

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

MINUTES – April 4, 2007

Present:

Javier Romero	President
Eugene Canzano	Board Member
Cindy Coffin	Board Member
Michael Moore	Retiree Member
Forescee Hogan-Rowles	Commissioner
Ron Vazquez	Chief Financial Officer

Absent:

Ronald Deaton	General Manager
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Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Irene Colòn Gonzalez	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 10:15 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

President Romero inquired if there were any public comments.

Mr. Donald Edward Benton, retiree, approached the podium. President Romero recognized Mr. Benton.

Mr. Benton stated he retired from the Department in 1996 and is requesting the Board determines him eligible for a full monthly retirement allowance. He explained he had submitted a letter (dated March 21, 2007) to Staff which lays out the background and facts to support his request. Mr. Benton stated he hoped Mr. Michael Moore and Attorney Wilkinson would personally look into the background because there are interesting facts and complications. He commented he is available by telephone, email or fax to answer questions and provide additional documents.

Mr. Benton returned to the audience.

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| 1. | Summary Investment Returns as of February 28, 2007 | |
| | a) Market Value of Investment by Fund and Month as of February 28, 2007 | 1a.1 – 1a.2 |
| | b) Market Value of the Retirement, Death & Disability Funds, and Retiree Health Plan Fund as of February 28, 2007 | 1b.1 –
1b.4 |
| | c) Investment Returns as of February 28, 2007 | 1c.1 – 1c.3 |
| 2. | Communication on Computation of Retirement Allowances | 2.1 |

Mr. Vazquez, referring to page 2b.1, noted the cost and market for several of the managers are the same amounts. He commented there was no need for an immediate response and requested, in the future, when the amounts are the same he would like to know the reason why. Ms. Bhatia stated Staff would look into the matter.

Mr. Canzano requested the above item 2 be agendaized for discussion at an upcoming Benefits Committee meeting. Mr. Vazquez moved the above item 1 be received and filed. Seconded by Commissioner Hogan-Rowles and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

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| 3. | Presentations – Large Cap Value | 3.1 |
| | a) MFS | |

Ms. Caroline Lucey, Vice President, Institutional Portfolio Manager, and Ms. Kate McCloskey Mead, Vice President, Relationship Manager, approached the Board table. President Romero recognized the representatives of MFS.

Ms. Lucey and Ms. Mead provided the Board with a summary of the performance for the MFS large cap value.

Commissioner Hogan-Rowles requested the representatives provide one example of what MFS considers a high-quality franchise. Ms. Mead explained most of the companies owned in the Plan's portfolio would be considered high-quality franchises. She stated Lockheed-Martin is a high-quality franchise that has a large exposure in the portfolio.

Ms. Coffin inquired as to some of the mistakes MFS has made in the portfolio. Ms.

Mead stated that Gap, Inc. was owned in the portfolio for about two years, but is no longer held.

The representatives of MFS returned to the audience.

b) T. Rowe Price

Mr. John Plowright, Vice President and Mr. John Linehan, Portfolio Manager of T. Rowe Price approached the Board table. President Romero recognized the representatives.

The representatives provided the Board with an overview of the T. Rowe Price Large Cap Value.

Ms. Coffin inquired as to the reason T. Rowe Price believes investing in the sub-prime lending sector is a good idea. Mr. Linehan stated he is not saying it is a good idea to invest in sub-prime lending; however, T. Rowe Price is giving a great deal of care and attention to the sector. He explained if investors believe it is a bad investment and begin to sell the stock, then a lot of the bad news is already priced into the stock whereas the potential for good news is not.

Mr. Vazquez inquired as to why T. Rowe Price continues to hold Baker Hughes since it has been one of the biggest detractors from performance. Mr. Linehan explained there is currently an underweight in energy and T. Rowe Price prefers oil service companies to integrated oil and expiration production companies.

c) BlackRock (formerly Merrill Lynch)

Mr. Obie McKenzie, Managing Director; Ms. Debbie Jelilian, Director; and Mr. Anthony Freitas, Managing Director of BlackRock approached the table.

President Romero recognized the representatives from BlackRock.

Mr. Moore inquired as to what extent are the BlackRock actively managed portfolios exceeding the index benchmarks. Mr. McKenzie noted Mr. Moore's question is almost impossible to answer, stating that BlackRock manages \$1.1 trillion. He explained in some cases BlackRock is outperforming the benchmark and in other cases they are not. Mr. McKenzie stated Mr. Moore's question could be answered if it were narrowed down to the active fixed or active equity managers. He stated BlackRock has 270 clients and considerably more portfolios. Mr. Freitas stated BlackRock has approximately 41 different equity products. Mr. McKenzie directed the Board to page 6 of the BlackRock presentation material and stated BlackRock would be delighted to provide the information requested for any or all of the asset classes. Mr. Moore requested to see the information for U.S. large cap. Mr. McKenzie agreed to provide Mr. Moore with the information.

Mr. Moore, referring to page 3 of the BlackRock presentation material, requested the representatives elaborate on the risk analytics for portfolios. Mr. McKenzie stated

BlackRock has two businesses, one is risk management and the other is asset management. He stated BlackRock manages \$4 trillion of risk management. Mr. McKenzie stated the portfolios under risk management are put into very sophisticated models to determine the portfolio's risk statistics. He explained BlackRock provides risk management for some of the world's largest clients such as CalPERS and CalSTRS. Mr. Freitas added the risk analytics package is a whole package of quantitative tools for evaluating portfolio risk. He stated BlackRock's fixed income risk management tools are among the leading edge in the industry. Mr. Freitas stated there is a lot of internal development with the equity risk analytics. He stated the technology includes a complete portfolio management system that is provided to third parties on a service bureau basis.

In response to comments made by Mr. McKenzie, Mr. Vazquez inquired if BlackRock was used as a transition manager and would their name have to be added to the standing list of transition managers currently used. Ms. Bhatia responded the list currently used was recommended by PCA and includes State Street, the Bank of New York and Russell. She mentioned Merrill Lynch was recommended but never put on the list due to its name change to BlackRock. Ms. Bhatia stated Staff has requested PCA to come back with a recommendation on whether the previous recommendation for Merrill Lynch is now applicable to BlackRock due to the change of name.

The representatives of BlackRock left the Board meeting.

07-61 4. Discussion of Policy Benchmark and new Benchmarks 4.1 – 4.12
07-62 for the Asset Classes of Alternative Investments and
Real Estate - Update

Ms. Sarah Bernstein of PCA approached the Board table. President Romero recognized Ms. Bernstein.

President Romero introduced item 4 and inquired if there was any discussion.

Mr. Canzano stated at the last meeting it was determined the Cambridge Associates US Private Equity Index and Cambridge Associates US Venture Capital Index benchmark were appropriate and Staff had access to it. Ms. Bernstein concurred with Mr. Canzano and stated PCA is now recommending the Cambridge Associates US Private Equity Index and Cambridge Associates US Venture Capital Index benchmarks for the private equity short-term benchmark.

Mr. Vazquez inquired why would the same benchmarks be used for Private Equity, Real Estate and Alternative Investments. Ms. Bernstein explained the Cambridge Associates is specifically finding returns from private equity funds; the NCREIF is the benchmark for Real Estate.

Ms. Bhatia stated Resolution 07-61 adopts the new private equity policy benchmark as the Cambridge Associates benchmark and Resolution 07-62 updates the policy benchmark to include the recent investments in Real Estate and Private Equity.

Commissioner Hogan-Rowles moved adoption of Resolutions 07-61 and 07-62. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

5. Discussion of the PCA/EFI proposed Asset/Liability Study for the Retirement Plan and Other Post Employment Benefits (OPEB) Fund and possible action 5.1 – 5.12

Mr. Neil Rue of PCA and Mr. Bob McCrory of EFI Actuaries, Inc. (EFI) approached the Board table. President Romero recognized Mr. Rue and Mr. McCrory.

Mr. Rue stated at the Board's request, PCA has brought back additional information on the EFI asset liability study.

Mr. Vazquez inquired if The Segal Company's input would be involved in the proposed EFI asset liability study at all. Mr. Rue stated the actuarial data would flow from The Segal Company to EFI. He stated EFI would then create a projection of valuation models going forward 100 years. Mr. McCrory added EFI would gather member data from The Segal Company and then recreate the valuation both on the valuation data and model The Segal Company valuation process going forward. He stated The Segal Company's valuation results would be checked on the valuation data and project under all of the different asset scenarios what the valuation would look like going forward. Mr. McCrory stated this process would be an independent check on The Segal Company's valuations.

Mr. Vazquez inquired if there would be any incremental cost associated with the proposed study. Mr. Rue stated he had been informed by The Segal Company that there would be a minor incremental cost to provide data and to be available to answer questions to EFI. Ms. Bhatia added during the last asset liability study The Segal Company was paid less than \$10,000 to provide member data for the Plan only. She stated the current estimate is about \$15,000 for the member data for both the Plan and OPEB funds if the standard asset liability study is conducted. Ms. Bhatia stated she does not have an estimate of The Segal Company's cost for providing member data for the EFI model. Mr. McCrory indicated The Segal Company would have to format some files that the member data is in. He added he believed The Segal Company would probably charge a few hundred dollars, as that is what EFI charges.

Mr. Canzano inquired if the Board were to move forward with the proposed EFI asset liability study would the Department pay 100% of the \$140,000 fee. Mr. Vazquez responded in the affirmative.

Commissioner Hogan-Rowles inquired if the Board decided to go with the standard asset liability study would they receive similar information as robust and accurate as the EFI version. Mr. Rue stated the EFI model was more robust than the standard version and what the Board would learn about the Plan would be valuable.

Commissioner Hogan-Rowles stated she does not see a good reason for the Board to

authorize the additional money for the proposed asset liability study. She recommended the Board go with the standard model asset liability study. Commissioner Hogan-Rowles stated she believes the asset liability study is a big calculated guess and that there are other ways the money could be spent. Mr. Moore stated the asset allocation decision is the most important decision the Board makes. He noted it has been demonstrated that a large part of a portfolio's performance and the associated risk a portfolio takes on is accounted for by the allocations made to the different asset classes. Mr. Moore commented the asset allocations are far more important than the individual stock selections that are made by the portfolio managers.

Mr. Moore requested a greater explanation be given regarding the additional benefits featured in the EFI asset allocation study that are not present in the standard asset allocation study. Mr. McCrory stated he believes there are three benefits to the EFI model: 1) the EFI model will handle both the Plan and OPEB funds together and separately; 2) the Board will be able to see the risk associated with the Plan; and 3) it is an independent check of the actuary.

Mr. Moore commented the purpose of the asset liability study is not to audit the actuary. He stated he would not be going ahead if that was the case, adding he does not want to give EFI an incentive to take shots at the Plan's actuary on the prospect of picking up an account. Mr. Rue assured the Board the mini-audit is only an added benefit of the EFI model. Mr. Canzano stated he would not go out and perform a separate study, however the additional check is a side benefit.

Ms. Bhatia informed the Board the current actuarial contract is expiring soon and that Staff has began the Request for Proposal (RFP) process for actuarial services. She mentioned EFI is a respondent. Commissioner Hogan-Rowles inquired if the asset liability study could wait until the new actuary had been hired and then have the proposed asset liability study fee negotiated into the contract. Ms. Bhatia explained the RFP had closed.

Commissioner Hogan-Rowles inquired if the asset liability study is included in the actuarial contract. Ms. Bhatia responded in the negative, explaining the Plan's consultant is required to conduct the asset liability study. She stated the asset liability study is included in PCA's contract. Ms. Bhatia explained this item is being brought before the Board because: 1) the EFI model includes new tools and a better way of looking at the approach and 2) the inclusion of the \$500 million in OPEB funds. She stated the standard asset liability study is a required deliverable in the PCA contract. Ms. Bernstein stated PCA had always planned to conduct the asset liability study this year and are presenting the EFI study to the Board as an option. Further discussion ensued.

Mr. Moore inquired as to the value of running the simulations out 100 years. Mr. McCrory explained everything past 20 years is for the actuary, not the Board. He noted running the simulations for 100 years is primarily for model validation.

Mr. Vazquez inquired if the EFI asset liability study is considered the best practices approach, how come it was not presented at the time of contract negotiations so the additional cost could have been incorporated into the contract fee. Mr. Rue stated, in

2005, when PCA originally submitted their RFP, the product had just begun being used by other mid-sized clients.

Mr. Vazquez requested elaboration on what would be received if the standard asset liability study were conducted. Mr. Rue responded there would need to be simplified assumptions on how to combine or not combine the two funds. He added he believed the same asset allocation may be obtained for both the retirement funds and the OPEB funds.

Mr. Vazquez moved approval of the expenditure of additional funds for the EFI asset liability study for the Retirement Plan and OPEB fund. Seconded by Mr. Canzano and carried after the following vote:

Ayes: Coffin, Moore, Vazquez and Canzano

Nays: Romero and Hogan-Rowles

Mr. McCrory left the Board meeting. Mr. Rue and Ms. Bernstein returned to the audience.

6. CLOSED SESSION – CONFERENCE WITH LABOR NEGOTIATORS – Pursuant to California Government Code § 54957.6, the Board will meet in closed session with its labor negotiators concerning labor negotiations with the following employee bargaining representatives:

- **Management Employees Association (MEA)**
- **Association of Confidential Employees (ACE)**
- **Local 18, International Brotherhood of Electrical Workers**
- **Local 347, Service Employees International Union**
- **Load Dispatchers Association**

[The following discussion took place during open session.]

Department Attorney, Cecil Marr approached the Board table. President Romero recognized Attorney Marr.

President Romero stated the Board agreed to go into closed session only to discuss if this issue is a meet and confer item. Ms. Bhatia stated the language was provided by Attorney Marr. She indicated the Board was limited in terms of the language based on the Brown Act. Ms. Bhatia requested Attorney Marr address the issue.

Attorney Marr noted he was before the Board today, not as the Department's attorney, but as the Board's attorney. Attorney Marr stated he was asked to provide language that would be appropriate to allow the Board to go into closed session to discuss a potential meet and confer issue. He stated a Labor Relations representative must be present and noted he believed Mr. Robert Rozanski, Chief Administrative Officer of the Department, may be available to attend as the Labor Relations' representative.

In response to a question from President Romero, Attorney Marr stated the Board could not go into closed session to discuss if an item is meet and confer. He added the Board can go into closed session to discuss giving instructions to the Labor Relations representative or if there is a threat of litigation. Attorney Marr stated he does not know of a threat of litigation; however, IBEW Local 18 intends to demand a meet and confer on the issue. He stated at some point the Board is going to have to enter closed session with a Labor Relations representative.

Commissioner Hogan-Rowles inquired as to who was the Labor Relations representative. Attorney Marr stated it is not his job to designate the Labor Relations representative. He stated Mr. Rozanski is willing to serve as the Labor Relations representative or the Board can designate a staff member. Ms. Bhatia stated after discussing this with Attorney Marr, she understood a Labor Relations representative needed to be present; however, she believed this was premature because she thought the closed session was to receive advice pertaining to the meet and confer issue. She stated apparently a closed session could not be held to determine if the issue is meet and confer.

Attorney Marr noted the Brown Act states one acceptable reason to go into closed session is to discuss and instruct the Labor Relations representative. He stated the Board is going to be confronted with a demand to meet and confer and will need a Labor Relations representative. He added he is not proposing a subterfuge to get the Board into closed session for an inappropriate reason. Attorney Marr indicated the Board needs to have a meeting and discussion with a Labor Relations representative. He believes the discussion should be in closed session as authorized by the Brown Act. Attorney Marr suggested the Board decide who the Labor Relations representative will be and convene such a meeting. He informed the Board the alternative is to receive advice in open session and he asked for a specific waiver of attorney-client privilege. Attorney Marr noted receiving advice in open session, the Board is basically disclosing the legal advice to the world. Attorney Marr indicated the Board would still need to decide the Labor Relations strategy and should probably do that in closed session.

Ms. Bhatia stated agenda Item 7 is an open session discussion of the actuarial recommendations, pertaining to the member allowances. She reminded the Board the actuarial recommendations pertaining to the valuations were previously adopted. Attorney Wilkinson noted that Attorney Marr was in attendance solely for the Labor Relations issue.

President Romero indicated he was in awe because at the previous Board meeting it was recommended to go into closed session to determine if the issue was meet and confer and now the Board is being told the closed session is not for that purpose. Attorney Marr responded he is informing the Board of what the Brown Act says. He explained the Brown Act does not allow a closed session simply to receive advice; however, there is an exception for Labor Relations matters. Attorney Marr stated the Board does have a Labor Relations matter which allows them to convene in closed session. He stated the Board appears to have two options: 1) enter closed session regarding the Labor Relations matter or 2) discuss the issue in open session. Attorney Marr commented the Board could consult with Attorney Wilkinson or other attorneys on the matter; however, there are very limited exceptions to convening in closed session.

He stated the most related exception in the Brown Act is the Labor Relations matter because that is what the Board is confronted with.

Ms. Coffin inquired if the Board were to convene in closed session, with Mr. Rozanski as the Labor Relations representative, would it be up to the Board to inform Mr. Rozanski as to whether the Board believes the matter is a meet and confer issue and also tell him how to proceed. Attorney Marr explained the Board gives the Labor Relations representative instructions; however, the instructions have to be within the Board's ambit of responsibility.

Ms. Coffin inquired could the Board direct the Labor Relations representative to find out if the issue is actually meet and confer. Attorney Marr commented the conversation was moving into the area of legal advice, during open session.

Commissioner Hogan-Rowles stated she believed the meet and confer issue would be resolved today. She stated now it appears the issue would not be resolved today and the Board has not received a straight answer explaining how to resolve the meet and confer issue. Attorney Marr stated he would answer the meet and confer question for the Board right now and inquired if the Board wanted to receive the answer in open session.

In response to a question from Mr. Moore, Attorney Marr stated there are certain specified exceptions for entering into closed session. He explained there is an opportunity for the Board to go into closed session to discuss labor relations matters and to give instructions to the Labor Relations representative. Attorney Marr explained he believes that is the right fit because the Board does have a Labor Relations issue. He stated if the Board is reluctant to go into closed session for the Labor Relations issue, he is unaware of any other purposes for which the Board could go into closed session. Attorney Marr apologized because at the last meeting he failed to express the need to have a Labor Relations representative present.

Commissioner Hogan-Rowles inquired if the Board chose to go into closed session is Mr. Rozanski available as a Labor Relations representative. Ms. Bhatia responded, Mr. Rozanski is aware of the agenda item. She stated she informed Mr. Rozanski his participation would be premature, because the Board was undecided if the issue was meet and confer.

Commissioner Hogan-Rowles stated she believed the reason this item was being brought back for discussion was to decide if the issue was meet and confer. She stated the Board needs to know if the issue is meet and confer, commenting she believes that is what led to the item being agendaized for today. Mr. Canzano stated the reason the Board got to this same point before is because Attorney Marr stated if he answers the question legally the Board would be waiving attorney-client privilege. Attorney Marr agreed with Mr. Canzano and stated the Board would be waiving attorney-client privilege and he thought it was important for the Board to acknowledge that.

Attorney Marr inquired if the Board wants to receive the advice in open session. Mr. Canzano requested Attorney Marr provide the Board with specific examples of what "Attorney-Client privilege" is. Attorney Marr explained attorney-client privilege is the

privilege between the Board and the Board's attorney with respect to advice that is given. He stated the attorney-client privilege is held by the Board, not by individual Board members. Attorney Marr indicated Board members could not be deposed on advice given in closed session. He added the Board members could not testify or disclose to anyone outside of the Board any advice given in closed session, unless the Board were to waive the attorney-client privilege. He stated attorney-client privilege is a confidential communication between the Board and the lawyer. Attorney Marr added in cases similar to the present one there are often choices to be made in the labor relations strategy. He stated some of the choices may involve a legal risk and the Board wants to be able to have a candid discussion with its lawyer and Labor Relations representative. Attorney Marr stated in order to have the candid conversation, the conversation must be held in closed session.

Mr. Canzano stated he has no issue with Mr. Rozanski being present. He requested Attorney Marr provide a "nightmare" scenario where the Board does not have attorney-client privilege. Attorney Marr stated he does not believe there is a nightmare scenario, adding he believes this to basically be letter of the law—with nothing magic about it. He stated the Board is eventually going to have to make decisions with respect to the advice he provides to them. Attorney Marr indicated if the Board wishes to disclose the advice, personally he does not see anything particularly wrong with that. He stated there tends to be more flexibility to discuss the "what if's" in closed session. Attorney Marr stated there tends to be more constraints in open session; however, he does not believe he can concoct a "nightmare" scenario.

Mr. Moore inquired if the advice Attorney Marr would provide in open session would differ in closed session. Attorney Marr responded in the negative explaining whether the Board meets in open or closed session, he is constrained by the case law. He stated the only issue is with respect to attorney-client privilege and perhaps he raised the issue in an excess of caution. Attorney Marr mentioned normally Labor Relations issues would be discussed in closed session for a variety of reasons. He added normally a Board would want the type of freedom closed session offers and normally he would want to provide it. Attorney Marr stated the Board may have reasons for not wanting to convene in closed session and either way is acceptable to him.

Mr. Vazquez inquired, assuming the Board was addressing a question not requiring a Plan amendment, who makes the determination whether an issue is meet and confer. Attorney Marr stated if there is a meet and confer issue with respect to a decision made by the Retirement Plan Board, the Board has the responsibility to comply with any meet and confer obligations. Attorney Marr added the way he sees the current situation developing he does not believe a Plan amendment is required or that the Department would be involved. He said he believes in this case the Board is the correct body to react to this issue.

Mr. Vazquez asked Attorney Marr if he was currently acting as the attorney for the Plan or the Department. Attorney Marr stated he was present as attorney for the Plan. Mr. Vazquez requested Attorney Marr respond, in open session, as to whether or not the current issue is a meet and confer matter. Attorney Marr agreed to answer the question, as long as the decision to proceed was the consensus of the Board with the acknowledgement of the waiving of attorney-client privilege. Ms. Coffin inquired as to

what the next step is after Attorney Marr gives the Board advice. Attorney Marr stated he believes the Board will eventually have to schedule a closed session and meet with the Labor Relations representative to decide what to do.

Following comments by Mr. Vazquez, Attorney Marr stated the Board is always free to disagree. Ms. Coffin explained her concern is Board members not agreeing on whether this matter is meet and confer. She stated whatever advice Attorney Marr provides will be contrary to what some Board members think, and inquired what would happen at that point.

Attorney Wilkinson requested to have a clear answer as to whether the Board wanted this issue to be discussed in open or closed session. Commissioner Hogan-Rowles stated at this point the item should be discussed in open session.

Attorney Marr stated he has reviewed Public Employee Relations Board (PERB) cases and California cases, noting both are based on relatively longstanding National Labor Relations Board (NLRB) precedents. He stated the Board has no mandatory duty to bargain about retiree benefits. Attorney Marr noted retirees are not protected by any particular meet and confer obligation; however, the Board does have an obligation to bargain about retirement benefits for current employees who are going to retire. He stated the Board has shown him the actuary has recommended changes that would result in changes to options that current employees are going to have upon retirement. Attorney Manning stated the Board is in the area, potentially, of mandatory bargaining. He went on to describe some exceptions to the rule of mandatory bargaining. Discussion ensued. Attorney Manning explained initially the obligation is, not to bargain, but to notify the employee organizations of proposed actions. He stated the employee organizations wishing to bargain must make a demand to bargain, and then the Board would be obligated to bargain. The discussion ensued with Attorney Manning describing various possibilities and considerations relating to the issue.

Mr. Canzano stated it is evident to him, if the Board were to accept the actuarial recommendations, the benefits the active employees would receive upon retirement would change. He stated he feels this issue is clearly meet and confer. Mr. Canzano reminded the Board that Mr. Paul Angelo of The Segal Company (the Plan's actuary), noted should the Board not change the options, there would be very little effect on the Plan at this point. He stated unless the Board is willing to meet and confer on the issue, he would move the option is not changed. Mr. Canzano stated he had been informed this topic was brought up at the Water and Power Board of Commissioners meeting and requested a briefing on the discussion. Mr. Vazquez explained a public comment was made stating that the Plan Manager was wrong to recommend the Board approve a change that would adversely affect all IBEW employees, while positively affecting all MEA employees. He stated there was no response or discussion by the Board in relation to the public comment. Mr. Canzano inquired if the Board adopted the options, would all Local 18 members receive a lower benefit but MEA would receive a larger lump sum distribution.

Commissioner Hogan-Rowles inquired if the Board could review the Board package material related to item 7. She noted there were several different proposals included and perhaps, in the absence of meet and confer, the Board could agree on one of the

other options that would not dramatically change benefits. Ms. Bhatia provided a review of the various proposals provided by The Segal Company, beginning on page 7.29 of the Board package.

Commissioner Hogan-Rowles stated at the close of the last Board meeting, she did not understand the issue, so she made a special trip to go and speak with Ms. Bhatia for clarification. Commissioner Hogan-Rowles stated, one of the actuarial recommendations causing a big cost difference was related to the male/female weighting. She stated if the Board chose not to implement that recommendation, the cost impact on future retirees would be minimized. Commissioner Hogan-Rowles requested Ms. Bhatia to elaborate on the option. Ms. Bhatia explained to the Board how the male/female weightings affected the change in cost. She noted if the 50/50 GAM 94 is selected the member allowances are impacted the least. Commissioner Hogan-Rowles stated the gap in the allowances was unresolved for her at the last meeting. She noted with that option the member allowances would be impacted to approximately \$1.00 per \$1,000.00. Commissioner Hogan-Rowles stated she was hopeful this option would allow the Board to come to a decision without having to go through a longer, broader process, noting Board responsibility is to update the tables. Ms. Bhatia added, Staff has included the previous Board meeting minutes, and the paperwork of the process followed previously and historically there is no difference in the tables on the valuation side and on the computation of retirement allowances. She stated the Board is required to take some action based on the recommendation of the actuary.

Commissioner Hogan-Rowles requested Ms. Bhatia explain the last table on page 7.31 of the Board package, stating the last column actually provides the member with an extra \$0.13. Ms. Bhatia explained the option Commissioner Hogan-Rowles is referring to relates to an "additional contribution". She stated additional contributions is a voluntary program where employees may set aside up to 10% of their salary per year in order to receive an additional annuity at the time of retirement. She stated, as illustrated on page 7.31 of the Board package, the member would receive a slight increase in the annuity based on the 50/50 GAM 94 option. Discussion ensued.

Ms. Bhatia explained to the Board there is another option available which would have similar results to the 50/50 GAM 94, but unfortunately they are not provided on the table. President Romero, noting the Plan would not be affected for another five years, requested the final option be brought before the Board. Discussion ensued.

Mr. Canzano stated he had read the information provided and noted it states the Board is supposed to periodically update the tables. Commissioner Hogan-Rowles stated it appears that updating the tables is the responsibility of the Board and to not do so may be abdicating their duties. President Romero asked if the last time the tables were updated was five years ago. Ms. Bhatia responded in the affirmative. Mr. Canzano inquired if the options were affected at that time. Ms. Bhatia stated she was unsure. Discussion ensued.

Commissioner Hogan-Rowles inquired if Mr. Canzano believed any change in benefit, no matter how small, requires notification to the employee organizations. Mr. Canzano responded in the affirmative adding, if the change is very small then the Department can pick up the cost. He reminded the Board any employee, other than MEA, would receive

less benefits while any salaried manager would receive a much greater benefit by adopting these tables. Mr. Canzano stated he believes there is a huge inequity. Mr. Vazquez requested to know what information Mr. Canzano's statement is based on. Mr. Canzano explained, although it is not in the MEA MOU, there is a letter of agreement between MEA and the Department that states "an MEA salaried employee will get an option D retirement at no cost to the MEA retiree". He explained the Department would pick up the cost of the Option D so the MEA retiree receives his full allowance. Mr. Canzano stated on a monthly basis the cost does not appear substantial; however, he explained the MEA employees have the option of taking the allowance in a lump sum basis and then the cost could jump by thousands of dollars. Mr. Canzano indicated the General Manager of the Department would have to sign off on it, however, where the cap would be set is unclear. Discussion ensued.

President Romero stated as a Board their fiduciary responsibility is equally to all Plan participants. He stated if the proposed change was implemented it would cost the Department additional money. Commissioner Hogan-Rowles commented the Board is not changing the Plan. Ms. Bhatia stated the Plan administers benefits to all employees and they are focusing on the Plan. She added any other agreements are not paid by the Plan. Mr. Vazquez stated the Board's actions have to do with the administration of the Retirement Plan and not with MEA or IBEW agreements. Mr. Canzano stated he whole heartedly agreed with Mr. Vazquez adding whenever the Board takes an action that changes the benefits of employees then there is an obligation to notify the employee organizations. Attorney Marr stated the Board is not obligated to bargain, if the change is mandatory and/or if it is insignificant. He noted some of the options presented would create relatively small changes in the retiree's benefit. Attorney Marr stated this is an area of the law that is not certain and the Board is in a risk area. He suggested the Board could notify the employee organizations of the proposed changes and provide them with a relatively short response time. Mr. Canzano stated he is concerned about the mainstream employee who will receive a lower benefit based on the changes. He added if the only thing required is to notify the employee, then that can be done.

Ms. Coffin requested Staff bring back the additional option and the Board continue the discussion at that time. Attorney Marr suggested Staff provide the table so the Board can see exactly what the options are; agendaize this discussion and the closed session discussion with the Labor Relations representative. Mr. Vazquez stated he would like to make sure that only options proposed by the actuary, as being viable will be considered.

Mr. Canzano inquired if it is possible that the tables Staff will be bringing back would provide for a larger benefit to the retiree. Ms. Bhatia responded in the negative, stating she suspects it will be similar to the last option presented in the Board package.

Mr. Canzano moved approval of proposal 3 on page 7.26 of the April 4, 2007 Regular Retirement Board meeting. Seconded by Commissioner Hogan-Rowles and **not** carried after the following vote:

Ayes: Romero, Coffin and Canzano

Nays: Hogan-Rowles, Moore and Vazquez

7. Discussion of Actuarial Recommendations for Changes in the Assumptions Used for Actuarial Calculations and Possible Action

Item 7 was discussed under item 6.

8. Retirement Plan Manager's Comments

a) WPERP Newsletter for Retirees

8a.1

b) General Items

Ms. Bhatia informed the Board the contract for the computerization has been finalized. She added representatives from JEA would be on site the following week.

9. Future agenda items

There were no future agenda items.

The Board meeting was adjourned at 1:56 pm.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLÓN GONZALEZ
Recording Secretary