

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

MINUTES

FEBRUARY 27, 2013

Board Members Present:

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

Board Members Absent:

Javier Romero, President
Robert Rozanski, Retiree Member
DWP Commissioner - Vacant

Staff Present:

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

Others Present:

Marie McTeague, Deputy City Attorney

Vice President Coffin called the meeting to order at 9:03 a.m.

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

PUBLIC COMMENTS

Ms. Escudero reported no public comments.

1. Approval of Minutes:

- a) January 23, 2013, Regular Meeting
- b) January 30, 2013, Special Meeting

2. Termination from Rolls – Monthly Allowance from the February 2013 Retirement Roll

Mr. Poole moved that the Board approve Items 1 and 2; seconded by Mr. Ignacio.

*Ayes: Coffin, Ignacio, Nichols, Poole,
Nays: None
Absent: Romero, Rozanski*

THE MOTION CARRIED.

3. Report of Payment Authorizations for January 2013

4. Notice of Deaths for January 2013

5. Investment Reports for January 2013

- a) Summary of Investment Returns as of December 31, 2012
- b) Summary of Investment Returns as of January 31, 2013
- c) Market Value of Investments by Fund and Month as of January 31, 2013
- d) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of January 31, 2013
- e) Summary of Contract Expirations

6. Report on Status of Insurance as of February 6, 2013

Mr. Poole moved that the Board accept Items 3 through 6; seconded by Mr. Nichols.

*Ayes: Coffin, Ignacio, Nichols, Poole,
Nays: None
Absent: Romero, Rozanski*

THE MOTION CARRIED.

7. Discussion of Retirement Office Budget for Fiscal Year 2013-2014

Ms. Bhatia presented the proposed Retirement Office budget and Annual Personnel Resolution (APR) for Fiscal Year 2013-2014. She reported Retirement Office staff completed the review process with the Department's Financial Services Organization. She reviewed the Department's contributions, the Retirement Office Administrative Expense Budget, and the number of positions included in the APR.

She reported Staff tried to maintain the previous budget levels, and the proposed budget reflects a number of reductions (due to office efficiencies) and a few increases (due to legal fees to review additional investment management mandates and the cost of an experience study to be conducted later this year).

Mr. Nichols moved that the Board approve Resolution No. 13-64 authorizing the Retirement Office Budget for Fiscal Year 2013-2014; seconded by Mr. Poole.

*Ayes: Coffin, Ignacio, Nichols, Poole,
Nays: None
Absent: Romero, Rozanski*

THE MOTION CARRIED.

8. Discussion of Request for Proposal Responses for the Hedge Fund of Funds Mandate

Mr. Wolfson reviewed the background for the Hedge Fund mandate, and noted the Board's decision to divide the mandate into both a convergent strategy as well as a divergent strategy.

David Sancewich from Pension Consulting Alliance (PCA) reported PCA advertised a Request for Proposal (RFP) for each strategy. He first reviewed the finalists for the divergent manager. He stated 10 managers responded, and PCA narrowed the finalists to four. He noted the fees will no longer include a performance fee and will now be a flat rate only.

He next reviewed the finalists for the convergent manager and noted 24 managers responded. He stated PCA narrowed the list down to the top five managers, which includes the incumbent manager, Aetos. He noted the fees for the convergent manager will also be a flat rate.

Ms. Coffin asked if the Board could interview five candidates for the divergent manager if they chose to do so. Mr. Sancewich responded it was up to the Board to interview as many managers as they preferred. After some discussion, the Board decided to interview five managers for the convergent strategy and stay with four for the divergent strategy.

9. Discussion of Consent to Amendment of Blackstone Real Estate Partners VII, Limited Partnership Agreement

Mr. Wolfson stated that approval of this item, at this point, would be for procedural purposes only, as Staff learned yesterday that the necessary number of Limited Partners have already approved the consent. He noted that was not the case at the time Staff submitted its report.

Mr. Nichols moved that the Board approve Resolution No. 13-65 to approve the consent to amendments to Blackstone Real Estate Partners VI; seconded by Mr. Ignacio.

Ayes: Coffin, Ignacio, Nichols, Poole,

Nays: None

Absent: Romero, Rozanski

THE MOTION CARRIED.

10. Presentation by Pension Consulting Alliance – Private Equity Investment Plan

Tad Fergusson and Mike Moy from Pension Consulting Alliance (PCA) presented the 2013 Private Equity Investment Plan.

Mr. Fergusson reported the investment plan provided an overview of the program's progress toward its allocation targets, and it provided scenarios to achieve the 5% target over the long term with consistent commitment pacing. He noted that although PCA recommended an annual target, partnership selection should drive the portfolio construction process.

Mr. Fergusson reviewed the program's history, commitments, and cash flow activity. He also described three scenarios of total portfolio growth and how that growth would affect the relative allocation levels.

He ended with PCA's recommendation of a target commitment of \$125 million per year for the Retirement Fund, and \$20 million per year for the Health Fund.

11. Presentation by Pension Consulting Alliance—Third Quarter Private Equity Performance Report

Tad Fergusson and Mike Moy presented the third quarter performance report. Mr. Fergusson reported the program committed approximately \$256 million of capital across 11 partnerships, with approximately 60% drawn down, \$51 million returned in distributions, and a remaining market value of \$128 million. He noted the net since-inception internal rate of return was 7%, which was lower than expected over the long term, but still attractive given the environment in which it was constructed.

He noted the program underperformed the public equity market and benchmark in the one-year, three-year, five-year, and since-inceptions periods; however, compared to the broad private equity index, the program outperformed over the three-year and five-year periods and has been strong and in line with the broad markets.

Mr. Fergusson described the contributing factors to the underperformance for the one-year period. He noted large capital flows recently invested were held at cost, and much of the program is in secondary fund-of-funds and is still lagged. Mr. Moy pointed out this has been an industry-wide problem. He said most everyone in the private equity class uses the public market plus a premium for liquidity for the benchmark, and they are all struggling with the volatility.

Mr. Nichols asked if this could be cause to reweight the portfolio overall. Mr. Moy responded it could, but most of the other private equity investors are considering different benchmarks. He said PCA thinks the more realistic approach would be to compare the performance with the Plan's expectations, and they are trying to determine whether that can be presented as a measurement tool.

Mr. Fergusson concluded the presentation with a review of the investment multiple, contributed capital distributed back, portfolio structure, sector exposure, geographical exposure, industry diversification, vintage year diversification, and firm diversification.

12. Presentation by Pension Consulting Alliance, Inc. – Fourth Quarter Performance Report

David Sancewich presented the fourth quarter performance report. He reported the portfolio was up 11.7% gross of fees for the past 12 months and outperformed the 7.75% expected rate of return, although it trailed the policy benchmark of 12.6%, due to the private equity and the international equity performance. He compared the Plan's portfolio to other public entities and noted the Plan achieved its return with less risk than other public plans.

He compared the portfolio against the market's long-term performance, and he compared the portfolio's actual allocations versus target allocations.

He reviewed the performance attribution and noted the poor performance of the international equity asset class was due to manager performance and the transition to the new managers. He reported the domestic equity, fixed income, real return, and covered call portfolios all performed well.

He also reviewed the managers on watch.

He concluded with reviews of the disability, death, and health plan portfolios. He noted the disability and death portfolios performed well, and the health plan performed well overall with the exception of its international equity, which has since been restructured.

13. Retirement Plan Manager's Comments

Ms. Bhatia reported the Retirement Office is in the process of filling various vacancies.

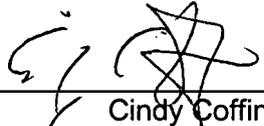
She reported Staff met with JEA, the vendor for the new system, to discuss options necessary to expedite the new system, including the web piece. She stated the implementation of the Med B functionality is a priority, and Retirement Office staff is working with Health Plans, ITS and JEA.

She reported the March 13 Retirement Board meeting is cancelled due to no quorum.

14. Future Agenda Items

None requested at this time.

There being no further business, the meeting adjourned at 10:16 a.m.



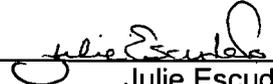
Cindy Coffin
Board Vice President

3/27/13
Date



Sangeeta Bhatia
Retirement Plan Manager

3/27/13
Date



Julie Escudero
Utility Executive Secretary

3-27-13
Date