

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

**MINUTES – January 16, 2008**

**Present:**

Javier Romero	President
Michael Moore	Retiree Member
Cindy Coffin	Board Member
Ron Vazquez	Chief Financial Officer

**Absent:**

David H. Nahai	General Manager
Forescee Hogan-Rowles	Commissioner
Eugene K. Canzano	Board Member

**Others Present:**

Sangeeta Bhatia	Retirement Plan Manager
Mary Higgins	Assistant Retirement Plan Manager
Ramonette Carranceja	Assistant Retirement Plan Manager
Paul Palmer	Chief Investment Officer
Irene Colón Gonzalez	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Tad Fergusson	Pension Consulting Alliance
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:38 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

**PUBLIC COMMENTS**

There were no public comments.

President Romero recognized the retirement of two Retirement Office employees, Ms. Earnestine Howard and Ms. Irene Colon Gonzalez. He also welcomed new employees, Violet Massie and Janice Boatwright Watkins to the Retirement Office.

**1. Termination from Monthly Rolls as of December 2007**

**Retirement Resolution for January 2008  
Resolution Terminating Alice M. Oto and Josephine Tyrrell from the January  
2008 Survivorship Roll as a Result of Their Deaths  
Resolution Terminating Kenneth Braham from the January 2008 Permanent  
Disability Roll as a Result of His Death**

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

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

- 2. Report of Payment Authorizations as of December 2007**
- 3. Notice of Deaths for December 2007**
- 4. Report on Status of Insurance as of January 9, 2008**
- 5. Summary Investment Returns as of December 31, 2007**
  - a) Market Value of Investment by Fund and Month as of December 31, 2007**
  - b) Market Value of the Retirement, Death & Disability Funds and Retiree Health Care Fund as of December 31, 2007**
  - c) Investment Returns as of December 31, 2007**
- 6. Briefing by City Attorney on Recent Decision by the California Supreme Court to Hear a Case Involving the Standards for Conflicts of Interest by the Trustees of the San Diego City Employees' Retirement System with Implications for all Retirement Plans in California**

Mr. Vazquez moved that the above Items 2 through 6 be received and filed. Seconded by Mr. Moore and carried unanimously after the following vote:

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

**7. Discussion of Response to Donald E. Benton Regarding Request to Change His Retirement Option and Possible Action**

Mr. Benton approached the Board table. President Romero recognized Mr. Benton.

Ms Bhatia stated that Mr. Benton's case was agendized for the Benefits Committee meeting on December 5, 2007 for information only. Mr. Benton requested his issue be presented to the full Board in order to take action on the opinion provided by the City Attorney's Office.

Attorney Wilkinson stated it is the opinion of the City Attorney's Office that the action Mr. Benton is requesting involves a Plan change. Consequently, there is nothing the Retirement Board can do because it does not have the authority to grant a benefit that is not allowed in the Plan.

Mr. Benton stated that he and Attorney Wilkinson spoke before the meeting to verify that the

City Attorney July 27 memo stands. Mr. Benton recognized that the Board has been forced into a difficult position to decide between Attorney Wilkinson's memo and the information he presented which is included in the Board package. He expressed that Attorney Wilkinson has no basis in fact or law to render his legal opinion. Mr. Benton pointed out the Plan stipulates that any member who is entitled may elect one of said options at any time prior to the expiration of ten days. He indicated he elected Option D during that ten day period. Mr. Benton stated he is requesting to revoke his option and not change it and pointed out that another clause of the Plan stipulates, ". . . or he or she may revoke his or her election of any said options". Mr. Benton emphasized that he is requesting to revoke Option D per the Plan since it poses no time limit on revocation. He continued to reference and provide his interpretation of the Plan language regarding the change or revocation of the retiree's selected option. He expressed his belief that his request does not require a Plan change because the Plan specifies he may revoke his Option D. He also stated he believed Attorney Wilkinson is changing the Plan without an actuarial study and Board approval by saying that he cannot revoke his Option D. Mr. Benton requested that the Board's decision be put in writing as soon as possible because he intends to appeal to the Board of Water and Power Commissioners. He indicated he also would like to find out if the City Attorney's Office agrees with Attorney Wilkinson's opinion because, if so, he would be forced to take the matter to court for a judge to decide.

President Romero inquired of Attorney Wilkinson if his opinion had changed after hearing Mr. Benton speak. Attorney Wilkinson responded in the negative. He explained that the time limit a retiree has to revoke an option is the same 10 days he has to change it. He reiterated that Mr. Benton's request would call for a Plan change.

Mr. Moore expressed that after reviewing the Plan language, he is in full agreement with Attorney Wilkinson's opinion and he moved that the Board reject Mr. Benton's claim. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

Ms. Bhatia stated the Retirement Office had already sent a letter to Mr. Benton dated May 14, 2007 and the City Attorney's letter dated July 26, 2007; however, the Retirement Office would issue another one reiterating the information. Ms. Higgins stated that the Board just adopted the staff report, which is a recommendation to adopt the City Attorney's letter, and staff could provide Mr. Benton with a cover letter indicating what action was taken.

Mr. Benton thanked the Board and returned to the audience.

## **8. PCA's Proposed 2008 Schedule of Manager Presentations and Policy Items**

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

Ms. Bernstein presented a broad schedule of the big policy items and reviews that are expected to be completed in 2008. She stated the schedule is open to any changes and additions.

## **9. Presentation of Investment Opportunity with Fisher Lynch Venture Fund II and Discussion of PCA's Recommendation and Possible Action**

Mr. Tad Fergusson of PCA approached the Board table. President Romero recognized Mr. Fergusson.

Mr. Fergusson informed the Board members that two private equity fund of funds firms would be presenting. He stated this was a continuation of the strategy to build on the core diversified program of the secondary market fund of funds that have been put in place. Mr. Fergusson stated the first opportunity is the Fisher Lynch venture fund of funds, and one of the key characteristics of the venture capital segment of the market is the access to top tier investment managers, particularly due to the wide dispersion of investment returns between the top and bottom quartile managers. He stated PCA is looking for experienced investment teams with significant networks and relationships, plus a proven ability to access those relationships and construct a portfolio in a manner appropriate for capturing the returns of venture capital opportunities. Mr. Fergusson reported that Fisher Lynch has demonstrated those characteristics and has a very experienced team.

Ms. Georgeanne Perkins, Managing Director, and Mr. Brett Fisher, Managing Director, of Fisher Lynch Capital approached the Board table. President Romero recognized the Fisher Lynch representatives.

The Fisher Lynch representatives presented the Board members with their investment opportunity.

Mr. Vazquez moved approval of an investment partnership with Fisher Lynch Capital. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, and Vazquez

Nays: None

## **10. Presentation of Investment Opportunity with HRJ Capital Special Opportunity Fund II and Discussion of PCA's Recommendation and Possible Action**

Mr. Fergusson introduced the HRJ Capital representatives, stating they have multiple fund products across the buyout, venture and special situation segments of the markets. He stated that PCA feels this is a very opportunistic time to gain exposure, to special situation funds (distressed debt) given the credit crunch over the last summer and the economic difficulties concerning the recession. Mr. Fergusson stated that PCA feels these are funds that will perform well in a time of stable economic environment and in times of distress.

Messrs. Lane Auten, Managing Director, and Pete Notz, Associate, of HRJ Capital approached the Board table. President Romero recognized the HRJ representatives

The HRJ representatives presented the investment opportunity to Board members.

Mr. Moore moved approval of an investment partnership with HRJ Capital. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, and Vazquez

Nays: None

### **11. Resolution to Ratify the Board's Action Pertaining to the Adoption of the Results of Asset/Liability Study**

Mr. Vazquez moved approval of Resolution 08-49. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, and Vazquez

Nays: None

### **12. Discussion of Staff Report Regarding a Form of Purchased Service Credit (aka "Air Time" Benefits)**

President Romero suggested that since Item 12 was an issue Mr. Canzano brought to the table it should be brought back to a future meeting when he is present. Mr. Vazquez requested staff provide more information on "Air Time" benefits and its meaning.

**Item 13 was taken out of order.**

### **14. General Items**

#### **- DWP Retirement Board Newsletter – January 1, 2008**

The Board received a copy of the January 1, 2008, Newsletter for DWP retirees.

### **15. Discussion of Various RFPs and Possible Action**

Ms. Bhatia stated three RFPs were emailed to the Board members, and hard copies were also provided, for their review and feedback prior to staff advertising the RFP. President Romero inquired when the RFPs would be advertised. Mr. Palmer responded there were separate deadlines for each of the three different publications. The *Pensions & Investments* magazine could be advertised online by January 22, 2008, and both the *Wall Street Journal* as well as the *Los Angeles Times* would only take two days. Ms. Bhatia stated that the advertisement would state that the RFPs are posted on the Retirement website and all three RFPs would be posted by the beginning of the coming week.

Mr. Moore moved approval for staff to proceed with the advertisement of the RFPs. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, and Vazquez

Nays: None

### **13. Retirement Plan Manager's Comments (Out of Order)**

Ms. Bhatia stated that an Audit Committee meeting was being scheduled for February 6, 2008 to discuss potential changes to the existing audit contract. Information will be presented to the Board members so they could make a decision on how to proceed.

Ms. Bhatia reported that the RFP for the management audit is currently being evaluated by the City Controller's Office. Ms. Carranceja explained that the Controller's office representative stated a selection had been made from the proposals. She further explained the City Attorney's Office was reviewing the contract, and an entrance conference is expected to be scheduled in February.

Ms. Bhatia provided the Board with an update on the vacancies within the Retirement Office stating positions were being filled as quickly as possible.

Ms. Bhatia stated that the annual membership statements are late but would be issued in a couple of weeks. She reminded the Board there have been significant issues within the current system as far as the data, and issues with providing the files to the vendor that compiles the statements.

Ms. Bhatia reported that staff is working on implementing the Deloitte & Touche recommendations from the investment audit, primarily the recommendation that staff should be participating in due diligence efforts involving investment managers. Mr. Palmer stated that due diligence was completed for Mellon Bank in connection with the extension of their contract and more are being scheduled for The Boston Company, Loomis Sayles, MFS, and Earnest Partners. Ms. Bhatia added that staff will bring back recommendations to the Board, as relevant.

Ms. Bhatia stated that information was provided to Labor Relations with regards to the Phillip Wickey case and potential changes to the Plan. She stated it was her understanding that Labor Relations would be meeting with union representatives regarding this matter.

Ms. Bhatia reported that the 3-year term of Retiree Board member Michael Moore will be expiring in June. Mr. Vazquez explained the term can be extended for an additional 3 years without going through the process, which he recommended. Mr. Vazquez indicated that his recommendation was accepted by the president of the Retiree Association, and Mr. Moore has volunteered to serve the additional term. Mr. Vazquez stated he still needed to discuss this with the DWP Board of Commissioners member of the Retirement Board to finalize it.

Ms. Carranceja provided the Board with an update on the new computerization system, stating the issue of existing files of paper documents needed to be addressed. She explained the Filenet system which is a document imaging system will be a subsystem of the Penfax system and will be utilized for document imaging. She explained that this process would increase the efficiency in the office and streamline the process. President Romero inquired if the scanning project had stopped. Ms. Carranceja responded that the project has stopped until a decision is made on what to do with the existing files.

Ms. Bernstein informed the Board that John Charlie, an investment officer with PCA, would be leaving the firm to pursue an outside venture with his wife.

## **16. Future agenda items**

There were no future agenda items.

The Board meeting was adjourned at 11:55 a.m.

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JAVIER ROMERO  
President

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SANGEETA BHATIA  
Retirement Plan Manager

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IRENE COLON GONZALEZ  
Recording Secretary