

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

MINUTES

JULY 13, 2011

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Ronald O. Nichols, General Manager*
Barry Poole, Regular Member
Robert Rozanski, Retiree Member

Board Members Absent:

Mario Ignacio, Chief Accounting Employee
Christina Noonan, DWP Commissioner

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Utility Executive Secretary

Others Present:

Alan Manning, Assistant City Attorney
Marie McTeague, Deputy City Attorney
David Sancewich, Pension Consulting Alliance

President Romero called the meeting to order at 10:04 a.m. following the Pledge of Allegiance.

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

Public Comments

Mr. Romero welcomed Robert Rozanski, the new Retiree Member, to the Retirement Board.

**(Mr. Nichols entered the meeting at 10:05 a.m.)*

1. Request for Approval of Minutes for May 25, 2011 Regular Meeting

Ms. Coffin moved for approval of Item 1; seconded by Mr. Poole.

Ayes: Coffin, Ignacio, Nichols, Noonan, Poole, Romero, and Rozanski

Nays: None

THE MOTION CARRIED.

2. Report on MFS Investment Management Holdings

3. Report on Allocation of the Contribution from the Department of Water and Power to the Retiree Health Benefits Fund

4. Report from Pension Consulting Alliance on The Boston Company Emerging Markets Value On-Site Due Diligence Visit

Ms. Coffin moved to accept Received and Filed Items 2 through 4; seconded by Mr. Rozanski.

Ayes: Coffin, Ignacio, Nichols, Noonan, Poole, Romero, and Rozanski

Nays: None

THE MOTION CARRIED.

5. Report from Pension Consulting Alliance on the Emerging Markets Equity Manager Request for Proposal

David Sancewich from Pension Consulting Alliance (PCA) shared a brief report of the responses to the Request for Proposal (RFP) for a new Emerging Markets Equity Manager. He provided more detailed information on the top six respondents. He added that T. Rowe Price was included in the list because they were the incumbent manager; however, had they not been the incumbent, they would not have been included because they had not met the criteria related to performance.

Mr. Sancewich reviewed the performance and risk analysis for the respondents and suggested the Board interview three or four of the top six candidates.

Mr. Rozanski had questions regarding the insurance requirements. Mr. Sancewich explained the Plan's insurance requirements have been more stringent than others, and he provided a brief history. He added the insurance requirements have now been included directly in the RFP. Ms. Bhatia provided additional background on the insurance requirements and some of the past related issues.

Mr. Nichols moved that the Board interview the top four recommended candidates; seconded by Ms. Coffin.

Ayes: Coffin, Ignacio, Nichols, Noonan, Poole, Romero, and Rozanski

Nays: None

THE MOTION CARRIED.

6. Discussion of Draft Request for Proposal Document

David Sancewich from Pension Consulting Alliance (PCA) discussed the draft Request for Proposal (RFP) for the new Covered Calls asset class investment manager. He stated the RFP language was intentionally broad to find out who would respond. He said PCA will come back with recommendations after they receive the responses.

Ms. Bhatia noted the Board must first adopt the Covered Calls policy and draft copies will be provided to the Board. If no changes are requested, Staff and PCA will proceed.

7. Discussion of Pension Consulting Alliance's Proposed Investment Schedule

David Sancewich from Pension Consulting Alliance (PCA) stated now that the asset allocation study has been completed, PCA is ready to move forward with the changes. He reviewed the preliminary investment task agenda and noted the Real Return class was included ahead of Fixed Income because PCA would like to get that restructured as soon as possible.

The Board Members agreed to move forward with the proposed task agenda as presented.

8. Discussion of the Impact of Internal Revenue Code Provisions on the Distribution Options Available for the Additional Annuity Program

Ms. Bhatia stated the purpose of this item was to explain the tax implications with respect to some of the distribution methods of the Additional Annuity program that was implemented earlier this year. She introduced Linda Le, Retirement Section Supervisor, to address the impacts.

Ms. Le explained the Additional Annuity program allows a member to contribute up to 10% of their salary toward an annuity they can take at retirement. Until February 2011, the Additional Annuity program only allowed members to purchase an annuity at retirement. She explained the additional annuity program now allows members to take a lump sum refund, rollover their funds, purchase an annuity, or select a combination of these options. She said the Internal Revenue Service (IRS) considers our Plan as a Defined Benefit and, as such, the normal contribution and additional contributions can no longer be viewed at retirement as separate accounts for tax purposes.

Ms. Le discussed the impact of the IRS provisions on the various options now available to Plan members. She explained members who choose an annuity would not be impacted, members who rollover their funds would be taxed at the time their funds are withdrawn, and members who withdraw all or a portion of their additional contributions would incur a higher taxable portion after the required redistribution of the tax basis. This will decrease the amount of money they can actually receive.

She reported since the implementation of the program, 190 members have retired, and of that amount 25% had additional annuities. She added the vast majority still purchase annuities, and she has seen no one request a combination of options yet.

Ms. Le noted the information pertaining to the IRS provisions is published in the Summary Plan Description and in the Retirement Office newsletter. She also noted that 30 days prior to a member's retirement, Staff explains the effects of the IRS provisions on the various options. She further noted the information is included as part of the retirement seminars.

9. Discussion of Eligibility for Disability Benefits

Mr. Nichols recused himself from discussion of this item based on his role as General Manager of the Department.

Ms. Higgins provided the background for this item which was brought back for further discussion at the request of the Board. She described the Plan's three requirements for a member to qualify for disability benefits and stated the member in question met all three requirements. She reported Staff had submitted all of the required documentation to the Medical Director and the Medical Review Board, and the member was found to meet the Plan's qualifications for disability payments. She said the member's records are reviewed periodically to make sure he continues to qualify for the disability benefits.

Ms. Coffin said for her own comfort level she would like to see a copy of the Separation Agreement. Mr. Poole said he would also like to see the agreement. Staff said they would check with the City Attorney's office with regard to the information requested.

10. Investment Reports for April 2011

- a) Summary of Investment Returns as of April 30, 2011**
- b) Market Value of Investments by Fund and Month as of April 30, 2011**
- c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of April 30, 2011**
- d) Summary of Contract Expirations**

These items were included for reference only and no discussion took place.

11a. "Defending Public Pensions" – ABC News

No discussion.

11b. "Alger Faces Lawsuit on Firing" – The Wall Street Journal

Mr. Wolfson indicated this article was included to inform the Board that litigation had been initiated against Fred Alger Management, Inc., based on accusations. He stated Staff and Pension Consulting Alliance were monitoring the situation and will provide the Board with additional information as necessary.

13. Retirement Plan Manager's Comments

Ms. Bhatia reported the June Retiree Payroll contained incorrect premium and subsidy information with respect to the retiree Health Plan coverage which affected the net check amount. Staff received a number of calls from retirees who were unable to reach the Health Plans Office, and the Retirement Office also received emails on its website. Ms. Bhatia reported the Health Plans staff is handling the matter directly with the affected retirees. She noted the Board was provided with a copy of a message posted on the Retirement website which addressed some of the concerns.

Ms. Bhatia reported the 1.2% Cost of Living Adjustment goes into effect July 1, and letters describing the impact on retirement allowances are being mailed out.

Ms. Bhatia reported testing and data cleanup for the new computer system continues. The focus is on testing the entire retirement process leading up to printing the December 2011 retirement checks to be payable in January 2012.

She stated Staff is working on the annual member statements which are expected to be sent out next month. They will be generated from the new system.

She also reported the Civil Grand Jury completed its investigation of public pension plans, and excerpts from the report which pertain to the Water and Power Employees' Retirement Plan have been provided to the Board Members. She noted the report includes specific recommendations to which the Board of Water and Power Commissioners is to respond by September 30, 2011. The recommendations pertain to the cost of retirement benefits, the cost of the reciprocity program between the Plan and the Los Angeles City Employees Retirement System (LACERS), and the Department's annual contributions into the Retiree Health Benefit Fund.

With respect to the design change of the reciprocity program, she noted Staff expects to receive the report from The Segal Company next month. In response to a question from Mr. Rozanski, Ms. Bhatia indicated the \$180 million referenced in the Civil Grand Jury's report as being the amount which may be owed to the Plan by LACERS was based on the actuarial report conducted on reciprocity data from the past six years. She added no discussion has yet taken place regarding collecting payment.

14. Future Agenda Items (OUT OF ORDER)

It was suggested that discussion of changing the start time of the Retirement Board meetings be placed on the next agenda.

(The Board moved into closed session at 10:47 a.m.)

(OUT OF ORDER)

**12. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) --
CONFERENCE WITH LEGAL COUNSEL -- EXISTING LITIGATION**

**Name of Case: *Deutsche Bank Trust Company et. al. vs. First Republic Bank et. al*,
United States District Court, Northern District of California, San Francisco Division,
Case No. CV 11-2634**

(The Board met back in open session at 10:54 a.m.)

Mr. Romero announced no reportable action was taken by the Board on Item 12.

With no further business, the meeting adjourned at 10:55 a.m.



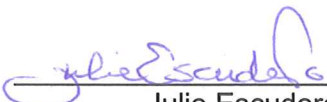
Javier Romero
Board President

8/10/11
Date



Sangeeta Bhatia
Retirement Plan Manager

8/10/2011
Date



Julie Escudero
Utility Executive Secretary

8.10.11
Date