

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

MINUTES – March 15, 2006

Present:

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

Absent:

Ronald Deaton	General Manager
Javier Romero	President
Forescee Hogan-Rowles	Commissioner

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Rodelio Abarro	Assistant Retirement Plan Manager
Irene Colon	Recording Secretary
Pamela Alsterlind	Pension Consulting Alliance
Michael R. Wilkinson	Deputy City Attorney

Chairperson Calvache called the meeting to order at 8:05 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

Chairperson Calvache reported items 1 and 2 were submitted for consent approval as follows:

- 1. Approval of Board Minutes for February 1, 2006 (Regular Board Meeting)**
- 2. Termination from Monthly Rolls as of March 2006:
Retirement Resolution for March 2006
Termination of Thomas J. Preimesberger from the March 2006 Permanent Disability Roll (deceased)**

Mr. Canzano referred to page 6, item 5 regarding the Retirement Board election and his previous question about signatures being required from the various groups. He

indicated that nothing in the package released by the City Clerk references any requirement that the nominating signatures be from the respective organizations. He then inquired if this would present any problems. Ms. Bhatia responded that it should not present a problem. She stated this was discussed briefly at the last meeting. She reiterated that the petitions can be from anyone in the organization (based on the rules). However, only one person can nominate one candidate.

Mr. Moore moved adoption of the above items 1 and 2 on consent. The motion was not seconded by a Board member and therefore the vote was not carried.

Chairperson Calvache inquired if there were any public comments.

There were no public comments.

3. Report of Payment Authorizations as of February 2006

4. Notice of Deaths for February 2006

5. Report on Status of Insurance

6. Summary Investment Returns as of February 28, 2006

a) Market Value of Investment by Fund and Month as of February 28, 2006

b) Market Value of the Retirement, Death & Disability Funds as of February 28, 2006

c) Investment Returns as of February 28, 2006

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

Ayes: Calvache, Canzano, Vazquez and Moore

Nays: None

7. Update from Human Resources on positions in the Retirement Office

Ms. Bhatia introduced item 7 as an update from Human resources on positions requested in the Retirement Office. She indicated Sharyl Anderson from the Human Resources Business Unit was present to speak to the Board. Ms. Anderson approached the Board table.

Chairperson Calvache recognized Ms. Anderson.

Ms. Anderson reported the Human Resource Business Unit received a request to bring over the Chief Investment Officer classification and to add an Investment Officer II level DDR, which required the revision of the Investment Officer I DDR to make the distinction between the two. She stated this recommendation was approved by Human Resources and forwarded to Michelle who also approved it and it was then forwarded to

Labor Relations. Ms. Anderson outlined the process stating that Labor Relations will be reviewing Human Resource's conclusions, establishing final DDRs for all of the classifications, and request City Personnel to review the DDRs to ensure they are consistent with the class specification. She stated Labor Relations will then develop a Board package that will bring the classification over and also add the new Investment Officer II DDR and the revised Investment Officer I DDR. Ms. Anderson explained the report will need the City Attorney's signature and Labor Relations estimates that this could happen in approximately two to three weeks. Once the whole package is approved they will give it to the General Manager to review, approve, and schedule for the Board meeting. She estimated that Labor Relations would take three to four weeks on their end. Consequently, the best case scenario in getting the finalized classifications back would be the end of April, taking into consideration that everything goes well with getting the proper signatures at Personnel and the City Attorney's Office. Ms. Anderson stated once the Board report is approved, the requested investment positions will be added to the Department's annual personnel resolution, the positions will have to be allocated, and then the Retirement Office can fill out the paperwork to fill the positions.

Ms. Bhatia inquired how long the allocation process takes. Ms. Anderson responded there was a schedule for the allocation process because Human Resources has to work with the City Personnel. She stated if Human Resources receives the paperwork on the date indicated on the schedule and it is complete then it will go to the Board, usually three weeks before the Board meeting and another week for review. She added the important thing is for her office to have all the information.

Mr. Canzano inquired when there would actually be a person in the position. Ms. Anderson responded that once the position is allocated the Retirement Office would have their interview package all together and move forward, so worst case scenario would be two months from April. Chairperson Calvache pointed out this was cutting things really close to the new fiscal year, and inquired how this would have an impact since the positions were allocated for last year's budget. Ms. Bhatia responded that staff would continue to show the positions on the next fiscal year's budget. Ms. Anderson commented that the Retirement Office could submit their allocation to Human Resources now and this would give them a chance to review it and save some time.

Mr. Canzano inquired if Ms. Anderson had any ideas on how the positions could be legitimately fast tracked. Ms. Anderson responded that Labor Relations and everyone else involved is aware these positions need to be expedited.

Ms. Bhatia inquired if Ms. Anderson was going to discuss the Utility Administrator position also. Ms. Anderson responded that Employment Services received an allocation request for a Utility Administrator III. She explained that since this was upgrading the Utility Administrator I, it ended up being a full blown job audit. Human Resources reviewed the upgrade request, prepared and submitted the draft report to Michelle Nagin (Director of Human Resources) who reviews it and usually has questions or wants clarifications made. Ms. Anderson indicated that Ms. Nagin did come back with questions and Human Resources was in the middle of trying to get the answers when they received the news that the Retirement Office was going to go ahead and fill at the Utility Administrator I level. Consequently, Human Resources did not move forward. Ms. Anderson indicated that in the conversation that Ms. Nagin had with Mr.

Rozanski, ultimately what is planned is to have a Utility Administrator III and I. However, due to this new information, Human Resources will have to revisit it and will need a current proposed organizational chart because initially they were looking at it based on an upgrade from a I to a III. Ms. Anderson explained that once this information is received from the Retirement Office, Human Resources will start moving forward with the job audit and keep everyone advised as things progress. Ms. Bhatia stated the Retirement Office had not heard back on the reallocation request for a Utility Administrator III. She clarified last year when the request was submitted there was a Utility Administrator I in the budget and it was decided to utilize and freeze that position and request a reallocation for a Utility Administrator III. Since the Retirement Office does not have any administrative support it was decided to go ahead and at least fill the position with a Utility Administrator I because we had not heard back on the status of a level III. Ms. Calvache inquired with regards to the hiring of a Utility Administrator I, after the organizational chart is checked, an audit is completed, and it is determined a Utility Administrator III should fill the position, will there be an additional administrator hired or will the same one be moved around. Ms. Bhatia responded there are a number of vacancies within the Retirement Office that can be budgeted for an Administrator III and this could be accomplished by freezing another vacant position. Ms. Calvache inquired how this would impact the Human Resource Business Unit. Ms. Anderson responded that Human Resources would need a concrete organizational structure for the Retirement Office because the previous structure did not reflect a Utility Administrator I, only the III. She added that when Human Resources performs job audits they do not just look at the position for the particular business unit, but also compares it to the responsibilities and span of control of Utility Administrator IIIs in other organizations (Power and Water). Ms. Anderson recommended another option of filling the Utility Administrator I position and, if later a level III is necessary, then request an upgrade at that time.

Ms. Calvache inquired why the Utility Administrator I position was never filled. Ms. Bhatia responded that the Retirement Office was not adding positions and felt that a level I was not the appropriate level for the organization, which was the reason for the request of the reallocation to a level III. However, since we are now close to the next fiscal year, the level I is already in the budget, and the Retirement Office had not heard back about the level III, we are trying to move forward in getting the position filled. She added that the Retirement Office has been getting borrowed support from other organizations and it is not working. Ms. Anderson inquired what Ms Bhatia meant when she stated "we have not heard back" because Human Resources did not receive the request that long ago. Ms. Bhatia clarified she meant she had not heard back on the reallocation to the Utility Administrator III position.

Ms. Calvache inquired if there was a contact person to follow up with on where things stand with regards to the Chief Investment Officer and Investment Officer positions. Ms. Anderson responded that the Board could contact her or Peter Lakatos (Labor Relations).

Mr. Canzano inquired what the timeline was to fill the Utility Administrator I position. Ms. Anderson responded that the position is allocated because it was previously occupied, so all that has to be done is to put in a request to fill and certify the list. Ms. Bhatia commented the process should take approximately four weeks. Ms. Anderson

suggested also circulating the position opening by management letter to anyone, even though it is not a promotion. She explained there might be Utility Administrators I that would be interested in transferring to the Retirement Office. Also, the list could be certified simultaneously. The Board thanked Ms. Anderson and she left the Board meeting.

8. Approval of July 1, 2006, Annual Cost of Living Adjustment (COLA) for Eligible Recipients of Monthly Benefits from the Water and Power Employees' Retirement Plan (WPERP)

Ms. Bhatia explained that the Plan provides for an Annual Cost of Living Adjustment (COLA) for eligible recipients of monthly benefits from the Pension Plan. She stated the maximum actual cost of living increase permitted is 3%. Ms. Bhatia reported this year the increase in the Consumer Price Index (CPI) for July 1, 2006, was determined to be 4.5%. She indicated this information was reviewed by the Director of Internal Audit and their response is included in the Board package. Ms. Bhatia pointed out that there was also a resolution in the Board package authorizing an increase of the cost of living of 3% as well as provides authorization to add the 1.5% (4.5% - 3%) into the COLA bank for recipients.

Mr. Vazquez moved approval of Resolution 06-49. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Calvache, Canzano, Vazquez, and Moore

Nays: None

9. Resolution to authorize the plan to invest assets for the Death and Disability Funds in the Montgomery Commingled Fund with changes to the guidelines previously adopted by the Board

Ms. Bhatia informed the Board that item 9 was the same item that was discussed at the last Board meeting. She stated the decision was incorporated in the resolution and it serves to ratify the action that was taken at the last Board meeting. She added it concerns the authorization to invest assets for the Death and Disability Funds in the Montgomery Commingled Fund with the changes that were discussed.

Mr. Moore moved approval of Resolution 06-50. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Calvache, Canzano, Vazquez, and Moore

Nays: None

10. Consideration and approval of Request for Information for Proxy provider services

Ms. Bhatia noted that a couple of meetings prior, the Board directed PCA and staff to prepare a Request for Information (RFI) for proxy provider services. She informed the Board that a draft of the RFI was included in the Board package, including the insurance

requirements which was reviewed and discussed with the risk manager. Ms. Bhatia conveyed staff's feeling that this is a reasonable level of insurance for this particular service. She then informed the Board that staff would be happy to incorporate any edits that Board members may have.

Mr. Vazquez inquired what levels of insurance were required. Ms. Bhatia responded the minimum level of the professional liability insurance, which was the main issue, is \$1 million. She added that this was reviewed by the risk manager. Mr. Vazquez inquired if staff checked to see what other pension plans require of their proxy service provider. Ms. Bhatia responded she believes it was checked, but she did not have that information with her. Mr. Abarro stated that staff did investigate but the other pension plans did not have any recent data or RFIs.

Mr. Moore moved approval of the Request for Information for Proxy Provider Services. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Calvache, Canzano, Vazquez, and Moore

Nays: None

Mr. Vazquez inquired what number of firms had staff identified to send the RFI to. Mr. Abarro responded there were three main firms and 5 lesser ones.

11. Consideration and approval of Request for Information for Real Estate

Ms. Bhatia introduced item 11 as the consideration and approval of the RFI for the real estate mandate.

Ms. Pamela Alsterlind of PCA approached the Board table.

Chairperson Calvache recognized Ms. Alsterlind.

Ms. Alsterlind explained that the RFI was a follow up to the February Board meeting, wherein she provided the Board with an overview of the core real estate funds. She explained that the RFI was part of the strategic plan for the year and the intent is to send it to the 16 existing funds that PCA is aware of. She indicated she just mentioned to Ms. Bhatia this morning to post the RFI on the DWP Retirement website as well.

Ms. Alsterlind stated the questionnaire is designed to obtain detailed information on each firm, as well as the investment products. She reviewed the timeline for the RFI process stating, with the Board's acceptance, PCA would send the RFI out early next week. This would give the firms approximately five weeks to respond and then PCA would go through their review process and come back before the Board with their suggested finalists. Ms. Alsterlind stated PCA is looking to hold interviews in July, complete the selection process, and then complete contracts and due diligence.

Mr. Moore inquired if the selected firm would be acting in a fiduciary capacity. Ms. Alsterlind responded in the affirmative. Mr. Moore inquired if this was normally specified in the RFP or is it just assumed. Ms. Alsterlind responded it was something that is

assumed and also included in the contracting process. Mr. Moore inquired if it would be appropriate to ask the firms about the manner in which they compensate their individual staff members who would be working on the fund. He added that this would give the Board some sense of the incentives the firm offers in terms of performance. Ms. Alsterlind responded she would review this and would add that question if it is not included.

Mr. Moore inquired, with respect to insurance, since real estate is treated differently than any of our current investments, would we get whatever insurance is currently being offered to other participants in the real estate fund. Ms. Alsterlind responded that her understanding with Real Estate is that it would be more market driven and consistent with what the market is, because these are existing funds and not a separate account. She stated it was open ended in the general requirements and once the finalists are selected, that would be a detail that would be discussed.

Mr. Vazquez inquired how many organizations the RFI for Real Estate would be sent to. Ms. Alsterlind responded 16 firms, but just to be safe they would have it posted on the DWP Retirement Office website and also post it in the *Institutional Real Estate Newsletter*.

Ms. Calvache inquired if the RFI would be issued March 31. Ms. Alsterlind responded if the Board approves the RFI today it would go out March 20 or March 21, but the firms would need to respond to the RFI by March 31.

Mr. Moore moved approval of the Request for Information for core real estate funds. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Calvache, Canzano, Vazquez, and Moore

Nays: None

Ms. Alsterlind returned to the audience.

12. Retirement Plan Manager's Comments

a) DWP Plan Newsletter for Retirees (March 1, 2006, Edition)

b) General Items

Ms. Bhatia informed the Board that staff has been working with Financial Services to provide information that the Board of Commissioners has requested in connection with the retirement benefits to be presented to the DWP Board of Commissioners. Mr. Vazquez commented this would be at the March 21 DWP Board of Commissioners meeting where there will be a power point presentation on the Department's workers' compensation program, retiree healthcare benefits, and retirement plan.

13. Future agenda items

Ms. Bhatia informed the Board that staff would be bringing back the Retirement budget.

Mr. Vazquez mentioned he had been working with Attorney Wilkinson on the necessary steps to transfer the Department's post retirement health care to the Retirement Plan Office to be administered there. He stated it was something he would like to get completed by June 30, 2006, to be effective in the second meeting next month if Attorney Wilkinson could provide the Board with an update of where things stand.

The Board meeting was adjourned at 8:36 p.m.

LILLY CALVACHE
Chairperson

SANGEETA BHATIA
Secretary

IRENE COLON
Recording Secretary