkinson	Deputy City Attorney
Neil Rue	Pension Consulting Alliance
Tad Fergusson	Pension Consulting Alliance
Sarah Bernstein	Pension Consulting Alliance
Alan Manning	Assistant City Attorney

President Romero called the meeting to order at 8:09 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

<u>PUBLIC COMMENTS</u>

Ms. Bhatia indicated a quorum of the Board was present.

President Romero welcomed City Attorney Alan Manning and wished him much success.

Ms. Bhatia 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 for April 27, 2005 (Special Board Meeting)**
2. **Termination from Monthly Rolls as of June 2005:**
   Retirement Resolution for June 2005

Resolution terminating Rita Jackson from the June 2005 Survivorship Roll as a result of her death
Resolution terminating the following monthly allowances from the June 2005 Family Death Benefit Roll: Levon Byrd, Jr. & Michael W. Gibson – Attained 18 years of age
Resolution terminating the following monthly allowances from the May 2005 Family Death Benefit Roll: Christopher D. Bird, Candice S. Palacios, Joshua Penas – attained 18 years of age, Marissa Penas – son attained 18 years of age
Resolution appointing Yolanda Martinez as trustee for minor child, Raymond Pettengill, son of James L. Pettengill (deceased)

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

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

3. **Report of Payment Authorizations as of June 2005**
4. **Notice of Deaths for May 2005**
5. **Report on Status of Insurance**
6. **Investment Summary as of May 31, 2005**
7. **Short Term Investment as of May 31, 2005**
8. **Market Value of the Retirement, Death & Disability Funds as of April 30, 2005**

President Romero reported items 3 through 8 were submitted as having been received and filed.

President Romero inquired, with regards to the insurance status table on page 5.1 of the agenda packet, what does the statement "recent renewals need to be updated" mean. Ms. Bhatia responded this means the management firm does have the insurance in place, but the Department's Risk Management Section is awaiting paperwork to extend the insurance that was provided.

President Romero noted there were issues of coverage with INTECH with reagards to crime that expired June of 2005, and professional coverage that has not been approved. He then requested an update. Ms. Bhatia responded there might be an issue with INTECH that staff may be bringing to the Board. She stated, as of now, all coverage is current, including crime, which actually expires June 30, 2005. However, with regards to the Professional Liability coverage, she and Risk Management have been conferring with INTECH and if they do not comply by the next Board meeting then staff will come back to the Board for a decision on how to proceed.

President Romero requested an update on the Active Small Cap, in particular Earnest Partners and Bank of New York. President Romero noted there were some concessions with Earnest Partners due to them being a small minority owned company. Ms. Bhatia responded that Bank of New York did comply, but renewals were needed. She stated prior to the last Board meeting, staff sent letters requesting immediate proof of insurance for those firms nearing noncompliance. Ms. Bhatia indicated Bank of New

York provided insurance and is in compliance. President Romero thanked staff for the insurance status update and requested it be included in the Board package on a regular basis.

Mr. Vazquez inquired why there was a double asterisk next to INVESCO on page 6.1 of the agenda packet in the investments summary. Ms. Bhatia responded it may have been left from the previous report and was not removed.

Mr. Moore moved the above items 3 through 8 be received and filed. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

9. Investment Manager Presentations

a) T. Rowe Price

Messrs. Kenneth Brooks, Vice President; John Linehan, CFA, Vice President; and John Plowright, CFA, Vice President of T. Rowe Price approached the table.

President Romero recognized the representatives of T. Rowe Price.

The representatives of T. Rowe Price provided the Board with a performance presentation on the Large-Cap Value mandate managed by them.

Mr. Deaton and Commissioner McCallum arrived at the Board meeting during the presentation at approximately 8:20 a.m.

Mr. Moore referred to page 14 of T. Rowe Price's presentation booklet and noted their standard deviation was at 14.8%, which is similar to the Russell 1000. He then inquired if T. Rowe Price tends to mirror the standard deviation of the benchmark or do they try to go lower over time. Mr. Linehan responded that over time the Board should see average to below average standard deviation from T. Rowe Price. He explained that part of the reason their standard deviation is higher than the Russell 1000 is due to their out performance against the index over the last 5 years. Mr. Linehan stated T. Rowe Price is focused on trying to find good companies, and bottom up stock selection with strong upside appeal and limited down side. He added the firm should be in line to below that in terms of the risk they take relative to the Russell. Mr. Moore inquired if this would be the same response with respect to the beta.
Mr. Moore inquired what other numbers T. Rowe Price looks at when performing their attribution analysis that they find helpful in reviewing their performance. Mr. Linehan responded one of the things T. Rowe Price looks at is information ratio and their out performance relative to the tracking error. In addition, they also look at the return compared to standard deviation, and do not manage to a tracking error or a Beta. Mr. Linehan explained that a lot of the analytics is used as a rough check to ensure their process and style does not deviate from what it has traditionally been. He stated the firm is really more focused at the bottom up individual security level and that a good

portfolio is somewhat reflective of that.

President Romero inquired if T. Rowe Price has growth products in their value stocks. Mr. Linehan responded in the Russell 1000 Value Index and the Russell 1000 Growth Index there are approximately 250 to 300 companies that are in both the value and growth indices. He stated T. Rowe Price does own companies that overlap. President Romero inquired what percentage of growth did the firm have in its value product. Mr. Linehan approximated 15 to 20 names would be included in the Russell 1000 Growth Index. President Romero inquired what percentage was this of their portfolio. Mr. Linehan responded about 20%. However, the firm has a very disciplined style and is not trying to tilt to growth in terms of driving returns. He stated currently they are seeing opportunity in growth in terms of value and not in growth itself.

President Romero inquired if T. Rowe Price has a cap of how much growth they will have in their strategy. Mr. Linehan responded the firm does not have a cap in terms of growth because growth and value is a very arbitrary definition. He stated that on June 30 of 2005, the Russell will be rebalancing its index once again and T. Rowe Price does not want to have their portfolio decisions be predicated on Russell rebalancing. Mr. Linehan stated his firm has been on top of the value index and has an institutional steering committee and equity steering committee overlooking these portfolios to make sure they keep in line with the charter set out for the portfolio. Mr. Plowright referred the Board to page 15 of the presentation booklet depicting the firm's style consistency, stating they are right in the middle of where value should be.

Mr. Moore inquired when the Board would see more of a focus on the Plan's portfolio as opposed to the composite in the firm's presentations. Mr. Linehan clarified the composite is the Plan's portfolio in the sense the firm runs all the portfolios in the same manner, with the same companies, and the same proportions. Mr. Plowright commented when T. Rowe Price has been managing the portfolio for a year and has a full year's data the attribution will just be DWP's portfolio.

Mr. Vazquez inquired what was the maximum holding one could have in any one name. Mr. Linehan responded 5%, and their largest holding is just over 3%.

Commissioner McCallum referred to page 23 of the presentation booklet under significant trades, and inquired what was the strategy behind the purchase of General Motors (GM) and American International Group (AIG). Mr. Linehan responded that T. Rowe Price is looking for companies they believe the market is too pessimistic about when making buys, and too optimistic when making sales. He explained, in the case of AIG and GM, T. Rowe Price saw value in terms of what the actual value was relative to what the market's perception was. He added there is a lot of value in GM in terms of its finance arm and its overseas operation, although there is currently a negative value associated with its U.S. operations. Mr. Linehan stated even though T. Rowe Price cannot say when GM's value will rise to the top, they felt at $28 or $29 a share, GM was undervalued. He added, at $50 a share, AIG is a very good company with a strong balance sheet and a great collection of assets.

The representatives of T. Rowe Price thanked the Board and left the meeting.

b) MFS

Mr. Jack O’Connor, Managing Director; Ms. Carolyn Lucey, Vice President; and Kate McCloskey Mead, CFA, Vice President of MFS approached the table.

President Romero recognized the representatives of MFS.

The representatives of MFS proceeded with a performance presentation of the Large-Cap mandate under their management.

Mr. Vazquez inquired what was MFS’ turnover in terms of stock. Ms. Mead responded turnover is roughly 30%. She stated MFS takes a long-term focus and there is a very wide range within that. She reported the strategy has been in place since 1996 even though they have only been managing money for DWP since 2004.

President Romero inquired, with regards to the companies in the portfolio having a certain time horizon, how does MFS determine what amount of time to give a company to improve. Ms. Mead responded when MFS is looking at investments, they want companies they can own and they feel has a multi-year story that makes sense. Therefore they are looking at 24 to 36 months to assess what they feel the value of the company is. She indicated that, generally speaking, MFS is a little bit different from managers at T. Rowe Price in that they do not like companies that have a lot of issues. Therefore, GM is not a company that would be found in their portfolio.

The representatives of MFS thanked the Board and left the meeting.

10. Resolution Amending the Plan’s Statement of Investment Objectives, Goals and Guidelines

Mr. Neil Rue, Mr. Tad Fergusson, and Ms. Sarah Bernstein of Pension Consulting Alliance (PCA) approached the Board table.

President Romero recognized the representatives of PCA

Mr. Rue reported the high yield markets are changing dramatically because of what has happened with GM and Ford. He stated PCA has received several calls from high yield and fixed income managers regarding the change and they expressed they would like to talk to the DWP Board Members about how to fold this into guidelines and benchmarks. Mr. Rue indicated the high yield managers requested a change in the benchmark, but PCA denied their request. However, PCA does recognize that once these two holdings move into the benchmark, (effective July 1), each of them are going to be more than 6% of the benchmark a piece. He stated high yield managers tend to hold smaller positions than that. Therefore, to compel the managers to maintain tight to the benchmark is going to force them to hold some proportion of GM and Ford. He stated PCA is not going to change the benchmark, but will give a little more flexibility in the guidelines from an active risk standpoint.

Mr. Rue indicated the latter two guideline changes have to do with a type of security called the “144a”. President Romero inquired what 144a is. Mr. Rue stated 144a is a private placement with the expectation that some day in the near future it would become a publicly traded security.

Mr. Moore inquired what countries are covered in the members of the Organization for Economic Cooperation and Development (OECD). Mr. Rue responded it would be the G7 plus other major developed countries around the world.

Mr. Vazquez referred to page 29 of the guidelines where dollar denominated is removed, and inquired if the managers requested this. Mr. Rue explained this meant even though the markets are evolving and changing, the bulk of emerging market debt is still U.S. dollar denominated, regardless of what country it comes from. He further explained that PCA is constraining the managers to U.S. dollar denominated emerging market debt regardless of what country it is issued by. Mr. Rue stated, given the managers are being benchmarked against a domestic high yield benchmark, PCA feels it is appropriate the managers hold dollar only emerging market debt. Mr. Vazquez clarified that the guidelines reflect the deletion of dollar denominated. Mr. Rue stated he had to recant everything he had just stated. He explained that the intention is to have a primarily U.S. dollar denominated portfolio. He stated in discussions with Loomis Sayles, they indicated there were some exceptions. Mr. Vazquez inquired if this presented any additional risks to the mandates. Mr. Rue responded that at the margin the managers hold approximately 5% to 7% in emerging market debt in their high yield portfolios, of which some portion of that percentage could be in non U.S. dollar denominated securities. He stated at the grand portfolio level it is not significant, but for those particular holdings that might be non U.S. dollar denominated there is some currency risk.

President Romero referred to the Policies and Procedures Section on page three of the Investment Goals and Guidelines, wherein it states, “The Board will monitor and assess the actual asset allocation versus the policy quarterly and will rebalance as appropriate.” He then inquired if the statement, “at the recommendation of PCA” could be added to that sentence. Ms. Bernstein responded that it was part of the rebalancing policy and should be amended.

Mr. Vazquez moved approval of Resolution 05-89 amending the Plan’s Statement of Investment Objectives, Goals, and Guidelines. Seconded by Commissioner McCallum and carried unanimously after the following vote:

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

11. Presentation by PCA - Private Equity Investment Policy Strategy Education and Proposal

Mr. Fergusson provided the Board with an educational on private equity investment policy strategy.

Mr. Vazquez referred to the performance targets on page 7 of PCA's booklet and inquired if the reflected percentage was the percentage above public equities. Mr. Fergusson responded in the affirmative. Mr. Vazquez commented they were more risky than public equities; consequently there would be some failures. He then inquired if the information provided was net of failures. Mr. Fergusson responded the information provided was aggregated portfolio results and the strategy is expected to achieve the performance targets over the long-term complete life cycle of the partnership.

Mr. Moore inquired if the numbers reflected on the chart of page 8 of PCA's booklet reflect the survivorship bias issue or was that still in there. Mr. Fergusson responded that for private equity databases there are several deficiencies, such as the survivorship bias and reporting issues. Mr. Moore noted when comparing the others with the S & P 500 a number of the fund types are not doing much better, and given the fee and profit issue there is a question of "why do it at all?". He expressed his opinion that the only reason one would invest in private equity is if there were really good correlation numbers. Mr. Fergusson responded that private equity is expected to provide diversification, but over the longer term private equity did not outperform public equity in this universe as expected. He reiterated that the chart was just an aggregate of all partnerships, and PCA feels this is an inefficient space for manager selection to really add value. Therefore, picking good managers can really differentiate the numbers.

Mr. Vazquez inquired what was prompting the sales of secondary market fund-to-funds. Mr. Fergusson responded there were a lot of distress investors, corporate plans, and banks getting out of the space and attempting to clear private equity off of their books. He stated plan sponsors were also utilizing it as a portfolio management tool as they are refocusing their programs on hardships they want to maintain within the program.

Mr. Vazquez referred to the Structural Characteristics of a Typical Partnership table on page 13 of the booklet, with regards to the term of investment, wherein it states, "8 to 10 years with several one-year extensions." He then inquired if after 8 to 10 years holdings were liquidated and proceeds paid out to the holders. Mr. Fergusson responded in the affirmative, adding that towards the second half of the partnership it is expected that the underlying holdings would be liquidated and proceeds would be distributed back to the limited partners. He stated if there were still holdings a general partner does not feel are ready to be sold or could add more value when the 10-year term comes up they will have to go out to their LPs or the advisory Board to get permission for an extension. He explained that this would give them the time to add value and make the portfolio attractive for sale. Mr. Rue commented when one invests in a partnership there is a timeframe called the " investment period". He stated the expectation is that one would not get any distributions back during this period because this is when the general partners searching for companies and making investments in those companies. He further stated once the investment period is over there is another period called the "harvesting period" where they begin to make distributions, which is after year three or four and all the way to the end of the partnership.

Mr. Moore inquired, with regards to the 80/20 split, PCA used the term "carried interest". He then inquired if the carried interest represented the 20%. Mr. Fergusson responded in the affirmative. Mr. Moore inquired if the preferred return was to the client and inquired how this typically worked. Mr. Fergusson responded that on a any transaction the limited partners will give back their cost in investment plus the standard 8% return on that contributed capital, and then the general partner will begin receiving their 12%. Mr. Rue added this was usually compounded annually and sometimes there is variance with partnerships participating on an investment-by-investment basis. However, Mr. Fergusson, using due diligence, prefers all the capital get 8% back before the managers get their carried interest. He added it also varies by investment type.

Mr. Fergusson continued with his presentation.

Ms. Bernstein began her presentation regarding the implementation of the private equity program and pointed out what the Board's, staff, and consultant's responsibilities will be. She stated the primary responsibility of the Board would be to establish the objectives, policies, and strategic direction for the overall portfolio. She further stated staff and PCA would assist the Board in this responsibility. Ms. Bernstein explained, in terms of constructing the actual portfolio, once the framework and policy have been decided upon, PCA will bring opportunities before the Board and design a strategic plan for the Board's approval. She suggested the Board monitor the program and review everything that comes before them. Ms. Bernstein stated staff is responsible for assisting on all aspects of the program and has the primary responsibility of monitoring the program. She added this would also include draw-downs. Mr. Moore inquired what skills exist in the Retirement Office that would compare to the skills PCA has in-house that would give the Board comfort that staff could competently monitor such programs. Ms. Bernstein noted the Retirement Office is budgeted for a Chief Investment Officer. She stated the Plan is in a position of moving into new areas and the Retirement Office is not staffed for a full journey into these new areas. Ms. Bernstein expressed a strong solid staff will be needed on the investment side of the Retirement Office. She stated, in terms of the program monitoring, staff is currently allocating the money out to the public sector managers and they will in a sense be doing the same thing for the private equity partnerships. Ms. Bernstein indicated there would be totally new contracts, which staff will need to get familiar with, but PCA would be assisting in all areas. For example, in monitoring, PCA will do a six-month review and monitor all of the reports that come from each manager. She stated this means staff would be responsible, not only for reviewing PCA's work, but also being directly in touch with the partnership managers. Ms. Bernstein stated PCA will also do an annual strategic overview and expects staff to contribute a review of their own to the Retirement Board over time. Ms. Bernstein expressed typically for a Plan of DWP's size, PCA would recommend getting into a particular secondary to get back vintage years and start exposure, meanwhile focusing over time on direct partnership exposures. She emphasized the Board needed to address the staffing issues within the Retirement Office in order to manage the program. Mr. Rue commented there might be a need to outsource in the beginning through the fund to funds. He stated if the Board chooses to outsource they would be going into a fund to funds, which has exposure to multiple partnerships. Therefore, you would be managing one draw down that covers 20 partnerships rather than investing directly and having to manage 20 draw-downs. Mr. Rue stated this would be the beginning position, but once everyone ramps up a learning curve there will be the possibility of investing in attractive individual partnerships.

President Romero expressed his concern that the fees were rather high in the initial discussion of additional fees to encompass real estate and alternative investments. He stated in that discussion PCA responded that this level of expertise calls for more work. President Romero pointed out that these are the arenas in which the Board is requiring PCA's expertise, but PCA is giving the responsibilities to staff, which has no expertise in these fields. He referred to Section 2 of the Statement Objectives, wherein it states, "PCA and staff shall proactively seek out the most attractive investment opportunities given current market conditions." President Romero expressed it was his opinion the Board is hiring PCA to perform this duty, not staff, and he did not like how the strategic objective was worded. He then referred to Section 3 wherein it states, "staff shall make recommendations to the Board, execute agreements, perform on-going monitoring and due diligence, staff shall monitor individual partnerships in the portfolio as a whole, and proactively seek out attractive investment opportunities, while maintaining appropriate diversification." President Romero expressed his opinion that PCA should be a primary on all of the responsibilities and be supported by staff. He stated it seems that staff is taking the lead and PCA is more of a supporting role, and DWP is paying an extraordinary amount of fees to have staff be the primary contact. President Romero reiterated he was not comfortable with any of the wording. Ms. Bernstein responded that all of President Romero's issues could be addressed. She stated the discussion draft of responsibilities and delegations was adapted from the other plans PCA works with that are already more evolved, developed, and of the same size and with the same characteristics as DWP's Plan. She stated in all of the cases listed there is nowhere that PCA is not taking the responsibility. President Romero indicated he would not be comfortable unless PCA's responsibilities are written in black and white. Ms. Bernstein indicated PCA could draft the policy and make changes so that the Board is comfortable with it. Mr. Rue commented this was just a draft and is not PCA's document. However, PCA would be happy to modify it. He explained if the Board would like to convert PCA's relationship with DWP to a fund-to-fund relationship, they would take on every aspect of managing the private equity program on a discretionary basis at 1% or more of the assets. However, there are basic activities related to cash management that is the responsibility of the Board and staff and not the consultant under the current relationship. Ms. Bernstein commented that PCA would be submitting all of their recommendations to the Board for every partnership and also performing overviews of the strategy with regards to the diversification within the portfolio on an annual basis. She indicated PCA would review each manager's results on a quarterly basis and every six months there will be a performance review of the entire portfolio and all of the managers. Mr. Rue pointed out PCA is reviewing the terms and conditions in the contracts of the partnerships and giving input while working with the City Attorney and staff. President Romero expressed he wanted to make sure that what is being discussed is defined in print. PCA agreed with President Romero.

Ms. Bernstein continued with her presentation stating once an investment policy is developed, PCA will prepare an investment strategy document, which works with the overall policy and long-term objectives. Mr. Vazquez requested Ms. Bernstein discuss the construction of the portfolio framework. Ms. Bernstein responded PCA typically recommends the client invest in direct partnerships over a series of years. She stated PCA will also recommend obtaining access to some of the back vintage years investments immediately, and that some of the first investments be made in secondary fund to fund products to obtain access to partnerships that were established. Ms. Bernstein explained, in going forward, portfolio construction means determining how many partnerships per year and how many buyouts. She stated PCA recommends diversification in this area. Mr. Rue explained that the initial goal would be to achieve instant diversification through the fund-to-funds vehicles across economic sectors. Mr. Vazquez inquired if a manager was needed for fund-to-funds framework. Ms. Bernstein responded the general partner is the fund-to funds manager with an extra level of fees. She added, instead of buying direct companies they buy underlying partnerships.

President Romero inquired, assuming the Retirement Office did not have a staffing issue, what would PCA's recommendation be to the Board. Mr. Fergusson responded that PCA would like to construct more concentrated portfolios and recommends 5 to 10 new relationships per year for direct partnership commitment. However, given DWP's fund size, it would probably be eight relationships per year, developing those over three years, and when those come back to the market, it could be decided whether or not to continue those relationships. Mr. Fergusson stated it is PCA's belief that one can add value through manager selection, which is why he believes in keeping it more concentrated rather than hiring 20 managers per year. However, if the Board would like more diversified exposure, the numbers of relationships could be expanded. President Romero commented it was not what the Board would want, but what PCA's recommendation is. He expressed that what is expected from PCA's recommendation is what is best for the Plan and the members, not what makes the Board members more comfortable. Commissioner McCallum commented this would also allow the Board to appropriately staff the Retirement Office.

Ms. Bernstein continued with an explanation on the partnership screening process. Mr. Moore commented he had not seen many numbers outside of the ones in the early part of the presentation in terms of the types of returns PCA feels could be obtained from the various vehicles. He stated he did not think there were any numbers from direct versus secondary fund-to-funds, or any measures of risk associated with these various things. He requested stats to give the Board a little better feel for they are dealing with. Mr. Fergusson responded there were stats highlighted in the prior presentation reflecting the range of returns. Mr. Rue suggested sending Mr. Moore a copy of the prior presentation at the last Board meeting, which Mr. Moore did not attend. Ms. Bernstein stated once full due diligence is achieved on an individual partnership, PCA will perform a full desk review, as well as onsite visits with the partnership, the general managers, and all the partners working with the team.

Ms. Bernstein informed the Board of the necessary steps to private equity investing. She stated the first step is to develop an overall policy the Board is comfortable with. Ms. Bernstein indicated PCA included a draft policy. After the policy has been approved, the second step is to develop an investment strategy to address initial funding projections. She stated the strategy would be dependent upon the allocation to private equity versus hedge fund-to-funds. President Romero inquired when this step would occur. Ms. Bernstein responded this could be done at the next meeting, however the steps should be taken in order. President Romero inquired if the next step was the allocation between hedge funds and private equity. Ms. Bernstein responded the process could go forward, but it makes more since to know what strategy one is dealing with. Mr. Rue commented that the next step is to get a policy approved. Ms. Bernstein suggested the Board make all their comments regarding the policy at this Board meeting and PCA would bring back another draft for the next Regular Board Meeting. She stated, by the time the policy is completed, the Board should make a decision on the allocation amount to private equity. Ms. Bernstein expressed it was her guess that the Board would want to wait until after the first initial roundtable on the hedge funds sector scheduled for July 6. She indicated the next step was for the Board to decide how they want to benchmark the private equity portfolio. She stated PCA is recommending the Russell 3000, which is a broader index for the overall public equity markets, plus 300 basis points. She added that premiums range from 300 to 500 basis points depending upon risk tolerance. However, since this is DWP's first step into private equity, PCA feels they should not to be overly aggressive. President Romero inquired why PCA was recommending the Russell 3000. Ms. Bernstein responded because it is a broader benchmark. She listed the next steps as deciding on the appropriate investment types, whether or not to include both private equity and fund of hedge funds, primary versus secondary markets, the number of relationships, and the commitment sizes for each one.

Mr. Moore inquired how fund-to-funds were in terms of liquidity. Mr. Fergusson responded that fund-to-funds are constrained by the liquidity of their underlying partnerships.

Ms. Bernstein inquired how the Board felt about initiating the portfolio with exposure to a fund-to-funds and/or a secondary fund-to-funds, and in the overall portfolio have access and opportunity to a broad range of private equity vehicles. President Romero inquired what was PCA's recommendation. Ms. Bernstein responded this was PCA's recommendation. Mr. Vazquez inquired if PCA has the primary responsibility of constructing the portfolio framework. Ms. Bernstein responded in the affirmative, adding that PCA wanted to make sure that the Board is comfortable with it.

Mr. Moore expressed his concern with private equity deals and real estate, and the fact that the Los Angeles developed community has been one of the most politically active of all the players. He inquired, to the extent that we start getting involved in private deals as opposed to participating in fund-to-funds, what is the likelihood that a future mayor, council member, or board member may want to put a lot of pressure on the Retirement Board to participate in certain player's programs. Mr. Moore expressed this troubled him, and he did not like putting the Retirement Board in the position where they are setting themselves up to do this. He stated he was looking to PCA for input on this issue because they would have a better perspective. Mr. Fergusson responded that PCA will be conducting due diligence on all deals, and it could also be incorporated in the policy that a positive recommendation needs to come from the consultant prior to Board approval. President Romero suggested a Board policy of not investing with any fund wherein a City official is directly involved. He stated he understood Mr. Moore's concerns and the Retirement Board is protected by the state constitution. Therefore, before any contract is signed an elected member has to respond in the affirmative for that contract to proceed. Mr. Moore inquired to what extent is PCA aware of these problems having surfaced elsewhere. Ms. Bernstein responded that LACERS had an appointed Board member whose firm was a private placement agency. She stated there were partnerships that the Board member's firm might have been recommending to other pension funds that PCA might have liked. Ms. Bernstein pointed out that the standard policy is to disclose and recuse oneself if directly impacted. She stated despite this policy being in place, the LACERS Board ended up having a broader discussion about governance, directly related to private equity investment issues. Consequently, some of PCA's recommendations were held up because they were responsible for making recommendations of partnerships they felt LACERS should invest in regardless of political friends.

Mr. Vazquez inquired if Fire and Police Pensions and LACERS have been investing in private equities on a direct basis, as well as through fund-to-fund structures. Ms. Bernstein responded in the affirmative, adding that they are both doing well. Mr. Vazquez suggested asking Fire and Police Pensions and LACERS to share their private equity investment policies with LADWP's Retirement Board.

Ms. Bernstein reported the current overall allocation to Alternative Investments is 5%. She referred to a chart reflecting what it would mean for 5% to 0% of the alternatives to be invested in private equity. She stated PCA is assuming from the initial discussion of the Board, that if they decide to enter into a hedge fund strategy, the initial allocation will come out of the alternative allocations. Consequently, there would be less to invest in private equity. Mr. Rue pointed out that assuming the Board does not choose to get into hedge funds there will be a maximum of $450 million worth of commitments based on the current size of the Plan. Mr. Vazquez inquired if 5% of the portfolio is being allocated then how could 150% be committed. Mr. Fergusson responded as part of the characteristics, the cash is drawn down over several years and the distributions come back prior to being fully invested depending on the time of the cash flow.

Ms. Bhatia commented that private equity investment is a totally new area and the Retirement Office does not currently have enough staffing or the expertise. She noted that Ms. Bernstein indicated the managers were similar to the ones staff monitors that are publicly traded. However, the risk characteristics are significantly different and it is a totally new asset class. Ms. Bhatia expressed, that even though this is a very small percentage allocation, the set up will be totally different, the fees will be significantly higher, and there is much more risk of loss in the asset class. Consequently, the Retirement Office, as it is presently staffed, does not have the necessary expertise. She stated it was her understanding that there would be staff training involved and initial steps taken before going into private equity. President Romero suggested incorporating staff's recommendations on the discussion draft.

Mr. Moore referred to page 4 of the Discussion Draft, and inquired why PCA included country risk for investing outside of the United States (U.S.). Mr. Fergusson responded that PCA's initial expectation is to develop a domestic program focusing on U.S. oriented opportunities. He added that International language was input for opportunistic investment in the future. Mr. Moore requested country risk be removed because he would like to have the protection of the courts to deal with any ventures the Board gets into and is not comfortable with. Ms. Bernstein responded that as a first step and for a plan sponsor that is just getting into private equity investing, it makes sense to remove country risk. She explained PCA did not remove it because it is standard in a developed program.

Mr. Moore referred to page 3 of the Discussion Draft and inquired what was meant by the term “program efficiency” under the Quality Control Processes heading. Mr. Fergusson defined “program efficiency” as identifying opportunities, conducting due diligence, and going through the process to get opportunities with the portfolio.

Mr. Moore expressed he is comfortable with using the Russell 3000 as the benchmark plus 300 basis points, and inquired if a dual measure should be used including an internal rate of return (IRR). He stated regardless of what the market is doing, one is also looking for the rate of return as well. Mr. Fergusson responded an IRR is one of the measures PCA left in. Mr. Rue commented the IRR should be explicitly recognized in the policy, however it would always be included on a performance report.

Mr. Moore referred to page 5 of the Discussion Draft under item 8, wherein the term “hedge funds” is used, and inquired if the policy was going to encompass hedge funds. Mr. Fergusson responded that another specialized policy would have to be prepared for that component; therefore hedge funds should be removed.

Mr. Moore inquired if the benchmark was net of fees. Mr. Rue responded in the negative.

Mr. Moore inquired what the difference was between payback diversification and time diversification. Mr. Fergusson responded that payback diversification is how long one expects the underlying investments can be held, whereas time diversification would be committing a certain amount in 2000, 2001, 2002, etc., to different partnerships. He further explained that the timing of the commitment is the time diversification and payback diversification is the length of a holding period for a particular strategy.

Mr. Moore noted that in several places in the discussion draft there is talk of a semi-annual full performance report, but on page 11 quarterly reports is mentioned. He then requested PCA elaborate on the differences between the two reports. Mr. Fergusson responded, with regards to doing semi-annual reviews, there are commonly not a lot of changes over a three-month period given the nature of the pace that commitments have gone down. He explained that a semi-annual review consists of examining the exposures, calculating performance, and performing peer comparisons and market overviews. Mr. Fergusson stated the quarterly review is straight performance and comparing IRRs with the underlying partnership in the aggregate wherein change can be seen.

Mr. Moore referred to page 12 under terms in the discussion draft, wherein it states “distributions and the clawback provision” and inquired what that meant. Mr. Fergusson explained the clawback is a provision that looks back over the whole life of the partnership to ensure the partnership does not receive more than 20% on an aggregate basis. However, if they receive more, they are required to return the capital back to their investors.

Mr. Deaton inquired if the LACERS, and Fire and Police Pension’s Board receives a standard package of information. Ms. Bernstein responded that LACERS has a private investments committee and PCA submits policies, strategies, and investment recommendations to the committee, which they recommended to the Board, who in turn adopts the overall program. Ms. Bernstein stated that PCA works directly with the Fire and Police Pensions Board. She further stated for each of the plans PCA went through a similar process of developing a policy they are comfortable with, developing a strategy, and then initiating due diligence and bringing investment ideas to the Board. Mr. Deaton inquired if the other two pension plan's staff look for the completeness of the package. Ms. Bernstein responded that both staffs are actively involved. Mr. Deaton inquired about the legal aspects of the process. Attorney Wilkinson responded that the City Attorney's Office reviews the documents. Mr. Deaton inquired if there was a standard document. Ms. Bernstein responded that each partnership would have various documents, such as a limited partnership agreement, legal documents, etc. Mr. Fergusson commented that PCA prepares an extensive 25 to 30 page document covering the strategy and it is customized to focus on specific areas of the partnership. However, there are standard areas. Ms. Bernstein indicated she would submit a sample for the Board's review. Mr. Deaton expressed that staff should be responsible for ensuring that all bases are covered. Ms. Bernstein responded that once PCA recommends a dollar amount and terms, and the Board approves it, staff could them make sure the City Attorney reviews the legal documents and the agreement is signed. Mr. Deaton expressed he would like the City Attorney to review the documents before the Board actually makes a decision. Mr. Moore agreed with Mr. Deaton and inquired who ultimately has the responsibility for quickly alerting the Board when there is a problem. President Romero inquired if an RFP is issued for the funds brought before the Board. Mr. Rue responded it was not an RFP process. Mr. Fergusson explained it was an ongoing review process of meeting with managers and trying to match up strong managers investing in attractive investment strategies that meet the client's needs. He added, once this is accomplished, PCA initiates their due diligence process. Mr. Vazquez inquired about the frequency of PCA's recommendations to the other plans and their track record for accepting or not accepting those recommendations. Ms. Bernstein responded that PCA just started managing the two other pensions plans so there is no track record yet in terms of performance returns. She stated, in terms of frequency, it depends on the size of the plan and the mandate. Mr. Deaton expressed the Board's decision regarding private equity is much more crucial than the other mandates due to the responsibility if the investment goes wrong. Mr. Vazquez inquired if the LACERS Board always accepted what the investments committee presented to them. Ms. Bernstein responded if there was something interesting happening in the investments committee and they want to hear it, other Board member would attend that meeting. Mr. Rue inquired of Mr. Deaton if in his vision of a package he sees a due diligence document coming from the consultant, and attached to that a legal review done by the City Attorney stating the document is acceptable. Mr. Deaton responded he was not expecting staff and the City Attorney to give their final answer, but he would like them to give the documents a rough review. Attorney Wilkinson commented that the City Attorney's Office works very closely with all three pension plans along with PCA. However, most of the issues that actually end up being serious legal problems are ones that are not realized until it is far along. Ms. Bernstein stated that as part of PCA's due diligence process they will make sure the City Attorney and staff have the Limited Partnerships Agreements right away for their review.

Mr. Canzano expressed he fully agreed with Mr. Moore's point of not getting into any non-U.S. investments at this point. However, he feels the Board should not limit themselves from making future decisions of going into non-U.S. based investments while developing the policy right now. Ms. Bernstein responded that if and when the Board decides to revisit the policy in the future, allocation limits could be attached for international investments.

Ms. Bernstein indicated there were a number of edits to address in terms of the target benchmark. She stated PCA was going to get input from staff regarding any details in the language. She recommended hedge funds and international investments be omitted, and a quick legal review be inputted in the procedures prior to PCA bringing any recommendations to the Board.

12. Presentation by PCA of the Performance Report for the Quarter ending March 31, 2005

Mr. Rue presented the Board with PCA's performance report, stating DWP's asset allocation as of March 31 was at $6.2 billion. He stated the quarter was a difficult market across the Board and a wide number of asset classes. Mr. Rue reported that for the quarter the value of the portfolio declined by $120 million, and over the last year increased approximately $115 million in value. He also reported that currently there is no exposure to alternative and real estate investments and all of the overweighting is in domestic equity. Mr. Rue stated the overweighting could all remain in equity or it could be balanced between domestic equity and domestic fixed. He recommended the latter so that the portfolio will perform in line with the overall policy. President Romero inquired if the portfolio would have been better or worse if money had already been invested in alternative and real estates. Mr. Rue responded that in 2001 and 2002 it might have been a rugged environment, but in 2003 and 2004 were great periods.

Mr. Rue noted several typos in the quarterly performance review as follows: page XIX under policy return wherein domestic fixed is listed as 0.1, should be -0.6, and as a result the total portfolio policy return should read –1.3 instead of –0.8; the policy return in the comparative performance table on page XX should read 6.2 instead of 6.7, and the domestic fixed should read 1.6 instead of 2.3; under the blended policy return on page XXI it should be 5.8** instead of 5.9** for the total portfolio, and 6.6 instead of 6.8 under domestic fixed; and under the blended policy return column on page XXII it should read 7.5 instead of 7.6 for domestic fixed. Mr. Moore inquired if these changes in numbers changed the percentile ranking. Mr. Rue responded in the negative, explaining that the policy benchmark changed, not the portfolio return.

Mr. Rue inquired of Ms. Bhatia if all of the mandates had been funded as of March 31, 2005. Ms. Bhatia responded in the affirmative. Mr. Rue stated with the asset allocation in line, and the exception of the overweight, the active managers should begin producing added value.

Mr. Moore noted that PCA is now using the Russell/Mellon Master Trust Universe as opposed to the Tucs Universe and inquired if this was the first time PCA has made this change, and if so, are there any significant differences in those universes. Mr. Rue responded this was the second time using this universe, and in comparison, the numbers are very similar for this period. He stated primarily the Russell/Mellon Public Fund Universe tends to be smaller than the Tucs Universe.

Mr. Rue reported, for the quarter, there has been some added value in domestic fixed and domestic equities. He stated there has been a struggle in international equities, however this is where a good amount of funding has occurred during the quarter. He expressed the Board should see some different trends in going forward. Mr. Vazquez inquired if the performance is being measured against benchmark net of fees or gross of fees. Mr. Rue responded the fees reflected are gross of fees. Mr. Moore stated it was his understanding that it was hard to get net of fee numbers. Mr. Vazquez pointed out that the benchmark reflects net of fees numbers in terms of trying to achieve performance. He stated, to have active management, the fees have to be netted out in order to see if you are gaining anything or not. Mr. Rue inquired if it was possible for Mellon to issue net of fee numbers. Ms. Bernstein indicated she, Ms. Bhatia, and Mellon were discussing automating the process to try and get a net of fees number on a historical basis. Ms. Bhatia stated that Mellon indicated the only way they can produce net of fess information is if the investment managers are paid out of the account they manage, but the Plan is not set up that way. Mr. Vazquez inquired if this could be done. Ms. Bhatia responded that staff reviews every invoice coming in, it is based on assets managed and a graduated scale, and there is a contract requirement that the market values be reconciled with Mellon Bank. She stated that staff has internally been developing something in conjunction with Mellon off of the main system and it may be ready to present to the Board at the next meeting. Mr. Moore requested staff also look into the Board receiving information on the risk of the standard deviation by quartile.

Mr. Rue reported that for the latest year the portfolio underperformed the policy benchmark, which was a little more equity oriented than DWP's portfolio for the year of 2004. He stated the portfolio was up 5.8%, while the policy benchmark was up 6.2%. Mr. Rue pointed out that earlier in the year the portfolio had a little more cash than the policy required and there was also implementation cost. He stated, regarding the risk/return versus the benchmarks and the policy benchmark, the actual portfolio generated less risk and produced a higher return in the five-year numbers. He further stated the three-year numbers were different due to the cash issue, which produced lower risk with lower return. Mr. Rue then gave a brief overview of the manager performance summary. Mr. Moore requested more attribution analysis in the future. Mr. Rue responded that PCA creates an analysis that looks at the managers, the contribution of policy, and how it was funded for other plan sponsors on an annual basis. He indicated it was quite tedious but he could do it for the Retirement Board on an annual basis. Mr. Rue stated, in terms of a quarterly attribution, Mellon may be able to provide a one page analytic on the total portfolio. Ms. Bernstein clarified that analytics were part of DWP's contract with Mellon.

13. Adoption of Extension of Systematic Automation, Inc. (SAI) Contract

Ms. Bhatia explained that Systematic Automation produces the annual employee benefit statements and staff is requesting a one-year extension in order to proceed with the benefit statements for the year ending June 30, 2005. Mr. Vazquez inquired when the contract expired. Ms, Bhatia responded April 30.

Ms. Calvache moved approval of Resolution 05-90. Seconded by Mr. Canzano and carried unanimously after the following vote:

> Ayes: Romero, Calvache, Canzano, Vazquez, McCallum, Deaton and Moore
> Nays: None

14. Discussion of Computerization Proposals provided by Levi, Ray & Shoup, Inc. and DWP Information Technology Services (ITS) and possible action

Ms. Bhatia reported that at the Special board meeting on April 27 both ITS and Levi, Ray & Shoup (LRS) presented their computerization proposals. She stated at this meeting there were questions raised as to the comparability of the products presented and the Board requested that staff provide more details so that a more informed decision could be made as how to proceed. She indicated both LRS and ITS provided detailed information and it was included in the agenda package. Ms. Bhatia stated staff summarized the proposals in three major areas of the scope of the project, proposed implementation schedules, and cost. She noted the Board also requested staff indicate the exact needs of the Retirement Office with regards to computerization, and provide background information on what systems currently exist. Ms. Bhatia reported the membership system accumulates contributions for active members, posts interest, and is supposed to keep track of service credit. However, that component is not very accurate. She stated there is a separate system that processes the payroll for retirees. She indicated there was no interface between the two systems, creating a lot of manual work for staff.

Ms. Bhatia reported that ITS provided details of their proposed system and indicated they would develop it in phases. She stated at the last presentation, ITS presented the design of their payroll system and indicated that eventually all of the work done in the Retirement Office will be phased into one integrated system. Ms. Bhatia stated LRS presented their product, Pension Gold (currently being used by LACERS), which covers all aspects of pension operations. She reported the second area that was looked at was the implementation schedules indicated by both ITS and LRS and they are similar in terms of the indicated completion date. Ms. Bhatia stated that ITS indicated a completion date of February 2007 and LRS stated they would be able to complete their implementation within 12 months from the start of the project. Ms. Bhatia commented there would also be time spent on the Request For Proposal (RFP) process if the Board decided to proceed with an outside vendor. She reported, in terms of cost, ITS submitted an implementation cost of approximately $853K and stated the annual support cost would consist of one full-time employee to attend to the system. Ms. Bhatia further reported that LRS submitted a quote range of $929.9K to $1,009.5K, which includes fees for software license, data conversion, and customization. In addition, LRS estimates annual maintenance fees in the range of $68.4k to $78.4K

Ms. Bhatia listed some of the advantages of an in-house system as follows: ownership of the product, possible lower long-term costs, no RFP process, and an existing internal technical staff that is familiar with the current legacy systems. Mr. Vazquez inquired why being familiar with the legacy system was an advantage if the Retirement Office is switching to a web-based system. Ms. Bhatia responded it was an advantage in the sense that staff would not have to explain what the current system does. She stated the advantage of going with an established and developed product such as Pension Gold is that it has been tested in the industry and staff went to LACERS and inquired about their satisfaction with the product. Ms. Bhatia reported that LACERS seems to be very satisfied with the Pension God system but indicated they do use additional side systems for returns of amounts paid out. She added the modifications expected are minimal because DWP's system is very similar to LACERS. Ms. Bhatia stated the advantages of using an established system are accountability and the expected timeliness of the completion of the project. She reported that LRS's proposal indicates they keep track of all changes, such as legislative, taxes, etc., and updates the system as needed. Ms. Bhatia informed the Board more detailed information on both systems was included in the agenda package.

Mr. Deaton inquired how many other products were out there besides Pension Gold. Ms. Bhatia responded she was aware of one other firm called the Pension Administration Software. Mr. Moore indicated he had seen several other firms presenting their software at different conferences.

Mr. Canzano inquired if switching from RAP I to Pension Gold affected LACERS' staffing level. Ms. Bhatia responded that the Pension Gold product streamlined their process so she would expect it would have reduced staffing. However, their staff also takes care of processing health care benefits. Mr. Canzano expressed it is important to choose a system that will free the Retirement Office staff from doing redundant tasks.

Mr. Vazquez noted that LRS has indicated that one of their other divisions has an agreement in place with DWP, and inquired what this agreement was and with which department.

Ms. Karen Frederick (Account Representative) of LRS approached the podium.

President Romero recognized Ms. Frederick.

Ms. Frederick responded the DWP department that LRS has an agreement with is for computer hardware and implementation services of that hardware. She stated she has the LADWP employee's name they work with but could not remember it off the top of her head. Mr. Harrington (Retirement Office Consultant) indicated the employee's name is Steve Ho (ITS).

President Romero inquired if there is a new version of the Pension Gold Product or would DWP be getting the same product as LACERS and then 30 days down the road have to pay for an upgrade. Mr. Deaton commented that if the Board decides to go with an outside vendor an RFP would be issued. Therefore, the current issue is whether or not to stay in-house, and not looking at individual products at this time.

Ms. Frederick returned to the audience.

Commissioner McCallum inquired of ITS' ability to keep up with legislative updates and implement the software changes.

Ms. Ellen Zemault (Programmer Analyst) of ITS approached the podium.

President Romero recognized Ms. Zemault.

Ms. Zemault responded that ITS' product is a web based application; therefore any historical data can be kept for as many years as needed. She stated either ITS can update the database, or the Retirement Office staff can be assigned to do it. Ms. Zemault indicated there was no problem as far as space, time limits or anything of that nature. Commissioner McCallum reiterated his question regarding legislative updates. Ms. Zemault responded the Retirement Office would have to track that information or ITS could build an interface, and if any data is input through the City it could be automatically tracked. Commissioner McCallum clarified his question is where would the information have to come from. Ms. Bhatia stated the information would have to come from the Retirement Office staff. Commissioner McCallum inquired if staff had the capability of obtaining the updates. Ms. Bhatia responded that staff is currently responsible for keeping track of legislative updates and changes in tax laws and rates, and then informs ITS of those changes.

Commissioner McCallum expressed, when looking at ITS and Pension Gold's product side by side there does not seem to be any advantage between the two except that one is an established system. Ms. Zemault responded that the major difference with ITS' product is that once information is entered it becomes fully automatic all the way through the system and does not have to be reentered. She also mentioned that currently there is no contract with LRS at DWP.

Mr. Moore commented that he suspects that one of the things impressing staff is the fact there is a much more fleshed out capability to be seen in a product already on the market, as opposed to ITS' product that is still being put together and in its early stages of development. He pointed out that one of the major issues is the desire to upgrade the retirement information system report. He inquired what was staff's confidence in the ability of one approach versus the other in getting what they want as soon as they need it. Ms. Bhatia stated she did not know a lot about systems, however it would be fair to say there probably is still a lot of work that needs to go into testing and developing the ITS system. Ms. Bhatia expressed whether or not any side systems are needed is irrelevant at this point. She stated from what staff saw at LACERS, the Pension Gold's product covers the major part of operations. Ms. Bhatia reported that unfortunately there has been one fire or another to put out in the Retirement Office's routine projects in connection with ITS. She expressed she would like to see a system be developed internally, but she does not have a lot of confidence in ITS due to their track record. Ms. Bhatia stated maybe ITS' product can be developed, but it remains to be seen. She reiterated Commissioner McCallum's comment that Pension Gold is an existing system and ITS' product is still in developmental stages. Commissioner McCallum expressed he liked the idea of having an in-house developed, owned, and operated system with staff being able to modify it to their particular needs.

Ms. Calvache inquired at what stage ITS' system was at. Ms. Zemault responded the system was at the development stage of Phase I and the target date for the implementation of that phase is in July. She explained the development was stopped because in November, December, and January the Retirement staff was not available to ITS because they were wrapping up 1099Rs. She added in February ITS was instructed by the Board to stop working on the system all together. Ms. Zemault clarified, with regards to the confidence level, there are two separate ITS teams working for the Retirement Office. She explained that one team performs maintenance and the other team is in development, and the maintenance team is the one always fighting the fires. Ms. Zemault returned to the audience.

Mr. Moore inquired of Mr. Deaton and Mr. Vazquez whether or not it is relevant to take into consideration the dollar amount of going outside versus the money that is already being spent in-house. Mr. Deaton responded it should be looked at from the Retirement Office's standpoint.

President Romero expressed he would be more comfortable using an off the shelf product that has been proven, tested and satisfaction has been shown by other pension plans, as opposed to a product still in development stages. He stated those members who have been part of the Board for a while have seen the problems technology can cause on an operation, and if things are not running smoothly it affects everyone. However, if there is an off the shelf product that works, why try to reinvent the wheel.

Commission McCallum inquired why Pension Gold was the only outside vendor seen by the Board. Ms. Bhatia responded that staff went to LACERS to see their system, which happened to be Pension Gold. President Romero commented that Pension Gold was the only company that was heard of, but if it goes to RFP other products will be found. Commissioner McCallum indicated he would like to see a more realistic range in terms of cost. He stated maybe an RFP would produce an actual cost and then the Board could make a comparison to ITS' product.

Mr. Vazquez moved that an RFP be issued on an expedited basis. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

15. Authorization for City Attorney Mary Jo Curwen to attend the NAPPA 2005 Legal Education Conference

Commissioner McCallum moved approval for City Attorney Mary Jo Curwen to attend the NAPPA 2005 Legal Education Conference. Seconded by Mr. Moore and carried unanimously after the following vote:

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

16. Retirement Plan Manager's Comments

a) DWP Plan Newsletter for Retirees (June 1, 2005, Edition).

b) General Items

<u>RETIREMENT PLAN MANAGER AND ASSISTANT RETIRMENT PLAN MANAGER</u>

Ms. Bhatia noted the Board had previously requested a status on the filling of the Retirement Plan Manager and Assistant Plan Manager within the Retirement Office. She stated a representative from the Human Resources office was present to provide the Board with an update on those positions.

Ms. Joan Becker-Freese (Management Analyst) of DWP's Human Resources Department approached the Board table.

President Romero recognized Ms. Becker-Freese.

Ms. Becker-Freese reported the bulletin for Assistant Retirement Plan Manager had been forwarded to the examination analyst, is scheduled to go out on July 8, and will be open until July 28. She stated the Retirement Plan Manager examination bulletin came out on May 20 and will remain open until a sufficient number of applications have been received. Ms. Becker-Freese reported there is a major recruitment effort by the Personnel Department. The job has been listed on nine different websites, is advertised in the Los Angeles Business Journal and letters are being sent out to 13 different university career centers and alumni associations. She stated so far Personnel has received eight applications, four promotional four are from open candidates. She further stated the applications required review before they can be accepted. Commissioner McCallum inquired how long is the process open until it is deemed a sufficient amount of candidates. Ms. Becker-Freese responded City Personnel feel that approximately 20 applicants is a good size pool. Commissioner McCallum inquired if there was a set timeframe in case 20 applicants has not been received. Ms. Becker-Freese responded if it goes on for months then City Personnel would close it and move forward with the exam process. Commissioner McCallum requested this item be reported at every Board meeting until the positions have been filled. He then inquired if the recruitment effort does not work, does Personnel ever use recruiters. Ms. Becker-Freese responded that Recruitment Division in the Personnel Department is handling the recruitment efforts. Commissioner McCallum inquired if recruitment has gone out to the MBA's Association throughout. Ms. Becker-Freese responded in the affirmative and returned to the audience.

Ms. Calvache inquired if the process for Assistant Plan Manager emergency appointment had been completed. Ms. Bhatia responded the process had been completed and the packages were under review by the administrative support.

AUDIT COMMITTEE MEETING

Ms. Bhatia reported the Audit Committee Meeting would be scheduled soon, adding the RFP and RFI needing reviewing.

17. Future agenda items

Mr. Vazquez requested staff look into when and why the City allows employees to put other monies into their Plan so that all of the employee's retirement assets are in one place and then present it for the August Board Meeting. He also requested information on the administrative cost, participation, and what, if any, additional administrative cost DWP would expect to incur to consider something like this. President Romero inquired if this would be a Plan change. Ms. Bhatia responded if this was something that is not currently in the Plan it would be a Plan change. President Romero commented it would be a "meet and confer," and did not think it should be discussed until labor and management agree on it. Mr. Vazquez clarified he wanted the information presented to the Board just for an understanding. Ms. Bhatia commented the issue deals with additional contributions, and staff would get the information for the Board.

The Board meeting was adjourned at 12:15 p.m.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLON
Recording Secretary