

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

MINUTES

OCTOBER 24, 2012

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Barry Poole, Regular Member
Ronald O. Nichols, General Manager
Mario Ignacio, Chief Accounting Employee

Board Members Absent:

Robert Rozanski, Retiree Member
DWP Commissioner - Vacant

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Erin Carone, Acting Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 9:05 a.m.

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

Public Comments

Ms. Carone stated no public comments were requested at this time.

1. **Request for Approval of Minutes**
 - a) **September 26, 2012, Regular Meeting**
 - b) **October 10, 2012, Special Meeting**

2. **Termination from Rolls**
 - a) **Termination from Monthly Allowance from the October 2012 Retirement Roll**

Ms. Coffin moved that the Board approve Items 1 and 2; seconded by Mr. Nichols.

Ayes: Coffin, Nichols, Poole, and Romero

Nays: None

Absent: Ignacio and Rozanski

THE MOTION CARRIED.

3. **Report of Payment Authorizations for September 2012**

4. **Notice of Deaths for September 2012**

5. **Investment Reports for September 2012**
 - a) **Market Value of Investments by Fund and Month as of September 30, 2012**
 - b) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of September 30, 2012**
 - c) **Summary of Contract Expirations**

6. **Report on Status of Insurance as of October 10, 2012**
7. **Report on Bank of New York Mellon Due Diligence**
8. **Report on Pension Consulting Alliance Onsite Due Diligence with Pyramis Global Advisors**

Ms. Coffin moved that the Board accept Items 3 through 8; seconded by Mr. Nichols.

Ayes: Coffin, Nichols, Poole, and Romero

Nays: None

Absent: Ignacio and Rozanski

THE MOTION CARRIED.

The Board met in closed session at 9:08 a.m. to discuss the following:

9. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – To Confer with Counsel Regarding Pending Litigation in Two Cases:

- 1) Tribune Company Fraudulent Conveyance Litigation: Deutsche Bank Trust Company Americas, et. al., Plaintiffs v. First Republic Bank, et al., Defendants [United States District Court, Southern District of New York, Consolidated Multidistrict Action 11 Md 2296 (Whp)]
- 2) Official Committee of Unsecured Creditors of Tribune Company, Plaintiff, v. Dennis Fitzsimmons, et al., Defendants [United States District Court, Southern District of New York, Civil Action No. 12-Cv-02652 (Whp)]

(Mr. Ignacio entered the meeting at 9:10 a.m.)

The Board met back in open session at 9:11 a.m.

10. Discussion of Request for Proposal Responses for the Active Commodities Mandate

The Board acknowledged David Sancewich and Neil Rue from Pension Consulting Alliance (PCA). Mr. Sancewich reported 16 firms responded with 17 products to the Request for Proposal (RFP) for an active commodities manager. PCA scored and ranked the candidates and highlighted the top four. In response to a question from Mr. Poole, Mr. Sancewich stated PCA reviewed all of the responding managers and not just the top four.

Mr. Poole asked why Pinnacle was ranked eighth yet performed much higher than many other managers. Mr. Sancewich explained performance was just one of many factors used in the ranking process. He added that how, and at what cost, high returns were achieved was more important than just achieving great returns. To further illustrate this, Mr. Rue referred to the statistics provided and how they reflected manager performance relative to the benchmark. He added Pinnacle uses commodities but does not perform like commodities. He said PCA suggested first using a manager that performs like commodities.

Further discussion ensued regarding Pinnacle's performance. Mr. Rue explained the Board has adopted a policy to select firms that perform like the benchmark, so mandates are included to be consistent with that philosophy. He stated that although Pinnacle was allowed to respond to the RFP, they were unaligned with the benchmark.

Mr. Ignacio asked for clarification of a comment made by PCA regarding PIMCO's account structure. Mr. Sancewich responded that because PIMCO could not accommodate the Health Plan in a separate account structure, they (PIMCO) indicated they could create a separate account for the Retirement Fund at a lower fee, and place the Health Fund assets in an institutional mutual fund; both of which would be identically managed. Mr. Wolfson added he asked PCA to provide that data to the Board prior to selecting a manager so they would be aware of the operational risk.

(Mr. Nichols left the meeting at 9:25 a.m.)

Ms. Bhatia asked for the cost for the mutual fund. Mr. Sancewich answered that PIMCO's proposed fee was 74 basis points for the institutional mutual fund for the Health Plan and 47 basis points for the Retirement Plan separate account.

Mr. Ignacio moved that the Board interview the top four candidates suggested by Pension Consulting Alliance; seconded by Ms. Coffin.

Ayes: Coffin, Ignacio, Poole, and Romero

Nays: None

Absent: Nichols and Rozanski

THE MOTION CARRIED.

11. Discussion of T. Rowe Price Associates, Inc. Large-Cap Growth Performance

(Mr. Nichols returned to the meeting at 9:27 a.m.)

Mr. Wolfson stated this item was brought to the Board to remove T. Rowe Price from watch status. He provided background information on T. Rowe Price. He explained that T. Rowe Price no longer qualifies for watch status, and both Staff and PCA recommend removing them from watch status.

Ms. Coffin moved that the Board approve Item 11; seconded by Mr. Ignacio.

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

Nays: None

Absent: Rozanski

THE MOTION CARRIED.

12. Discussion of Glass Lewis Proxy Services Provider Contract Renewal

Mr. Wolfson gave the background on Glass Lewis & Co. He explained the market for proxy service providers is small and a Request for Information (RFI) was sent to the three largest firms. He stated that both Staff and Pension Consulting Alliance (PCA) conducted due diligence on Glass Lewis & Co., and Staff recommends the Board extend their contract for an additional three years.

Neil Rue from PCA indicated Glass Lewis & Co. scored the highest of the three firms. He said Staff is satisfied with how Glass Lewis & Co. executed their contract, and PCA agrees with Staff's recommendation to rehire Glass Lewis & Co. for proxy services.

Mr. Nichols moved that the Board approve Item 12; seconded by Mr. Ignacio.

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

Nays: None

Absent: Rozanski

THE MOTION CARRIED.

13. Presentation by Courtland Partners – Second Quarter Real Estate Performance Report

Lourdes Canlas and Bill Foster from Courtland Partners presented the Plan's real estate portfolio performance for the second quarter of 2012. Ms. Canlas reported the value of the Plan's real estate assets was \$215 million, which equaled 2.5% of the Plan's total assets. She said the Plan's unfunded commitments increase the total to 4%, with the target being 5%. She stated the one-year return was 14.4 % compared to 12% for the benchmark. She reported the Plan's net returns for the core, value-add, and opportunistic portfolios were 11%, 14.6%, and 51%, respectively.

Mr. Foster presented the fiscal year highlights and reminded the Board that the figures provided are for the previous quarter due to the time it takes to receive the data. He reported the returns for the one-year period ending in March were 17.9% compared to the benchmark at 11.6%.

He reported unfunded commitments of \$15.9 million for core investments and approximately \$77 million for value-add. He attributed the value-add results to the lack of purchases by Bristol Value Fund II and added that Bristol will likely ask for an extension of their investment period. He then summarized the risks and returns and reviewed the portfolio composition, property and geographic diversification, and leverage.

He reviewed the performance of Lone Star and Mesa West and stated Courtland plans to present an investment opportunity in Mesa West Real Estate Income Fund III to the Board in November.

Mr. Ignacio asked what the term "others" referenced under property type diversification. Mr. Foster explained "others" were securities and physical assets. Ms. Canales said Courtland will address that in their next report.

14. Retirement Plan Manager's Comments

Ms. Bhatia reported she and Mary Higgins attended a meeting organized by the Los Angeles City (City) Chief Administrative Officer's (CAO) office regarding the Riordan Initiative. She stated that representatives from all of the City's pension plans were in attendance. She explained that the Riordan Initiative will most likely be on the ballot for the May election, pending the 255,000 signatures needed, and it might be one measure or three separate measures. She stated that a fiscal impact statement is required by March 12, 2013. She said there was a discussion over what point an actuarial study will be needed and who will be responsible for getting the study done. She explained that for the other two City pension plans, the CAO has a separate actuary from this Plan's. She stated there was additional discussion over whether all of the costs and

savings of the initiative have been addressed; particularly, there may be hidden costs that can wipe out projected potential savings. She added that there was also discussion over the legal aspects regarding the initiative. She said if the Board would like to discuss the initiative further or decide about the actuarial study, it could be placed on the agenda of a future meeting.

She provided a status update to the Board on the reciprocity suspension item that was approved by the Board at the previous meeting. She stated that the item is on the agenda for the November 6, 2012, Board of Water and Power Commissioners meeting. She said once it is approved it will come back to the Retirement Board for adoption.

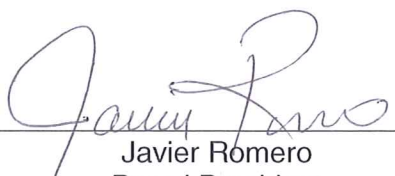
With regard to the Riordan initiative, Mr. Nichols stated that he would like the actuary, The Segal Company, to analyze the impact. Mr. Poole agreed with Mr. Nichols and they would both like to put on the next agenda discussion of the Charter amendment with an actuarial study to go along with it.

Mr. Romero asked what role Staff would have in identifying the costs to the voters. He said what is being presented may not be the true amounts. Ms. Bhatia replied that there will need to be more research done.

Mr. Poole stated that he would like to discuss the Riordan Initiative document further. He said that it does not correctly calculate the costs. Mr. Nichols inquired about the legal issues of the initiative and who could advise the Board regarding those issues. Ms. McTeague stated that the City Attorney's office can advise the Board in an open session. Mr. Poole and Mr. Nichols said they would like to add to the next agenda, discussion over the legal and cost issues of the initiative.

Ms. Bhatia also updated the Board on the Emerging Markets Separate Account manager, Vontobel. She said that LA Capital, the other Emerging Markets manager, has been funded.

With no further business, the meeting adjourned at 9:59 a.m.



Javier Romero
Board President

11/28/12

Date



Sangeeta Bhatia
Retirement Plan Manager

11/28/12

Date



Erin Carone
Acting Utility Executive Secretary

11/28/12

Date