

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

**MINUTES – JANUARY 22, 2003**

**Present:**

Javier Romero	President
Dan Mirisola	Vice-President
Lilly Calvache	Board Member
Norma Bertrand	Board Member
Anne E. Cho	Commissioner

**Absent:**

David H. Wiggs	General Manager
Ron Vazquez	Chief Financial Officer

**Others Present:**

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Ellen Shimamoto	Assistant Retirement Plan Manager
Vikki Burks	Recording Secretary
Donna Weisz-Jones	Assistant City Attorney
Mike Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 10:07 am after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Vellon indicated there is quorum of the Board present.

**PUBLIC COMMENTS**

President Romero inquired if there were any public comments and there were none.

**1. Interviews and possible selection of Law Firm (From those responding to the Plan's Request for Proposal):**

Mr. Robert D. Klausner (Klausner & Kaufman) and Mr. Alan Schulman (Bernstein Litowitz Berger & Grossman LLP) approached the table.

**a) 10:00 a.m. Bernstein Litowitz Berger Grossman/Robert Klausner**

President Romero recognized Mr. Klausner and Mr. Schulman.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated, an RFP was issued and this was the firm's

opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firms' responses.

Mr. Klausner thanked the Board for an opportunity to speak on behalf of Mr. Schulman and himself. He indicated he had been an attorney for 25 years, representing state and local government retirement systems. He gave a brief summary of his occupation as an Assistant City Attorney for the City of Miami and working for the Police Department as a pension attorney, wherein he successfully, over 10 years, recovered \$240 million (with interest and earnings) from \$20 million stolen out of the Department's pension fund. Mr. Klausner defined a fiduciary and securities counsel.

Mr. Klausner explained the fiduciary mission, as a trustee of the fund, is to manage the Plan in a way that is most efficient and in the best interest of the members and beneficiaries of the system. He stated as counsel, when a questionable issue arises, it is their job to first think about the situation, (which is key to the successful completion of the fiduciary mission), consider the consequences and choose the best course of action derived from the Board's judgment and advice received from the experts hired. He added, as fiduciary counsel, the firm would inform the Board of the possible options within the law and if the law does not give guidance, counsel will inform the Board what the options are within the realm of practicality and the cost-related consequences of a particular course of action.

Mr. Klausner emphasized, in this day and time of unusual corporate behavior, having someone who does securities matters for the Department is an absolute essential in the course of governance, which is why Klausner & Kaufman teamed nationally with what they think is the premier securities law firm, (Bernstein Litowitz), in the country. He stated Mr. Schulman's firm performs an ongoing portfolio review at no charge, in order to alert Klausner & Kaufman of a loss caused by inappropriate corporate behavior (misstatement of earnings, undisclosed loans and accounting improprieties), rather than the vicissitudes of the market. Mr. Klausner expressed, if he does his job as fiduciary counsel, DWP will never go to court, which he considers a failure of the fiduciary mission. He added the attorney's job is to see the problem before it turns into one, because ultimately, when getting into litigation and the client is paying the attorney by the hour, the only winner is the attorney. He also stated both firms pride themselves on having the same clients for a number of years, which speaks to the loyalty and dedication they show their clients.

Mr. Klausner expressed what distinguishes his firm from others is their incredible record of success for their pension funds, even in cases seemingly impossible to win. He also indicated there has never been a fee dispute and their fees are substantially below what the market is generally on contingent based fees. With regards to their billing philosophy, Mr. Klausner stated if his firm bills DWP for something the Board does not think is fair they may draw a line through the item and pay the remainder of the bill, end of discussion.

Mr. Klausner indicated their firms provide two unique features. He described the first as a continuous review of the client's investment portfolio by a separate section of analysts within the firm, who go through all client's portfolios on a daily basis running them through software and programs specially developed to detect losses from corporate impropriety. He explained the second feature was a free, annual, client three-day conference given by their firm and held in Fort Lauderdale, where top

legislatives and legal experts, tax, securities, actuarial, and financial investment groups are brought in to meet with clients, share experiences, problems and solution with each others and raising the efficiency bar. Mr. Klausner concluded by stating their firm's experience and record speaks for itself, they take their work very seriously and the client can rely upon the advice given.

President Romero asked Mr. Klausner to elaborate on the question in the RFP asking for an explanation of their major role as a legal advisor, wherein the firm responded, they conducted training workshops to improve trustee skills in disability and other benefit hearings. Mr. Klausner responded, the firm does anything the client has a particular need for. He then gave an example of the firm creating a videotape for the Missouri State Retirement System, due to a problem with processing disabilities due to issue of privacy of medical records and the returning of employees from disability when the employer does not want them back. Mr. Klausner indicated the firm would meet with the staff and analyze the issues specifically, develop the protocol and conduct an onsite training.

Commissioner Cho inquired if in the last 10 years their firm had worked with any other Los Angeles City Departments. Mr. Klausner responded they had not, but are currently working on the development of the Deferred Retirement Option Plan which some of the unions negotiated and have also done work for CALPERS and LACERA. Commissioner Cho also inquired about who the assigned associate attorneys would be. Mr. Klausner responded, at DWP's level and the complexities of the problems that are likely to arise, the Board would deal directly with the boss. Commissioner Cho then asked if there were other attorneys who would be assisting him. Mr. Klausner indicated there were three other people, (Stewart Kaufman [partner], Adam Levinson, and Alan Eischenbaum) in his office to assist. He added all work would be supervised and any legal opinion received would be his decision. Ms. Calvache inquired where Mr. Klausner's office was located. Mr. Klausner responded Fort Lauderdale.

Mr. Mirisola inquired if Mr. Schulman, who deals with security issues, would represent the Plan in a situation where portfolio advisors give advice to one client and not to any of the others, which substantially costs the Plan potentially millions of dollars. Mr. Schulman responded, he considered the matter to be related to securities litigation, which is something his firm has expertise in and can advise the Board concerning the merits of this kind of litigation. Mr. Klausner clarified this was something his firm did as well, adding DWP is not the only one having the problem of hearing about the news until it is too late and the problem could be addressed in the contract. Mr. Schulman clarified his office was based in San Diego and consisted of eight lawyers. Mr. Mirisola inquired what their feelings would be on lowering insurance requirements for prospective investment managers. Mr. Klausner responded the Board should not have to chase their money managers requirements and all should be made easy for the Board, not the other way around. He added, in terms of managers, the Board should require more insurance rather than less. President Romero thanked Mr. Klausner and Mr. Schulman for their presentation.

Mr. Klausner and Mr. Schulman left.

Mr. Leiderman, Mr. Floren and Ms. Dunning, (all of Steefel, Levitt & Weiss), approached the table.

**b) 10:30 a.m. Steefel, Levitt & Weiss**

President Romero recognized Mr. Leiderman, Mr. Floren and Ms. Dunning.

Mr. Leiderman introduced himself along with Mr. Leiderman and Ms. Dunning.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated, an RFP was issued and this was the firm's opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firm's responses.

Mr. Leiderman reported their offices are located in Los Angeles, Connecticut and headquartered in San Francisco. He wondered what the Board is interested in and what were the key issues they are facing right now. He stated their firm is distinguished from other firms by the depth of their practice as not only fiduciary counselors but fiduciary litigators. He stated the firm would work with the Board and staff initially on what the law is and what it requires and they are more than able to manage the exposures and questions which may come, with the understanding DWP is a public Board and are under particular scrutiny from the constituencies, employers, employees and press. Mr. Leiderman added the firm would be able to work with the Board in structuring, not only as far as responses to events which may occur and decisions the Board needs to make as fiduciaries, but also in structuring if litigation or resolution is inevitable. He explained this could be worked into the planning and strategy so the affirmative lead could be taken in litigation if necessary as opposed to sitting back passively waiting to be sued and then having to react. Mr. Leiderman reported Ms. Dunning has worked with him in fiduciary counseling and litigation for 7 to 8 years and Mr. Floren is one of the top securities litigators from both a fiduciary and investment advisor standpoint.

Mr. Leiderman emphasized his firm is a consensus builder, working very closely with the employees, employers and pension fund, bringing them all together during disputes, through the creative use of the legal process. He indicated there is currently a lot of pressure on the funded status of public pension funds, and his firm is very attuned to working within the fiduciary and legal standards to shape contribution rights and work with the actuaries and investment counselors to work on cash flow, changing amortization schedules and to discuss the proper reevaluation of assumption rates. Mr. Leiderman concluded by stating he would like work with DWP in bringing creative solutions to the problems the Board is facing, and inquired if there were any specific situations presently being faced. President Romero responded the Board's main concern was fiduciary issues. He then proposed a hypothetical situation to Mr. Leiderman, wherein there is a major budget cut, the General Manager is pressured to reduce costs, he has an actuary report saying contributions are to be raised and the employer is to contribute, ending a "contribution holiday", and the General Manager votes no, what would Steefel, Levitt & Weiss as fiduciary counsel advise. Mr. Leiderman responded, in theory this was a conflict of interest created by the City Charter, but the General Manager has the right to vote as any other Board member and has delegated responsibility and relies upon the actuary to come up with the appropriate contribution rate for the employer. He added the Board should still exercise discretion on whether or not to accept this actuarial study. Mr. Leiderman also stated the General Manager would be in his

right, as a member of the retirement Board, to exercise his judgment, but he would take a slightly different approach by finding a way to maintain the Department's stability by changing the methodology for amortizing, so contributions would be mitigated. President Romero inquired if he felt this would be the actuary's responsibility. Mr. Leiderman responded actuaries were one of the most important professions that are unregulated. He stated actuaries operate under certain standards, but have enormous latitude in terms of acceptable methodology and the Board should exercise its discretion on whether or not the advice is sound or to find a way to accomplish increased contributions from the employer. He added, the Board has both an independent fiduciary duty and an obligation to minimize employer contributions and there is enough latitude to work this out.

Commissioner Cho inquired if the firm had ever done work for any Department in the City of Los Angeles. Mr. Leiderman responded they had not. Commissioner Cho then inquired if he and Ms. Dunning were from the San Francisco office. Mr. Leiderman responded they were based in San Francisco, but travel all over. Commissioner Cho expressed it was great the firm was from California and have offices just down the street from LADWP and inquired if the associate attorney's were based in the Los Angeles or the San Francisco office. Mr. Leiderman responded there were associates located at both offices.

Mr. Floren indicated he spent his entire career as a trial lawyer at the Steefel firm, focusing on litigation, and secondary to this, counseling involving investment management and securities law. He stated, from a litigation point of view, he has served as first and second chair in a large number of trials and arbitrations involving investment and securities issues on behalf of both the investment industry member and investors making claims against the industry member. He expressed what sets his firm apart from others is knowing the investment management, securities and brokerage business, adding there are very few law firms in the country that have the same depth of experience, in terms of numbers of trials, arbitrations, litigated regulatory proceedings involving these issues, as Steefel, Levitt, & Weiss. Mr. Floren stated the firm approaches the issues from both points of view and helps the client design an investment policy or internal procedure to avoid the same types of problems in the future. He expressed the firm prides itself on client service, working very hard to ascertain exactly what each client needs and deliver to this at a top notch level.

Ms. Dunning stated she started six and a half years ago in fiduciary counseling and litigation representing retirement Boards, covering a wide range of issues from properly calculating benefits under prevailing law to Board member immunity. She then concluded by expressing she would be delighted in working with Mr. Leiderman and Mr. Floren in representing the Board.

Mr. Leiderman, Mr. Floren and Ms. Dunning left.

Ms. Constance Hiatt (Hanson Bridgett) approached the table.

**c) 11:00 a.m. Hanson Bridgett**

President Romero recognized Ms. Hiatt.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated, an RFP was issued and this was the firm's opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firm's responses.

Ms. Hiatt reported Mr. Glum had a medical emergency and could not attend the interview, but looks forward to meeting the Board in the future. She started by outlining the firm's practice, their recent experiences with public Plan and issues noted in the Retirement Board meeting minutes and how her firm's experiences parallel with those issues. She reported Hanson Bridgett has been practicing in California for 40 years and she has over 14 years experience working with public Plans, noting Mr. Glum has over 25 years of experience. Ms. Hiatt indicated the Firm is broad and diverse having litigation expertise, employee's benefit litigation group, a fiduciary litigation group a business group (to evaluate unusual investment opportunities) and a public agency group. She stated her firm has one of the best public Plan practice groups in the state because of the broad range of clients, size, experience and variation in trustee makeup, which is evident by their list of clients (representing over 15 public Plans). Ms. Hiatt commented the firm gives quality, independent cost-effective advice and are very active in the public Plan community, which lends the Board a "heads up" on what's forthcoming. She expressed it was important the counsel hired have public Plan experience because it is an entirely different arena and the Board has political pressures, constitutional issues and special tax rules that apply to the Plan and her firm possesses expertise in all of these areas.

Ms. Hiatt reviewed the firm's recent experience with other Boards, including an employer's request for reduced contributions, special investment request, drafting Plan amendments and looking at the use of surplus assets. She stated the firm has helped Boards to focus on the decision making process, making sure the Board will be able to defend it's actions and are comfortable with their decision by helping the Board focus on the decision, working with outside actuaries to assess the impact on the Plan and making sure the Board members understand the actuarial impact on the Plan and that everything is documented.

Ms. Hiatt stated, in regards to surplus earnings, Boards have asked the firm to help assess what the legal risks (invested rights issues, tax qualification issues) are in connection with the reserves. Ms. Hiatt reported Hanson Bridgett has also helped clients develop policies going forward to minimize future risks related to the assets earnings and the use of those earnings for benefits or supplement. She then reviewed the drafting of amendments for different Plans, (which in one Plan's case, included an all day training session to bring staff up to date) and their involvement in assisting several Boards with special investments. Ms. Hiatt also indicated the firm has experience in assisting the Board's decision-making with regards to inevitable litigation, by helping the Board structure their decision in a way that is most defensible.

Ms. Hiatt noted when looking through the Board's minutes, they noticed they have an administrative error in underpaying retirees, expressing the firm has worked on the communications for those type of errors, and also a mention of litigation of an investment manager whose advice to other clients had been contrary to that given to the Board, stating the firm has represented lawsuits involving investment managers, but they do not do securities litigation. She also reported her firm brought one of the first successful suits under Prop. 162, wherein they defended PERS in a suit against Pete Wilson over a pension grab. Ms. Hiatt noted the Department had a DROP program, stating her firm has a deep experience with DROP and have developed quite a few.

Ms. Hiatt concluded, stating Hanson Bridgett has worked with clients and become trusted advisors, (not as “yes” or “no” people), assisting Boards in making solid sound decisions focusing on quality in a cost effective way and expressed she would love the opportunity of working with the DWP retirement Board.

President Romero inquired who were the assigned attorneys. Ms. Hiatt responded she would be the primary attorney but Mr. Glum would be equally as important and the Board could choose either one, adding there were also three mid-level associates who could be used when it is more cost effective to do so.

President Romero proposed a hypothetical situation, wherein the employer cannot contribute anymore to the Plan and there is an actuary who says there is a need for more contributions, because the Plan is borderline underfunded and the only recourse is for the employee contributions to increase. President Romero inquired if he, as a trustee, states he is not in favor of this, are there any fiduciary issues. Ms. Hiatt responded there were a lot of fiduciary issues, because the fiduciary duty is not to the employee or the employer, but to the Plan, and her firm would suggest working long and hard with the actuary to assess the situation and make sure the Board knows exactly where there is give and take in the actuarial numbers. Ms. Hiatt concluded her presentation and thanked the Board for the opportunity.

Ms. Hiatt left the meeting.

President Romero called for a brief recess at 11:20 a.m.

[Recess]

The meeting reconvened at 11:25 a.m.

Mr. Bruce Baldwin and Mr. Donald Wellington (both of Steptoe & Johnson LLP) approached the table.

**d) 11:30 a.m. Steptoe & Johnson LLP**

President Romero recognized Mr. Baldwin and Mr. Wellington.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated an RFP was issued and this was the firm’s opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firm’s responses.

Mr. Wellington introduced himself and Mr. Baldwin, indicating Mr. Baldwin would present a general introduction to the firm and the types of services provided and he would go over some major issues that face public pension funds.

Mr. Baldwin indicated he was special counsel at Steptoe & Johnson in Los Angeles and has primarily been an ERISA attorney for over 15 years, and Mr. Wellington, who specializes in government Plans and spent four years in associate benefits tax counsel at the Treasury Department, is headquartered in Washington D.C. He stated the firm, consisting of over 20 employee benefit attorneys, focuses on being mentors and facilitators and also provides the

client with updates on changing laws and legal issues. Mr. Baldwin also stated the firm has been able to resolve situations due to very close ties in Washington with the Treasury Department and the Department of Labor, devising resolutions for employee benefit related issues by making them a national policy, therefore covering the spectrum with respect to Title 1 and Title 4 governmental Plans. He added the firm also specializes in multi-employer Plans. Mr. Wellington commented, in regards to multi-employer Plans, the firm has the experience in dealing with the employer and employee's side and advises the Board in those cases.

Mr. Baldwin indicated the Los Angeles office is within walking distance from LADWP, and an office in Phoenix, London, Brussels and the headquarters in Washington D.C. representing clients with the largest pension funds in the country, as well as Fortune 500 companies and public employers at all levels.

Mr. Wellington reviewed some of the major issues facing public pension funds, which the firm has experience in, such as DROP programs, changes in the federal tax laws, partial retirement options, fiduciary obligations and minimum distribution regulations by the IRS. President Romero requested Mr. Wellington focus more on the services provided by Steptoe & Johnson LLP. Mr. Wellington continued, stating the firm has securities experts, but does not do plaintiff's work with securities' lawsuits, but they can help the Board find appropriate counsel for those cases.

Mr. Baldwin explained, some client's contact the firm once a year telling them what is needed, for some the firm will regularly provide an ongoing compliance function, some clients contact the firm on a daily basis and some want to be left alone. He added, it all depends on what the client needs in defining their service, but they do provide daily counseling on issues. Mr. Wellington added the firm provides services regarding operational compliance, retiree healthcare strategies, alternative retirement Plan designs, as well as assisting employers in setting up and performing self-audits under existing IRS programs.

Mr. Baldwin described how he and Mr. Wellington compliment each other by him coming from a Trust background, which is a slightly different viewpoint than Donald, who has a masters in taxation and is much more familiar with the code sections, regulations and procedures. He added the firm brings to the table, the ability to work with the Board and provide the services needed at a very high degree of skill.

President Romero inquired who would be the direct contact. Mr. Wellington responded both he and Mr. Baldwin were the main contacts and with offices in Washington D.C., (a different time zone), they have a fast turnaround.

Commissioner Cho inquired if the associate attorneys were housed in the Los Angeles office. Mr. Wellington responded in the affirmative.

President Romero thanked Mr. Baldwin and Mr. Wellington for their presentation.

Mr. Baldwin and Mr. Wellington left.

Mr. Robert Curry, Arthur Silbergeld and Lionel Glancy of Kirby McInerney & Squire, LLP, approached the table.

**e) 12:00 p.m. Kirby McInerney & Squire, LLP**

President Romero recognized Mr. Curry, Mr. Silbergeld and Mr. Glancy.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated, an RFP was issued and this was the firm's opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firm's responses.

Mr. Curry introduced himself, a partner at Kirby McInerney & Squire with offices in New York and the northern part of California; Mr. Glancy, a partner in the firm of Glancy & Binkow in Los Angeles; and Mr. Silbergeld, a partner at Proskauer Rose in Los Angeles.

Mr. Curry stated he has experience as general counsel with the pension fund trustee, dealt extensively with multi-employer pension plans, as well as some of the most difficult underfunding issues ever faced in the country. He stated the firm's interaction with the fiduciary side comes from the premise that monitoring the portfolio is something essential to know whether there are losses or not, and whether you have to be involved in class action lawsuits.

Mr. Curry explained how his firm assists Plans in complying with their fiduciary obligations by having staff with the knowledge to access, (with permission), the company's custodians records and holdings in order to alert the Board when a stock is in trouble due to corporate wrong doing and view records to see whether the stock was held during a relevant period of time and ought to be participating in a class action suit. He added this service is offered to public institutions gratis, and his firm has won more trials in the securities litigation area than the rest of the firms put together.

Mr. Glancy indicated his firm, (Glancy & Binkow), focuses on various types of securities litigation and works very closely with Mr. Curry's firm and finds them extremely efficient, innovative and creative in doing the best job as quickly as possible for the investors.

Mr. Silbergeld reported his firm, (Proskauer Rose LLP), consisted of 600 lawyers across the United States with one third practicing in the area of labor and employment law, and 30 attorneys practicing in benefits law. He stated the firm has been counsel to many collectively bargained trust funds across the U.S. Mr. Silbergeld outlined his experience as bringing trust funds into conformity with the obligations created by ERISA, counseling trustees on their fiduciary obligations, amending trust agreements to conform with ERISA as regulations come out, and served as counsel to a trustee of a multi-employer benefit funds. He added the firm would anticipate attending the Board's trust fund meetings as called upon, answer questions when necessary, do research, and if necessary, provided formal legal opinions on issues faced, effecting the Board's duties as fiduciaries. President Romero inquired if the Board had any questions. There were none. President Romero thanked the participants for their presentation.

Mr. Curry, Mr. Silbergeld, and Mr. Glancy left.

Ms. Terry Mumford of Ice Miller approached the table.

**f) 12:30 p.m. Ice Miller Legal & Business Advisors**

President Romero recognized Ms. Mumford.

Mr. Vellon stated, for the record, the Board is interested in pursuing the legal services of a fiduciary attorney, for reference, when the City Attorney is unable to assist the Board. He also stated, an RFP was issued and this was the firm's opportunity to give a brief presentation to the Board, who had already received their packet and a summary prepared of all firm's responses.

Ms. Mumford introduced herself, stating she is a partner in her firm in Indianapolis and they propose to provide the Board with their services in fiduciary responsibility, tax and employee benefits, as well as investment trust. She reported the firm consists of 220 attorneys with 32 of them belonging to the employee benefits group. She indicated the team would consist of herself, Ms. Braitman and Mr. Sciscoe, who is a litigator working in benefits disputes and has experience in representing public sector governmental pension plans in litigation.

Ms. Mumford stated Ice Miller has a unique commitment to the governmental pension Plan area and frequently gives seminars on this topic. She listed a number of pension Plans the firm has worked with, stating their experience has enabled them to understand the different issues the Board faces. She stated Her firm not only responds to the mass of work the Board is already dealing with, but attempts to get retirement system Boards ready for current challenges like securities litigation. Ms. Mumford stated her firm would focus on how the Board governs itself, analyze fiduciary duties, encourage the Board to focus on maintaining the qualified status under the Internal Revenue Code and provide information on new innovative ways to provide benefits in the most tax effective way for the members. Ms. Mumford inquired if the Board had any specific questions. Commissioner Cho inquired if there were any other attorneys admitted to practice law in California besides the one mentioned and was he housed in Indianapolis. Ms. Mumford responded there was only one and he was located in Indianapolis. Mr. Mirisola commented her presentation and response to the RFP was very complete in covering the issues, adding he had no questions. President Romero thanked Ms. Mumford for her presentation.

Ms. Mumford left.

Commissioner Cho left the meeting (at 12:25 p.m.)

Mr. Mirisola inquired if Commissioner Cho expressed her preferences before leaving the meeting. Mr. Vellon responded Commissioner Cho left her preferences with him and indicated, for the record, she preferred Hanson Bridgett and Steefel, Levitt & Weiss. He clarified if Commissioner Cho was not present, therefore she could not vote, but the Board does have some perspective of her preferences. Mr. Mirisola indicated he definitely wanted her opinion.

Ms. Bertrand indicated her first choice was Klausner & Kaufman and her second choice Hanson Bridgett; Ms. Calvache stated her first choice was Klausner & Kauffman and her second choice was Steefel, Levitt & Weiss; Mr. Mirisola indicated he liked Klausner & Kaufman and Hanson Bridgett equally. President Romero stated his first choice was Steefel, Levitt & Weiss and his second choice was Klausner & Kauffman. President Romero noted all four Board members present seemed to agree on Klausner & Kauffman.

Attorney Weisz-Jones warned Board members Mr. Klausner was not licensed to practice in the state of California and one of the criteria of the RFP is the firm must be California licensed. She added, since the contract would have to go through the City Attorney's office, they could look into the matter to see if it will be a problem. She also suggested Mr. Schulman's law firm, (Bernstein Litowitz Berger & Grossmann LLP), could possibly sign off on Mr. Klausner's legal opinions. President Romero inquired if Mr. Schulman's law firm was licensed to practice in California. Attorney Weisz-Jones responded in the affirmative. President Romero expressed if the two attorneys were coming in as a team, they would probably have the firm with the California license sign off. Attorney Weisz-Jones clarified the City Attorney's office would make sure it was written in the contract the fund would not be charged for someone reviewing Mr. Klausner's work. President Romero indicated the record was very clear the Board has some comfort in Mr. Klausner, and stated he liked the fact he is willing to conduct workshops with disability and benefit hearings. Ms. Bertrand expressed she was particularly impressed with the fact the firm performs daily reviews of the manager's activities. Attorney Weisz-Jones clarified that was securities litigation and suggested the Board not jump ahead of things, since the RFP is requesting fiduciary counsel. President Romero stated the Board would decide what it wants to do.

Mr. Mirisola then moved the selection of Bernstein Litowitz Berger Grossman/Robert Klausner as fiduciary counsel. Seconded by Ms. Bertrand and carried unanimously after the following vote:

Ayes: Romero, Mirisola, Calvache, and Bertrand

Nays: None

Attorney Weisz-Jones clarified it should be at the request to the City Attorney's office to enter into a contract and hire counsel. Mr. Vellon clarified the first motion is to select the attorney and the next direction is drafting contract.

President Romero suggested drafting the contract in-house, and then have the City Attorney office review it. Attorney Weisz-Jones interjected, stating the Board has already been told from the very beginning the contract goes through the City Attorney's office. Mr. Mirisola commented the contract goes through the City Attorney's office for approval. Attorney Weisz-Jones clarified the contract is written by the City Attorney's office, the contract is with the City Attorney's office, the Board does not have the authority to enter into a contract with outside legal counsel or enter into a contract without the City Attorney's office signature. Mr. Mirisola stated he believed, under the circumstances, there was a definite conflict of interest. He stated he had thoroughly read the Charter and it states the City Attorney's office will approve the contracts, which is basically for content and legality. Mr. Mirisola emphasized either the contract is legal as to content and legality and City Attorney's office would approve or disapprove it, but not to enter into contractual arrangements with the attorney representing the Board. Attorney Weisz-Jones responded, the City Attorney's office provides legal advice for the City and every outside counsel contract done by any other pension system or department in the City goes through the City Attorney's office and this was discussed at the very beginning when all information was provided. Mr. Mirisola responded, he did not recall this. Attorney Weisz-Jones stated, if Mr. Mirisola looked at all the documents the City Attorney's office provided, it was discussed the contracts would be done the same way it is done for Fire and Police and LACERS. President Romero inquired if Attorney Weisz-Jones was stating this is in the Charter. Attorney Weisz-Jones responded in

the affirmative. President Romero inquired what the Charter stated specifically. Attorney Weisz-Jones responded the Charter states the City Attorney's office is responsible for providing all advice to the City, meaning any outside counsel contract for LADWP, Fire/Police and LACERS.

Ms. Bertrand commented when retaining outside counsel for labor relations it also had to go through the City Attorney's office. President Romero inquired if the Charter specifically states the counsel selected has to be approved by the City Attorney's office. Mr. Mirisola commented, Attorney Weisz-Jones is saying the City Attorney's office gets to hire the counsel the Board gets and this is not what the Charter says. President Romero stated there was obviously a difference of opinion and inquired if the Board needed to hire an independent counsel for an opinion.

Mr. Vellon inquired of Attorney Weisz-Jones if it really made a difference who signs the contract. Attorney Weisz-Jones responded it does make a difference, because the whole issue was previously brought up and the City Attorney's office sent the Board a memo explaining this, reiterating the Board has no authority to hire outside legal counsel without the concurrence of the City Attorney's office. Mr. Mirisola stated the Board is not stating the City Attorney's office cannot do this.

Ms. Calvache inquired to whom would the counsel hired be reporting. Attorney Weisz-Jones responded the counsel hired would provide legal advice to the Board on fiduciary issues and tax issues that the City Attorney's office would not, but they are not the Board's own personal lawyer. Mr. Vellon expressed that statement was not fair to the Board, since clearly, the counsel hired was not personal but for the Board of trustees.

Attorney Weisz-Jones stated when the Board comes up with issues beyond the expertise of the City Attorney's office and outside counsel is brought in, the City Attorney's office will review the billing to make sure it is appropriate and this is how it is done with the other two pension systems. President Romero inquired if the Board should be responsible for approving the billing. Attorney Weisz-Jones responded the City Attorney's office approves it as well and works as partners with the Board. President Romero stated Mr. Mirisola has probably read the Charter more times than most of the City attorneys, and the fact is, the way the Charter is worded, it specifically states, "to be approved by the City Attorney's office", not written. Mr. Mirisola stated the Board hires the counsel and should be the ones to write the contract, and if the City Attorney's office does not like it, they should talk to the Board about it. Attorney Weisz-Jones responded she feels she has been blindsided. Mr. Vellon stated this also was not a fair statement as she had been aware of the RFP. Attorney Weisz-Jones stated this is the first she has heard that this Board does not believe they are going to follow the same recommendation previously made. She stated she was aware the Board met with Gary Mattingly, (Director of Fire & Police Pension), to discuss how Fire & Police use their fiduciary counsel. Mr. Mirisola stated DWP does not do anything like Fire and Police and LACERS because they are organized at a different level.

Mr. Vellon expressed his concern, relative to the Board making a unanimous decision and Attorney Weisz-Jones was creating a controversy out of who signs the contract. Attorney Weisz-Jones stated it was not a little thing and she was not creating controversy. Mr. Vellon responded she was creating controversy because everything was flowing perfectly amongst Board members up to this point.

Mr. Mirisola stated he did not see an issue and the City Attorney's office and the Board would be working together to write the contract anyway, but the counsel the Board is hiring is completely contrary to what they are trying to get if they run them through the City Attorney's office. Attorney Weisz-Jones reiterated this was from the City Attorney's, (Rocky Delgadillo) position, and is the position that has been held for all the years the City has been in existence. She stated no Board or City person has the authority to hire outside counsel without going through the City Attorney's office, who signs the actual contract.

Mr. Mirisola moved the Board hire outside counsel to determine whether or not the City Attorney's office is required to approve the contract. Mr. Vellon inquired where would the Board get such counsel. Attorney Weisz-Jones responded this was not on the Board meeting agenda. Mr. Mirisola responded selection of a law firm was on the agenda.

Mr. Vellon commented the Board has already selected counsel and is now dealing with the contract. Mr. Mirisola again suggested hiring outside counsel, because this puts the Board in the position of not being able to do anything unless the City Attorney's office says it's okay, and it would be saying the Board has no attorney except the City Attorney's office and cannot get any other advice, even advice the City Attorney's office refuses to provide. Attorney Weisz-Jones stated she took offense to Mr. Mirisola's statement. Mr. Mirisola stated Attorney Weisz-Jones has refused him advice, when she states her advice is for the full Board only, yet she has provided advice to people not on the Board, who come and argue against the Board, including a retiree member who was previously on the Board, and provided explicit advice to him. Attorney Weisz-Jones responded she did not think this was appropriate discussion because it is not on the agenda. Mr. Mirisola then stated Attorney Weisz-Jones was interfering with the Board's trying to do business. He added the City Attorney's office is to approve the contract for content and legality just like every other contract.

Ms. Bertrand inquired what Mr. Mirisola sees is going to happen. Mr. Mirisola responded he did not see anything except Attorney Weisz-Jones wants to hire the attorney and tell them what to do. Attorney Weisz-Jones responded she was not trying to interfere with the Board doing business and she did not say she wanted to hire the attorney. Mr. Mirisola then inquired why it was such a big deal for the Board to write up the contract to hire fiduciary counsel, because it was no different than any other contract. Attorney Weisz-Jones responded it was very different than other contracts. Mr. Mirisola stated Attorney Weisz-Jones wanted to maintain control of the legal advice to the Board, which presents a conflict of interest. Attorney Weisz-Jones reiterated she was representing Rocky Delgadillo, (City Attorney), and his position is once the Board makes a selection, they send the information over to the City Attorney's office, who will prepare the contract (with the assistance of Mr. Vellon), and the contract is let through the City Attorney's office. She added there is no other contract in the entire City of Los Angeles where a Board contracts directly. Upon more discussion Mr. Mirisola moved to give authority, under the Plan, to Mr. Vellon to write the contract and negotiate its terms with the law firms selected. Seconded by Ms. Calvache and carried by majority after the following vote:

Ayes: Romero, Mirisola, and Calvache,  
Nays: Bertrand

Mr. Vellon suggested, in the spirit of harmony, since a problem was created, he would like to offer working on the contract together with Attorney Weisz-Jones to

make sure she is satisfied with the content of the contract. He added whether herself, Delgadillo, President Romero, Mr. Wiggs, etc. signs the contract, it is a minor issue and asked if Attorney Weisz-Jones would assist him in drafting the contract in order to come to an agreement as to its content. Attorney Weisz-Jones responded she would be glad to help Mr. Vellon and would take the issue back to her office and they would get back to the Board. Mr. Vellon reiterated his proposal is he and Attorney Weisz-Jones work together on the contract, to come to an agreement in terms of its content, and when there was a workable contract she could support (in terms of content), then bring forth the issue of who signs the contract, in order to move along a little. Attorney-Weisz Jones indicated she would work with Mr. Vellon on the contract, adding, for the record, she objects to Mr. Vellon characterizing she is trying to delay the process and create controversy. Mr. Vellon clarified he did not say those things to Attorney Weisz-Jones. Mr. Mirisola indicated he was the one who made those statements.

Mr. Vellon stated, Mr. Mirisola made those statements and he did not appreciate her accusing him, and if it was Mr. Mirisola, she should address Mr. Mirisola on the issue. Attorney Weisz-Jones apologized and stated she was mistaken. Mr. Vellon requested she should not to make those kinds of mistakes, because he has enough problems the way things are.

The Board meeting was adjourned at 12:50 p.m.

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JAVIER ROMERO  
President

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DUAMEL VELLON  
Secretary

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VIKKI BURKS  
Recording Secretary