

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

**MINUTES – June 20, 2007**

**Present:**

Javier Romero	President
Eugene Canzano	Board Member
Michael Moore	Retiree Member
Cindy Coffin	Board Member

**Absent:**

Ronald Deaton	General Manager
Forescee Hogan-Rowles	Commissioner
Ron Vazquez	Chief Financial Officer

**Others Present:**

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Jeremy Wolfson	Investment Officer
Irene Colón Gonzalez	Recording Secretary
Neil Rue	Pension Consulting Alliance
Mike Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:37 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

- 1. Approval of Board Minutes of April 18, 2007 (Regular Board Meeting)**
- 2. Termination from Monthly Rolls as of June 2007:  
Retirement Resolution for June 2007  
Resolution terminating Mary R. Julio from the June 2007 Survivorship Roll as a result of her death  
Resolution terminating Esther Estrada from the June 2007 Survivorship Roll as a result of her death  
Resolution terminating Randall L. Thorpe from the July 2007 Permanent Disability Roll – returned to work**

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

Ayes: Romero, Coffin, Moore, and Canzano  
Nays: None

## **PUBLIC COMMENTS**

President Romero inquired if there were any public comments.

Mr. John Hill (DWP employee) approached the podium. President Romero recognized Mr. Hill.

Mr. Hill indicated he wanted to speak on the additional contribution amount. He expressed his sincere gratitude to Mr. Eugene Canzano for his efforts on the Deferred Compensation Board and reducing the fees that were implemented in the Plan effective July 1. He acknowledged Mr. Canzano's efforts in providing a benefit to the employees at LADWP, as well as to the other City employees. Mr. Hill also acknowledged President Romero's participation in the process while he was a member of the Deferred Compensation Board. He stated it has done a great favor to those individuals who have been long time members in the deferred compensation.

Mr. Hill informed the Board that he was present in order to express a sincere desire to thank the Board for their consideration of the proposed change that he has addressed to them on the issue of additional annuity. He stated his proposed change would provide options available to individuals at the time of their retirement that may be in their best interest as opposed to their current situation. Mr. Hill thanked the Retirement Office staff for their help in the past in giving him guidance and understanding of the current arrangements under the Plan, as well as the opportunity to speak before the Retirement Board. Mr. Canzano thanked Mr. Hill for his kind words and stated that every member of the Deferred Compensation Board works hard for the best interest of the Plan participants. He added it was really nice to have someone recognize the fact that the Board is working diligently to reduce fees and have the best investments available for the participants. Mr. Hill returned to the audience.

- 3. Report of Payment Authorizations as of May 2007**
- 4. Notice of Deaths for May 2007**
- 5. Report on Status of Insurance as of May 31, 2007**
- 6. Summary Investment Returns as of May 31, 2007**
  - a) Market Value of Investment by Fund and Month as of May 31, 2007**
  - b) Market Value of the Retirement, Death & Disability Funds and Retiree Health Care Fund as of May 31, 2007**
  - c) Investment Returns as of May 31, 2007**
- 7. Discussion of recent news regarding Glass Lewis and Xinhua**

Mr. Canzano moved the above items 3 through 7 be received and filed. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore  
Nays: None

**8. Discussion to extend contract with T. Rowe Price, Large Cap Domestic Equity Investment Manager, to July 15, 2010 and possible action**

Mr. Canzano moved approval of Resolution 07-81 to extend the contract with T. Rowe Price, Large Cap Domestic Equity Investment Manager, to July 15, 2010. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

**9. Discussion to extend contract with BlackRock (formerly Merrill Lynch), Passive Equity Investment Manager, to July 31, 2010 and possible action**

Mr. Moore moved approval of Resolution 07-82 to extend contract with BlackRock (formerly Merrill Lynch), Passive Equity Investment Manager, to July 31, 2010. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

**10. Discussion to extend contract with Pyramis, International Equity Investment Manager, to July 31, 2010 and possible action**

Ms. Coffin noted that Pyramis stated they were under investigation by the Securities and Exchange Commission (SEC) and inquired about the results of that investigation and if the traders involved still worked for the firm. Mr. Wolfson indicated that Pyramis provided the Retirement Office staff with an update. He stated the SEC served them with Wells notices in July of 2005, as well as September of 2005. Mr. Wolfson informed the Board that the SEC has not taken any formal action at this point and the firm is cooperating. He stated the traders that were involved in the situation have been relieved of their duties, and an internal investigation was launched in July of 2005 to pay \$42 million back to the fund. Ms. Bernstein stated she concurred with the information Mr. Wolfson provided.

Ms. Coffin moved the approval of Resolution 07-83 to extend the contract with Pyramis, International Equity Investment Manager, to July 31, 2010. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

**11. Discussion of provisions relative to the Additional Annuity program**

Mr. Canzano stated, in looking over the comparisons between DWP and LACERS, it would appear that LACERS has embraced the pension reform. He reported that in the early 2000's there was a rewriting of the laws and among the issues being addressed was allowing employees to buy Other Governmental Service (OGS) with IRA money. Mr. Canzano expressed that this is something that DWP did not pay a lot of attention to because the Department did not have a huge number of members participating. He

stated it was his opinion that there will be more participants and he did not want to move forward strictly because LACERS embraced it, although they did provide a good guideline.

Mr. Canzano began explaining the process, stating the annuity is supposed to be revenue neutral to the Plan. He stated it should not matter to the Plan if an employee contributes into it over their working lifetime if it is annuitized. He also stated the Plan takes on the risk when it is annuitized upon retirement if the person outlived the tables. Mr. Canzano expressed he was interested in moving forward and looking into other options endorsed and permitted by the IRS to give greater flexibility to the DWP members. He stated it was his belief that if the Department can come up with something similar to what LACERS has done then member participation may improve.

Mr. Canzano referred to a summary in the agenda package under the heading Contributions for LACERS, wherein it states there is a \$42,000 IRS limit. He then inquired if this was an annual or lifetime limit. Ms. Bhatia responded she did not think the \$42,000 was an annual limit, but the information was obtained some time ago. She explained that DWP's Plan does not permit employees to put a lump sum amount to catch up on contributions. For example, the deferred compensation annual limit is approximately \$15,000 per year. Ms. Bhatia indicated this was the same information that was submitted to the Board at two other meetings last year and has not been updated. However, she would look into whether or not the \$42,000 is an annual limit. Mr. Hill indicated he contacted LACERS and was informed that the \$42,000 is an annual limit that each individual, regardless of income, can contribute. He stated it was subject to inflation protection; therefore, each year the limit could increase. Next year the \$42,000 is indexed according to the limits found in the IRA or the deferred compensation, the limit was set at \$20,000, and the index is as the cost of living increases. Mr. Canzano reported that the Department's limit is 10% of salary. Consequently, an employee whose salary is \$70,000 would limit out at \$7,000. However, under the proposed provisions, there would be a much larger opportunity for someone to contribute into the Plan.

Mr. Canzano inquired about the other Board member's opinion. President Romero stated that the only question he has, which he brought up at the last meeting, is if there was any opinion from the actuary as to how this would affect the Plan. Ms. Bhatia responded that a specific opinion on this matter had not been received from the actuary. She stated if this was looked at it would definitely be a meet and confer item and would require an assessment by the actuary in terms of additional costs, if any, to the Plan. President Romero indicated that he definitely concurred with Mr. Canzano in that it would be beneficial to the membership. He then inquired, if the Board could be compelled to somehow support the proposal, what the next step would be. Ms. Bhatia responded that historically the Retirement Board does not get involved in the meet and confer process. President Romero inquired what steps the Retirement Board would take if they wanted to submit a general letter of recommendation to the managers and labor in support of the program. Ms. Bhatia responded that she would have to look into the process, but her thinking was that the Retirement Board would have to provide direction to a management representative indicating there is an interest in the matter. Then a study would have to be performed by the actuary and an evaluation on the impact as far as the costs are concerned. President Romero inquired if there was a way to call and get

an informal opinion from the actuary. Ms. Bhatia stated she did not see any reason why staff could not look into the impact on the Plan and instruct the new actuaries to look into it as a matter of information. However, historically it has been part of the meet and confer process. Attorney Wilkinson explained that the Retirement Board has no authority on new benefits. He stated it is a management/labor issue and is part of the meet and confer process. He further stated when the Fire and Police Pensions Board sees something they view as an inequity they also submit a letter. Attorney Wilkinson indicated there would be questions whether it would be appropriate, at this stage, for the Retirement Board to be incurring actuary expenses since it is something that is part of the meet and confer process. President Romero suggested a negotiation with the actuary in providing opinions of this sort at no cost.

Ms. Coffin expressed she was in total concurrence of the proposal because the more that can be offered to the members, the better. President Romero directed staff to work with Mr. Canzano in drafting a letter of support and bring it back to the Retirement Board. He also requested feedback from the actuary as to general information of what the cost might be to the Plan, if any.

Mr. Moore requested more guidance from the City Attorney's Office in terms of the appropriate role of the Retirement Board versus the role of management and the unions. Attorney Wilkinson stated, the issue of benefits itself and establishing new benefits or changing the retirement formula is not under in the purview of the Retirement Board. However, if it is some sort of an inequity, just expressing the view of the Board and communicating to the people that do have the power to make those changes in benefits would be appropriate. Attorney Wilkinson informed the Board that the City Attorney's Office would have questions on whether it would be appropriate in taking the next step and paying for an actuarial study. He stated, under the Plan, the Board of Commissioners would be required to make an actuarial study if something is being viewed as a new benefit. Mr. Moore suggested a way to deal with that issue is to include a request in the letter asking for management's consent to engage an actuary for the purpose of looking at the revenue neutral options. Attorney Wilkinson stated he did not have a problem with that if the DWP management wanted to delegate this knowing that they are ultimately funding the bill anyway.

Mr. Canzano inquired, at this point, if the Board feels they want to adopt a parallel to LACERS' Plan or if there were other ideas that would be allowable under the IRS code. Mr. Moore responded that he did not know what the options were under the IRS code, but there are clearly differences between LACERS and DWP's approach. He stated the two most important is that DWP offers a guaranteed 8% interest, but not a COLA. The City does not offer a guaranteed return, yet offers the T- bill rate or whatever the net of fee returns are for LACERS, which could be a positive or negative. Mr. Canzano clarified that his focus has been on the distribution side and operating on the premise that it is claimed to be revenue neutral, but a study has never been done to prove this is true. He stated, if it is revenue neutral, then it should not matter if the member takes a lump sum distribution at retirement, an annuity, or a combination. He added that distribution also meant mirroring LACERS on the contribution side and this would mean a significant increase in the amount of dollars the participants could contribute.

President Romero again directed staff to work with Mr. Canzano in drafting a letter to be

submitted to management/labor unions supporting the distribution and contributions to mirror the LACERS program.

Mr. Hill thanked the Retirement Board again for addressing the issue.

## **12. Retirement Plan Manager's Comments**

### **a) General Items**

Ms. Bhatia stated that members should have received the active newsletter.

Ms. Bhatia informed the Board that staff completed a draft of the contract for actuarial services, it has been submitted to the actuary for their review, and it is expected back by the end of the week. She added that the contract is expected to be effective July 1.

Ms. Bhatia reported that JEA representatives were in town and worked with staff the week of June 11. She stated progress has been made as far as the system implementation, which Ms. Carranceja has been overseeing with the assistance of the technical staff. President Romero inquired if there was a schedule of what is going to be done within a certain timeframe. Ms. Bhatia responded there is a project management schedule and it is updated in terms of milestones that have been achieved. President Romero requested to see the report. Ms. Bhatia stated this was not a problem; however, the report is a dynamic document and changes frequently.

Ms. Bhatia informed the Board the list has been certified for the vacant position of Assistant Retirement Plan Manager.

Ms. Bhatia reminded the Board that the first session regarding the asset liability study is scheduled for July 11 at 9:30.

## **13. Future agenda items**

The Board meeting was adjourned at 10:19 a.m.

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JAVIER ROMERO  
President

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SANGEETA BHATIA  
Secretary

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IRENE COLON GONZALEZ  
Recording Secretary