

**AUDIT COMMITTEE MEETING  
of the  
WATER AND POWER EMPLOYEES' RETIREMENT PLAN  
BOARD OF ADMINISTRATION**

**MINUTES**

**OCTOBER 28, 2009**

**Committee Members Present:**

Barry Poole, Chairperson  
Mike Moore, Audit Committee Member  
Jeff Peltola, Audit Committee Member

**Committee Members Absent:**

None

**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**

Michael Wilkinson, Deputy City Attorney

The meeting was called to order at 9:34 a.m.

Ms. Bhatia indicated quorum of the Audit Committee was present.

Mr. Poole stated there were no public comments.

**1. Presentation by Simpson & Simpson, CPAs, of the Annual Audit Report and Related Financial Statements, as of June 30, 2009**

Mr. Poole noted there were no public comments.

Ms. Bhatia introduced Grace Yuen and Frank Liu of Simpson & Simpson, CPAs (S&S).

Ms. Yuen reported no significant difficulties were encountered during the audit, no significant audit adjustments were being proposed to management, and no major issues were being discussed in connection with retaining S&S as the Plan's auditor. She also reported S&S had no disagreements with management, and was not aware of any management consultation with other accountants on both accounting and auditing issues.

Ms. Yuen highlighted some of the Plan's financial activities and reported the net assets at the close of the fiscal year were approximately \$5.7 billion for the Retirement Fund, \$44.9 million for the Disability Benefit Fund, \$21.5 million for the Death Benefit Fund, and \$740.6 million for the Retirement Health Benefit Fund (RHBF). She noted the net assets for the Retirement Fund and the Death Benefit Fund decreased by \$1.2 billion and \$642,000, respectively, and the additions to the Retirement Plan's net asset from the prior year decreased from \$131 million to \$854 million, primarily due to depreciation in the fair market value of investments in 2009. She added that as of June 30, 2009, the funding ratio of the Retirement Fund was approximately 90% based on the actuarial report with the five-year smoothing of the investment gains and loss. She reported the total assets of the RHBF were up by approximately 2.9%, from \$720 million to \$741 million, and the funding ratio of the RHBF was approximately 53% of liability.

Mr. Moore asked why the actuarial report for the Retirement Fund and Death and Disability Fund was submitted on a different schedule than the actuarial report for the Health Benefits Fund. Ms. Bhatia indicated the actuarial valuation of the Retiree Health Benefit Fund used for the audit was provided by Financial Services because the Retirement Board does not have the oversight of that contract.

Mr. Peltola added that he plans to submit a motion to the DWP Board of Commission to have these reports submitted at the same time.

Ms. Bhatia clarified that adequacy of the RHBF is the responsibility of the DWP Board of Commissioners.

In response to a question from Mr. Poole, Ms. Yuen stated the RHBF was funded at 62% in the previous period, and she reiterated the decrease to 53% for this period was largely due to the investments' depreciation. She pointed out that the Plan is being proactive because numerous other agencies do not fund post-employment benefits. Ms. Bhatia stated the Plan is ahead by establishing this fund. She stated the Department's funding is currently at \$100 million per year, regardless of the actuarially determined funding levels.

Mr. Moore asked if the mutual fund investments indicated in the financial statements were commingled funds or part of the index funds. Ms. Bhatia replied staff would look into that and provide a definite answer.

Mr. Peltola asked for background on the hedge funds and how they were evaluated. Ms. Yuen indicated most of the hedge funds have audited financial statements which S&S reviewed. Ms. Bhatia added the hedge fund managers provide their audited hedge fund statements.

*Mr. Moore moved that the Annual Audit Report and Related Financial Statements, as of June 30, 2009, be transmitted to the full Retirement Board at its next meeting; seconded by Mr. Peltola, and carried after the following vote:*


*Ayes: Poole, Peltola, and Moore*

*Nays: None*


There being no further discussion, the meeting adjourned at 9:50 a.m.

  
BARRY POOLE  
Chairperson

2/10/10  
Date

  
SANGEETA BHATIA  
Retirement Plan Manager

2/10/10  
Date

  
JULIE ESCUDERO  
Utility Executive Secretary

2.10.10  
Date