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

MINUTES – January 18, 2006

Present:

Javier Romero	President
Lilly Calvache	Vice-President
Michael Moore	Retiree Member
Eugene Canzano	Board Member
Ron Vazquez	Chief Financial Officer

Absent:

Forescee Hogan-Rowles	Commissioner
Ronald Deaton	General Manager

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Irene Colon	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Mike Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:33 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

Mr. Milorad Marinovich (DWP retiree) approached the podium.

President Romero recognized Mr. Milorad Marinovich.

Mr. Marinovich stated he has been retired for approximately 14 years. The first half of his career was with the City of Los Angeles and the last half with DWP, totaling 23 years. His ex-wife, at the time of their marriage, worked for the City of Los Angeles and they separated in December of 1987. He indicated that in the divorce settlement, finalized in March of 1989, he was to get part of his ex-wife's pension and she was to receive part of his upon their retirement. However, his ex-wife passed away on November 28, 2005, and now he will no longer be receiving part of her pension. Mr. Marinovich stated he was instructed by the DWP Retirement Office to bring in a death certificate, which he did. He further stated the City Attorney's Office, along with two other people reviewed the certificate and the divorce papers, and he was told he was not entitled to receive any of his pension. He was further told it would all go to his ex-wife's estate. Mr. Marinovich stated he did not understand his ex-wife's beneficiaries receiving the death benefit from the City of Los Angeles and the part of his pension this ex-wife was to receive. He then inquired why his ex-wife's beneficiaries should receive a part of his retirement pension upon her death. Mr. Marinovich stated he was told by his attorney, at the time of the divorce, his pension would automatically revert back to him in case of a death, although this is not stated in the divorce papers. He added he was never told differently until now. Mr. Marinovich reported he would lose approximately $6,300 a year in income, which is vital for his support. He requested answers and a decision by the Retirement Board in writing.

Mr. Moore inquired if the Retirement Board would be receiving a report from staff regarding this issue. Ms. Bhatia responded she would work with the City Attorney's Office and get back to the Board.

President Romero reported items 1 through 8 were submitted for consent approval as follows:

1. **Approval of Board Minutes of December 7, 2005**
2. **Termination from Monthly Rolls as of January 2006:**
   Retirement Resolution for January 2006
   Resolution appointing Jeannie L. Brown as trustee for minor children Hannah Champion, Matthew Champion, Rachael Champion and Seth Champion, children of Dale T. Champion (deceased)
   Resolution terminating Robert L. Webster from the December 2005 Permanent Total Disability Roll as a result of his death
   Resolution terminating the following from the January 2006 Family Death Benefit Roll: Belinda Blaney (remarried 7/9/05), Jose Martinez (attained 18 years of age), Amanda Elliott (attained 18 years of age)
   Resolution terminating Robert Albrecht from the November 2005 Family Death Benefit Roll as a result of his death
   Resolution appointing LaShaun Davis as trustee for minor child, Deon L. Webster, child of Robert L. Webster (deceased)
3. **Report of Payment Authorizations as of December 2005**
4. **Notice of Deaths for December 2005**
5. **Report on Status of Insurance**
6. **Summary of Investment Returns as of December 31, 2005**
7. a) **Market Values of Investments by Fund and Month**
   b) **Market Value of the Retirement, Death & Disability Fund as of December 31, 2005**
8. **Response to Public Comments**
   a) **Response to Public Comments by Retirement Staff Member Ms. Merle Greene on December 21, 2005**
   b) **Response to Public Comments by Mr. Ron Young on December 21, 2005**

Mr. Moore referred to the footnotes on page 6.2 of the agenda package, wherein it states the policy benchmark is comprised of 35% Lehman Universal, 15% MSCI

ACWxUS, 495 Russell 3000, and 1% T Bills. He then inquired why the actual weighting of the Plan's portfolio is not being used against the various benchmarks that make up the portfolio.

Ms. Bernstein approached the podium. President Romero recognized Ms. Bernstein.

Ms. Bernstein explained that the Plan's overall policy benchmark should reflect each segment of the asset allocation. Mr. Moore inquired if the make up was essentially identical to the policy weightings. Ms. Bernstein responded in the affirmative. She explained for domestic equity the overall is the Russell 3000 and the sub-benchmarks indicate large cap, small cap, growth, value, which are all components of the overall benchmark. She further explained that one could aggregate the smaller pieces, but it is cleaner to have the broader benchmark because it gives a broader sense of the overall asset class in each case.

Mr. Moore referred to a chart on page 5.1 of the agenda packet listing the insurance status for the various managers. He noted the footnotes suggest that as of January 9, 2006, there were a number of managers who were going to submit certificates of insurance. He then inquired if there had been any significant changes since that date.

Mr. Avery Neaman and Ms. Madeline Ramirez from Risk Management approached the Board table. President Romero recognized Mr. Neaman and Ms. Ramirez.

Mr. Neaman introduced Ms. Ramirez as a Risk Manager for contracts and indicated she worked in the area of proof of insurance, and also produces reports on a biweekly basis. He indicated Ms. Ramirez had just informed him the footnotes were added by the Retirement Office staff. Ms. Bhatia responded the footnotes were based on staff's follow up with each of the investment managers and there have been no updates since the date of the report. Mr. Moore noted that a number of the managing firms were now in compliance. Mr. Neaman attributed this to the Retirement Office staff's efforts.

Mr. Moore moved the above items 1 through 8 be received and filed. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

9. Revised insurance provisions for existing and future Investment Management contracts (deferred from December 21, 2005)

Mr. Moore indicated he did not understand Attorney Wilkinson's response regarding revised insurance provisions for existing and future investment management contracts, because he stated existing contracts would not be changed. Attorney Wilkinson clarified his statement meant that the contracts would not be changed in terms of anything that is an increased burden for the investment managing firm. However, it would be okay to lower the terms. Attorney Wilkinson stated it was his understanding that lowering and increasing some items in the contract had been proposed. Mr. Moore inquired if the Board had proposed any increases. Mr. Neaman responded the increase is that the managers are required to provide all available coverage limits that they procure in a normal course of business. He added the Plan requires $50 million but a lot of the firms carry more than this. Attorney Wilkinson informed the Board if coverage limits are different from what the managers signed in their original contract then the new terms would have to be applied when the contract is renewed.

Mr. Moore inquired what staff's recommendation was because Resolution 06-40 states that provisions would be made effective upon renewal of contracts and not until then. Ms .Bhatia responded this was correct. Mr. Moore inquired if this is what staff was recommending as opposed to Resolution 06-32, which would make the provisions effective immediately. Ms. Bhatia responded in the affirmative, except for the waiver of subrogation, which was communicated to all of the investment managers. Mr. Moore inquired if there was a reason staff is not recommending making all of the provisions effective immediately. Ms. Bhatia responded it is basically going along the lines of what Attorney Wilkinson stated earlier, which is asking investment managers to show proof of the larger amounts of insurance they carry and explained this would be a change from what they have been expected to show so far. However, the change in the waiver of subrogation clause does not add any additional burden. Ms. Bhatia reported most of the contracts will be coming up for renewal or an RFP would have to go out within the next year or two. Therefore, it is best to be consistent and apply it across the board. Mr. Moore suggested another approach that could have been taken is to word the resolution so that it would apply currently with the exception of any change that would increase the requirement of the managers. Mr. Moore inquired if PCA was comfortable with the current resolution.

Ms. Bernstein approached the podium. President Romero recognized Ms. Bernstein.

Ms. Bernstein responded that Mr. Neaman and staff were much closer to the details. She stated PCA's concern is if there are managers being required to do something that is onerous to them. She recommended, if there were still issues of managers meeting the insurance requirements, rewording the policy along the lines of Mr. Moore' s suggestion so that lower standards could be implemented effective immediately. Ms. Bernstein expressed she was comfortable either way as long as it is not causing the Plan problems.

Mr. Moore inquired of Mr. Neaman if he was currently having or anticipating any further problems with respect to these issues now that the waiver of subrogation issue was taken off the table. Mr. Neaman responded in the negative. However, when the renewals or the new contracts are negotiated, the issue regarding the requirement of all available limits may be an issue of contention. He added it could not be implemented unilaterally because it is a two party contract in which one party cannot make unilateral changes without concurrence of the other party. Mr. Neaman commented that he is still continuing to receive waiver of subrogations from some investment management firms. Mr. Moore expressed he would be comfortable in changing the wording of the resolution to make the provisions effective now in those instances it would not be an increase in requirements and making no changes until renewal of the contract for those provisions that would increase the requirements of the managers.

Mr. Vazquez pointed out that the only two paragraphs in Resolution 06-40 that would be affected by this was the second “Whereas” having to do with the professional liability coverage and the next to last “Whereas” which addresses when these would be effective. He expressed his belief that it has been a problem for some of the carriers with regard to professional liability at $50 million. He added a number of the firms have had to get letters of credit to support their normal limits. Mr. Vazquez suggested the Board relieve the managing firms of this burden now, rather than waiting until the contract expires. President Romero inquired what Mr. Neaman felt about this. Mr. Neaman responded he was comfortable with this. He added the letter of credit only applied to Merrill Lynch, who has a $25 million letter of credit, and the Board had already agreed to reduce Earnest Partners’ limits to $15 million.

Mr. Vazquez noted that Mr. Neaman stated Intech was also looking at a letter of credit and inquired what it was for. Mr. Neaman responded Intech’s letter of credit was not for limits, but they increased their deductible from $2 million to $5 million. He added this is a self assumed portion and not a limit issue.

Mr. Vazquez recommended changing the language to reflect immediate relief for professional liability insurance. President Romero inquired if the Board wanted to make a motion now or wait for the changes to be made. Mr. Moore responded he did not think there was anything pressing the Board at this moment regarding this issue and they could wait for staff to bring back a clean resolution. He then suggested rewriting the insurance provision to propose all the requirements, with the exception of the increases in coverage, be incorporated as part of that resolution. Ms. Bhatia stated staff would bring a clean resolution.

Mr. Moore noted that Mr. Neaman indicated in the past that the DWP Plan has a different evidence of insurance requirement than what is considered the “industry standard”. He then inquired if the reason for that difference was due to a City Attorney or Risk Management requirement difference, and what are the differences in terms of the important issues. Mr. Neaman responded that there were some historical issues going back to 1978, which was the dawn of Risk Management in the City. He stated it was determined, at that time, in conjunction with the City Attorney, that the standard industry accepted proof of insurance form (certificate of insurance) is not a legal document and cannot confer any status on the City. This status is additional insured, loss payee, waiver of subrogation, and notice of cancellation. He explained that those are legal rights the Department gets on investment manager’s policies and cannot be conferred by a certificate of insurance and are informational documents only. He stated the Department’s documents are legal documents and are designed to be amended and/or endorsed to the policy of the investment manager. Mr. Moore inquired, when Mr. Neaman uses the term “industry standard certificate”, does that mean other companies like General Motors, GE, etc. are accepting them, while the Department is not. Mr. Neaman responded undoubtedly they are if they do not have more sophisticated programs. Ms. Ramirez commented that other companies do accept them but the risk management professional conferences always recommend using endorsements and not certificates. Certificates are not worth the paper they are written on and do not give any legal rights, where endorsements are a legal change to the policy. She explained that this is the only protection one really has to force the vendor’s carrier to pick up the defense and provide the coverage they promised if a claim is brought against you. Mr. Moore inquired if the City Attorney's Office had the same views on this. Attorney Wilkinson responded he would have to do some research as to exactly what the other plans do. But he believes they do use certificates of insurance. Mr. Neaman responded that nonproprietary departments or council controlled departments where they have nonprofessionals, do accept certificates of insurance and they are simply received and filed. But since the proof of insurance issue used to be handled by the City Attorney, the Bonds and Insurance section was recently transferred to CAO Risk Management. Neither has ever accepted proof of insurance on certificates of insurance, nor does Harbor or Airports. He reiterated that the certificate states "this document is issued as a matter of information only and confers no rights on the certificate holder". Mr. Neaman explained this is why the Department and the professional managers in the City do not accept certificates of insurance.

Mr. Moore requested further input from the City Attorney's Office on this issue. He stated the reason for his request is if Water and Power Employee's Retirement Plan (WPERP) is particularly unique in terms of its requirements compared to what is the "industry standard" he would like to know there is a substantial legal reason. However, if there are good legal reasons, as Mr. Neaman is suggesting, then the Board should continue to employ such a policy. Attorney Wilkinson inquired if Mr. Moore was referring to the certificate of insurance issue or insurance for a pension plan in a larger sense. Mr. Moore clarified he was referring to the certificate of insurance versus proof of insurance.

President Romero inquired if there was a problem with some of the Plan's vendors or money managers with respect to endorsement versus certificate. Mr. Neaman responded there has never been an ultimate problem because there is a fallback if an insurance carrier is insistent they will not complete the City forms. At that point, a certified copy of an insurance policy is requested, which is even more stringent. President Romero stated at a certain point the Board needs to weigh the risk to the Plan as opposed to what is easiest to accomplish.

Mr. Vazquez inquired if most insurance companies are willing to provide a certified copy of an insurance policy. Mr. Neaman responded that this was standard. Mr. Vazquez expressed that if a certified copy of the insurance policy or a completed City form (endorsement) is acceptable then having the City Attorney research this is a moot point. Mr. Moore responded it is his understanding that the certified copy of the insurance policy is fairly standard in the industry. Mr. Neaman noted that it was more time consuming for Risk Management to approve the company's policy as opposed to completing a one page form. Mr. Moore inquired if the companies are aware they have an option. Ms. Ramirez responded that this is indicated on the website. Mr. Moore expressed he was inclined to work within the industry standard and was still interested in what the City Attorney has to say.

Mr. Neaman commented, with regards to policies, occasionally we get into confidentiality issues. He stated this had become very significant due to the California Public Records Act. Previously he was able to sign confidentiality agreements indicating that if he was ever to release a policy he would have to give advance notice. But now he just has to release the policy and this has become an issue. Occasionally companies will say this is proprietary information and do not want to submit it. However, if they do submit it they do not want the information released.

Ms. Calvache inquired why it is so difficult for money managers to provide an endorsement. Ms. Ramirez responded that often times the insurance carriers are on the East Coast. She explained that if the assigned agent is on the West Coast and has authorization on behalf of the carrier to fill it out, there is no problem. But if this is not the case then everything has to go back to the home office. Ms. Ramirez explained that the certified copy of the policy is not just their generic specimen policy that is shown to all of their insurers with broad terms and coverage, but is specific to that company. She indicated this takes the managing firms more time as well, but it is on their paper and the company feels more comfortable with this.

10. Discussion and possible revision of insurance requirements for the Request for Information (RFI) for the Integrated Pension System (Computer System) for the Retirement Office

Ms. Ramirez reported she conducted the risk assessments several months ago and since then discussed it further with the Retirement Office staff. She expressed her comfort level was $10 million on crime liability insurance. She stated that previously she had the understanding this system was going to somehow manage the $6 billion versus the $27 million a month that it will actually be managing. Ms. Ramirez expressed her opinion that the $10 million is appropriate. She added that for crime the premiums were very high. Ms. Ramirez explained that usually there are two reasons for this: 1) the company has had losses and the carrier wants to raise premiums for additional coverage, or 2) the industry has experienced losses. In spreading out that risk the premiums are higher for excess coverage. Ms. Ramirez stated in trying to balance between not being overly burdensome to the vendor and at the same time trying to protect the assets, she lowered the insurance requirements to $5 million, which is the lowest she would recommend to the Board. She reported $27 million a month is quite extensive and there has been a case of embezzlement in the City of up to $2.5 million before it was discovered. President Romero inquired how $27 million was determined. Ms. Bhatia responded that was approximately the disbursements per month for payroll and other benefits like disability and death benefits. Ms .Bhatia informed the Board that an RFI was sent to 10 different vendors. As a result of changing the insurance requirements the RFI will be updated and re-advertised and the deadline extended by three to four weeks. She added, if there are any vendors that may not have qualified as a result of the higher limit then they will be in a position to apply as well.

Mr. Vazquez noted that Ms. Ramirez was discussing embezzlement and it was his understanding that the issue is replacing the current system. He stated the Board would have control of the administration of the Plan and would not be giving access to funds or anything else to any outsiders. Therefore, he did not understand where there was an opportunity for a loss. Ms. Bhatia responded, in discussions with Ms. Ramirez, it was brought up that during the process of implementation there may be some exposure. Ms. Ramirez responded that software can be very creative and a company can manage to write in something in the software that is undetected. Mr. Neaman clarified that in writing software for the system, a company will have direct or indirect access to checks that are going to be cut to retirees or employees on disability. Consequently, with some creativity, there is risk, and there has been history of it.

Mr. Moore commented there were going to be contracts coming before the Retirement Board in the future for different types of vendors in different industries. He expressed it is important that staff looks at what the standard is in the industry for the particular vendor we are working with. Mr. Moore stated in going above those standards there lies the potential of cutting out players that could submit a competitive price for their product during the bidding process. He stated he would expect Risk Management to recommend the strongest coverage they can get. However, it needs to be balanced against the operating needs, and staff should keep this in mind when listening to the insurance recommendation.

Mr. Canzano inquired if it is known we would be increasing or decreasing the bid pool by going from $10 million to $5 million, or is it an arbitrary reduction and the $10 million was onerous. Ms. Bhatia responded, at this point the insurance provision was just being reviewed. She added, until we put the information out there we do not know if the pool will increase. Ms. Bhatia stated that staff intends to re-advertise the RFI in *Pensions and Investments* and then inform the firms that had been sent the RFI. President Romero inquired if responses had been received from the RFI that was initially sent out with the $10 million requirement. Ms. Bhatia responded in the negative. President Romero then inquired if an amended version of $5 million was being sent out. Ms. Bhatia responded in the affirmative. President Romero inquired why there had not been any responses to the RFI yet. Ms. Bhatia responded there was still time for responses. She added the deadline was not until the end of January and will extend until the end of February, as a result of the changes being made. She stated staff has received a few questions from firms who have received the RFI, but nothing related to insurance.

Mr. Moore moved the amending of the insurance requirements for the RFI for an integrated pension system for the Retirement Office. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

Mr. Neaman and Ms. Ramirez left the Board meeting.

11. WPERP Proxy Voting Policy and Procedures – Issues for Discussion

Ms. Bernstein approached the Board table.

President Romero recognized Ms. Bernstein.

Ms. Bernstein reported the Retirement Board had received educationals regarding the proxy voting issues and a memorandum was included in the agenda package to re-raise the issues. She stated the Board was in a position to start thinking about how they want to go about changing/or not changing their existing proxy voting procedures and policies. Ms. Bernstein indicated the main issue was the process and whether the Board wants to entertain an outside proxy voting service to handle the current procedures that have been outsourced to the money managers.

Ms. Bernstein stated, in terms of going forward and looking at the details of the proxy voting individual policies, she recommends the Board consider joining the Council on Institutional Investors (CII). She indicated the council is a useful forum that provides regular coverage in their independent perspective on Proxy issues on an annual basis.

Ms. Bernstein stated if the Board did decide to go with an outside service, one of the main reasons to do so would be because of the work involved with the number of managers there are now. She also mentioned that the Securities & Exchange Commission (SEC) has recently stated they will be looking into proxy voting services. So if and when the Board decides they want to start going down that path they should be very cognizant of the potential conflicts of the providers and weigh this as part of the decision making process.

Mr. Vazquez inquired about the cost of membership to the Council on Institutional Investors. Ms. Bernstein responded she would get that information back to the Board, adding the Council holds two annual conferences a year. Mr. Vazquez commented that the other pension plans are all charter members of that council and suggested finding out more about the organization so that WPERP has the same information available to them. President Romero inquired if this was just a resource group and not a service. Ms. Bernstein responded in the affirmative.

Mr. Vazquez referred to page 11.7 of the agenda package where it sates LACERS and Fire & Police Pensions used Institutional Shareholder Services (ISS). Ms. Bernstein clarified, since the memo had been originally written, there had been some consolidation in the industry with Investor Responsibility Research Center (IRRC) joining ISS. She added there was also a few more proxy voting service providers that have sprung up since the report was written. Mr. Vazquez noted that the cost of LACERS using ISS's service was approximately $26,000 and suggested the Board consider using this type of service also.

President Romero inquired if the Board gives direction on how they would like to vote or do they vote according to what their policy states. Ms. Bernstein stated anytime a service provider is brought in they will detail how their firm works with each client. However, it is the Plan's policy. She explained that the firm will have recommendations on each issue and the Board can either accept them or state their own policies, and the firm will in turn vote them according to your policy. President Romero expressed that an outside service would be best, considering the volume the Plan is going through. He then suggested the Board receive a lot more education regarding proxy voting and how to form a policy that will be delegated to an outside provider. Mr. Moore commented, based upon input from one of the Plan's investment managers, there are contradictions in WPERP's existing proxy voting policy and procedures, and some problems in terms of voting it. He added the WPERP's current policy has not been updated for almost six years and their have been some significant changes that have take place during that period.

Mr. Canzano pointed out that the current policy votes against code of conduct and equal opportunity employment issues. He then expressed it was significant that the Board take a policy against staying out of this. Mr. Canzano inquired if the conference PCA is recommending addresses these issues and also give the Board something to work from. Ms. Bernstein responded the Board could take the existing policy and join CII and get their current list of positions on the hundreds of different policies. She stated staff could also compare WPERP's existing policy to what the CII positions are, and look at other City policies as a benchmark. Ms. Bernstein recommended a report be submitted to the Board reflecting the highlights of where the policy is out of date and how it compares to the policies of other pension plans as of January 2006. Ms. Bernstein also suggested when the firms come before the Board during interviews to have them look at the Plan's existing policy and compare it to theirs.

Mr. Moore commented, to his understanding, it may be more efficient to the Board and staff, if the firm that is hired goes through the policy and points out where it is out of date. At that point, the Board can make decisions. Ms. Bernstein agreed that Mr. Moore's approach would be less onerous.

President Romero inquired if the International Foundation has a proxy seminar. Ms. Bernstein stated she would check. Mr. Vazquez requested that staff submit information regarding the CII with regards to what they provide to their members, the cost of membership, and a resolution to join if the Board so chooses. Ms. Bhatia informed the Board that currently the proxies are voted by the individual investment managers, and staff receives reports form Mellon Bank as to how the proxies have been voted. She stated staff then reviews the report and verifies the votes are in compliance with WPERP's proxy guidelines, which needs updating (particularly in terms of the international equities). Mr. Vazquez also requested a listing of the proxy voting service providers that are available and their approximate cost of so the Board can determine if they want to send out an RFI. Mr. Moore suggested issuing an RFI right now.

Mr. Moore moved the preparation of an RFI for proxy voting service providers. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

Mr. Vazquez inquired why the SEC is investigating the proxy voting services. Ms. Bernstein responded proxy issues have become an important shareholder issue. She stated for example, ISS provides proxy services to money managers as well as to their clients. Consequently, there lies a potential conflict in terms of the advice they are giving. Ms. Bernstein informed the Board that while going through the RFI process it was important to ask questions about disclosure.

12. PCA's draft of the Manager and Policy Development and Review Schedule for the year 2006

Ms. Bernstein stated she wanted to give the Board a sense of what PCA is thinking about for the coming year in terms of major issues, and also a standard schedule for continuing the manager presentations. She stated at some point, possibly at the end of the year, the Board should start doing a broad structural review of the large asset classes. Mr. Vazquez inquired what a structural review of an asset class was. Ms. Bernstein responded it included looking at all of the managers, the structure of the investments they are holding, and all of the attributes of the overall asset class (book value, returns, and proper diversification).

President Romero requested Ms. Bernstein review the plan for looking at alternative and real estate investments for the year 2006. Ms. Bernstein stated this was not specified in the schedule because they are going to be on an opportunistic basis. She stated the first meeting for an update in real estate is scheduled for February and will cover the core value. She further stated, now that the policies are all in place, the hedge funds will probably be done as an overall RFP or RFI in the second quarter. The fund to funds on the private equity side will come throughout the year, one in the first or second quarter and then going forward.

President Romero reminded Board members that since Retirement Board meetings are being held twice a month they should check to see if any potential conferences will conflict with the meeting dates and alert staff.

13. Retirement Plan Manager's Comments

a) Report on Retirement Office Issue

Ms. Bhatia indicated there was a report included in the agenda packet regarding overpayments to four individuals which is in the process of being recovered.

Ms. Bhatia reported the 1099Rs were being printed today and are expected to be mailed out next week. President Romero requested the Board be updated on the progression of the 1099Rs.

Ms. Bhatia reported, with regards to personnel transactions, staff is still following up with the Employment Services group concerning the Chief Investment Officer and Investment Officer II position, as well as the administration position. She stated staff is also working on the IT positions that were already budgeted for the computer system currently being advertised.

Ms. Calvache inquired if ITS was contacted regarding the overpayments, and how can this be prevented from happening again. Ms. Bhatia responded that the overpayments were identified as a result of reports from ITS. She stated the issue was discussed internally, and there are procedures in place. Unfortunately, there was inadequate oversight over the process and it was discovered by the audit at the end of year. Ms. Bhatia explained there was absenteeism and vacancies at very critical levels in the Retirement Office at the time this occurred. She informed the Board she was addressing all of these issues, ensuring the controls in place work in a timely manner, and adding other procedures to strengthen the controls.

Ms. Calvache inquired about the Retirement Plan Manager position because it was her understanding that the cert would be expiring soon. Mr. Vazquez responded there was a delay in scheduling interviews until Mr. Deaton returned. He stated this was something Mr. Rozanski would be discussing with Mr. Deaton who returned today. Mr. Vazquez inquired if anyone had spoken to President Romero regarding this issue. President Romero stated that he and Ms. Calvache inquired as to what the process was going to be. He expressed, as a Board, we should have some knowledge of what is going on and be a part of the process. Mr. Vazquez suggested that President Romero meet with Mr. Deaton on behalf of the Board to discuss it. President Romero agreed.

Ms. Calvache inquired about the Assistant Retirement Plan Manager position. She expressed the proper thing would be to hire the Plan Manager before hiring the Assistant Plan Manager so that person can be involved in the process. She then inquired if this position was going to be put on hold also. Ms. Bhatia responded a certification was sent out for Assistant Plan Manager, but she is not involved in that process. She stated the expiration date for the certification expires later than that of the Retirement Plan Manager. She added the General Manager's Office is involved in the hiring of that position also.

b) DWP Plan Newsletter for Retirees (January 1, 2006, Edition)

Ms. Bhatia reported the Board had already received a copy of the January 1, 2006 Newsletter for DWP retirees.

c) General Items

The Board meeting was adjourned at 10:55 a.m.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLON
Recording Secretary