

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

MINUTES – JANUARY 27, 2004

Present:

Javier Romero	President
Lilly Calvache	Vice-President
Dan Mirisola	Board Member
Ron Vazquez	Chief Financial Officer
Michael T. Moore	Retiree Member

Absent:

Duamel Vellon	Retirement Plan Manager
David H. Wiggs	General Manager
Gerard McCallum II	Board Member

Others Present:

Lesley Kuo	Investment Officer
Mike Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:09 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

Ms. Kuo indicated there was quorum of the Board present.

PUBLIC COMMENTS

Board President Romero recognized Mr. Vincent Foley (President of Retired Employees Association and retiree).

Mr. Foley approached the podium and introduced himself, stating he had been a member of the DWP Retirement Board for 21 years and President for 13 years and had never seen a more dysfunctional group of people. He expressed, in all the years he had served on the Retirement Board, the members and the participants of the Plan had been served well and this has not been the case for the past two weeks.

Mr. Foley indicated at the Regular Retirement Board meeting, held January 21, 2004, the instructions by the Board were clear and concise as to a letter being written to retirees in order to explain the 1099R situation, which could have been avoided in the first place and added, the Board's instructions were countermanded by an absentee Plan Manager. Mr. Foley reminded the Board of its fiduciary responsibility to the members and participants of the Plan and not to a Manager who is off someplace. He stated the letter to the retirees should have already been mailed and today's meeting was a waste of time. Mr. Foley emphasized, the participants, beneficiaries and retirees of the Plan were not being well served by one individual on the Retirements staff, while the remainder of the Retirement

staff is working very hard in trying to cooperate. He suggested the retiree letter that was drafted be sent out today so the Board meets its fiduciary responsibility. Mr. Foley also strongly suggested the Retirement Board assure Plan staff who are working to resolve this issue will not be subject to any disciplinary action when following the Board's instructions.

1. Consideration of the follow-up letter to the retirees concerning 2003 Form 1099R.

President Romero informed the Retirement Board the reason he called for the Special Board meeting is because he and Mr. Vazquez discussed this would be best in order to review the sequence of events regarding the 1099Rs. He noted the Board agreed, at the January 21, 2004 Regular Board meeting, three of the Board members would agree to a brief letter to be sent to the retirees and there was discussion regarding the Question & Answer (Q & A) sheet that was not discussed with the Board, and which he had concerns with. President Romero stated he had discussed this concern with one of the Board members and expressed his discomfort. He indicated he deferred on it and went along with the committee on sending out the Q & A in hopes this would be an opportunity for the Board to say, since this was not discussed at the Board meeting and he was not comfortable with this, they would hold off on the Q & A and just send the letter to the retirees. President Romero reported, shortly after this conversation, the letter was in the Retirement staff's office to be mailed out and staff informed him there were dates in the letter that were incorrect. He stated another Board member also informed him that if he made any changes to the letter he would be doing it independently and he also received an e-mail to that affect. President Romero indicated he called staff to check if this information was correct and staff verified it.

President Romero expressed, at that point, he was very uncomfortable with working independently because it was a Board decision. He clarified this was the reason the Board meeting was called and not because the Plan Manager ordered staff not to do this or that, but strictly because of his personal discomfort, the e-mail he had received and the Board members calling him at home regarding the same issue. President Romero stated the Board was meeting in order to finalize the letter and send it out. He added, at this point, he did not care what the Board sent out because the whole thing has been blown out of proportion and his only concern was that the retirees receive accurate dates and information.

Ms. Calvache stated, when she received a copy of the letter from Mr. Vazquez (via e-mail), she had two questions. She expressed her confusion with regards to the letter stating 12 checks were sent, for each month in 2003, and one check for 2004, but after speaking with Ms. Kuo, she was under the impression the retirees were always paid at the end of the month. Ms. Kuo clarified the January 2004 check had not been sent out yet and would be sent out January 30th, to be received by the retirees on February 1st or 2nd. Ms. Calvache indicated her 2nd question was the date of the January 14th Special Board meeting, which was actually held on January 15th. Ms. Calvache inquired, with regards to the Q & A, if all the information was correct, she had no problems with sending it along with the letter to the retirees.

Mr. Vazquez indicated he had three concerns he wanted to address. He inquired if President Romero had received an e-mail from any of the Board members. President

Romero responded he received the e-mail from the Retirement staff. Mr. Vazquez inquired what the e-mail stated. President Romero responded the e-mail stated Mr. Vazquez was in the Retirement office, wherein he had a discussion with Mr. Vellon and Ms. Kuo regarding incorrect dates in the retiree letter and also some derogatory information.

President Romero reiterated his main concerns were the incorrect dates and Mr. Vazquez's indication that if he made any changes to the letter he would be working independently and it would not be coming from the Board. He clarified he would not agree to sending out a letter wherein the dates are incorrect, thereby confusing the retirees.

Mr. Vazquez explained he went to the Retirement office to give Ms. Kuo a signed original of the correspondence he e-mailed to all of the Board members, Mr. Conney Williams, Ms. Kuo and Mr. Vellon. He stated, while he was in the office, Ms. Kuo was speaking to Mr. Vellon on the telephone and she placed him on the speakerphone and Mr. Vellon began spouting out to him about the letter being incorrect. Mr. Vazquez stated he explained to Mr. Vellon that the Board directed President Romero, Mr. Moore and himself to finalize a communication to the retirees and that Mr. Vellon was not authorized to make any changes to the letter. He stated Mr. Vellon indicated he was going to speak with President Romero regarding this issue, and he informed Mr. Vellon he could discuss this with him, but President Romero as an individual is not authorized to change the letter. Mr. Vazquez emphasized that Mr. Vellon never relayed to him what needed to be corrected. He indicated he had sent e-mails for the past two days inquiring what corrections needed to be made in order to finalize the letter and still has not received a communication from Mr. Vellon and has just now received word that the dates are incorrect.

Mr. Vazquez addressed the manner in which the retiree letter is written with regards to the dates. He commented Mr. Moore being a retiree, has been used to getting his January retirement check after January 1st. Mr. Moore responded he still considered this a January check, but he now understands the check received in January is actually for the prior month. He explained some retirees will look at the check received in January as the January check, while others have always looked at it as the December check because the check states "for the period ended December 31". Mr. Moore expressed he had no problems with making changes to the letter as long as it was simplified for the retirees and technically correct with respect to the designation of months. He stated this was a simple matter to solve, which only required a phone call to correct, but he has been unable to get any explanation as to what the problems were. Mr. Moore indicated in recognition of the issues, he already made changes to the language of the letter, which could easily be incorporated in a matter of minutes.

President Romero stated when Mr. Vazquez was going home he did convey the date information to him and discussed the payment was made in arrears and he asked Mr. Vazquez if he understood how the date thing worked, and wanted to go on record as noting he did say this and he is aware Mr. Vazquez does discuss these things with Mr. Moore and was sure this could have been conveyed. Mr. Vazquez stated he recalls President Romero calling him. President Romero stated there are other Board members who were not part of this three that are getting involved, wanting more information, and then on top of all this he's getting information on the Brown Act, and this got him uncomfortable, he was getting upset, he needed a cooling off period and that's when he

said let the Board do this as a whole and this is it, it's not that he did not want to communicate with anybody, it's just he's getting calls from Board members while he is at school, watching his child's basketball game, all hours and it's ridiculous.

Mr. Vazquez concurred with Mr. Moore and Ms. Calvache if changes can be made to get this letter finalized today. He clarified the item Ms. Calvache wanted changed was on the 2nd paragraph about the meeting being held on the 15th of January instead of the 14th. Ms. Calvache responded in the affirmative. Mr. Vazquez mentioned concern regarding the Q&A and stated the origination of the Q&A came from someone in his office who suggested it may be helpful to retirees and to possibly cut back on the number of calls being received (because his office was asked to be a back-up should the volume of calls increase substantially) and would address commonly asked questions and he passed this information to Mr. Moore who thought it was a very good recommendation and so Mr. Moore put together a Q&A and both he and Mr. Moore felt comfortable with the content of it but if members here are uncomfortable with sending the Q&A with the letter then the letter can be revised to not making any reference in regards to a Q&A.

President Romero reiterated he is not comfortable with the Q&A, stating it will generate more questions, this is his personal opinion but if the Board wants to send out a Q&A he will support this as well, he just felt the Board should have had the value of discussing something, which hadn't been previously discussed. Ms. Calvache stated she felt the Q&A would give retirees too much information possible leaving them more confused than they already are as this is the second letter already going out and she did not feel comfortable sending out a Q&A.

Mr. Vazquez suggested holding the Q&A at this time but giving it to Plan staff to work with to the extent phone calls are received as guidance and delete it from this letter. Mr. Moore indicated he has no problem with this as the letter was drafted to stand on its own before a Q&A was ever mentioned. Mr. Moore further added President Romero correctly characterized the conversation they both had with each other with respect to the Q&A and President Romero did state he was uncomfortable with it but also stated if Mr. Vazquez and he agreed of its importance or value it would be alright to send it out, so this is what they both concluded. He noted if President Romero had relayed he was very uncomfortable with this and did not want it sent out, as far as he was concerned President Romero has the authority to say this, and he reiterated they were three who had to agree and he would have taken it out at the time. President Romero stated he did not want to make waves and hoping to make an opening for Mr. Moore to say he was not comfortable with it let's not send it, but shortly after having the discussion, 15 minutes later it was in the retirement's office and it made him concerned, but he was going to go with it if that was what they wanted to do.

Mr. Moore inquired how to proceed from here, should he read what he has and noting the changes he has made. President Romero stated to read it now, as there should only be a couple of changes. Mr. Moore stated the first paragraph of the letter stands as is, the second paragraph of the letter would read as follows "as you were informed in the recent notice dated January 16, 2004, you received 13 payments in calendar year 2003, 12 were for each month of 2003 and one was for January 2004, this was an inadvertent result of a new policy initiated by the Board to make early payments when the first of the month falls on a weekend or holiday. The Board as soon as it had learned 13 payments had been

made scheduled a special meeting on January 15, 2004 and at this meeting the Board resolved to make a concerted effort to obtain legal approval to report only 12 month income for 2003." Mr. Moore noted in the third paragraph reads "they concluded that all 13 payments must be reported on the 2003 1009R's because all the funds were available to retirees during calendar year 2003 even though the last payment would previously have been received in January 2004." He again noted on the fifth line down of the third paragraph "this will be accomplished by deferring the December 31, 2004 payment until the beginning of January 2005." Mr. Moore stated these were the only changes on this letter. Mr. Vazquez inquired if there was anyone from the retirement office present at this meeting who could attest to the validity of those corrections with regard to the problems originally expressed with dates.

Mr. Conney Williams supervisor of the retirement section in the Retirement Plan office stated in the second paragraph were it reads, "12 were for each month of 2003 and one for January 2004, is actually for December 2002. Mr. Moore stated with respect to this, this is for payments. Mr. Williams indicated the way the whole year plays out is the December 2002 check was received in January 2003 henceforth from there all the checks normally received in 2003 were received in 2003 and the December 2003 check/payment was received December 31 and not in January 2004 as it should have and this is how the 13 payments played out.

Ms. Calvache clarified the December 2002 was part of the 2003 tax. Mr. Moore suggested a change and rather than saying "12 were for each month in 2003" what if we say "12 payments were received for each month in 2003". Mr. Williams responded in the affirmative. Mr. Vazquez inquired of Mr. Williams clarification of receiving a payment/check in 2003 for December 2002 and for each month of 2003. Mr. Williams commented under the old policy of the funding, the checks are made available the first day of the following month for the preceding month and when there were days were the first fell on the weekend or a holiday, then one would receive their check on the succeeding day, so consequently the December check would have been received on the 2nd or 3rd of January. Mr. Vazquez concurred with Mr. Moore in keeping it simple for the retirees. He added the letter could say "13 payments were received during 2003 representing a payment for December 2002 and the 12 months of 2003". Ms. Calvache stated this is very clear as the letter is letting the retirees know one was for December 2002 and 12 were for 2003.

Mr. Vazquez inquired if the rest of the changes were acceptable. Mr. Williams responded affirmatively but indicated when he explains to the retirees he states "the 13 payments were made for this particular time of calendar year 2003 inclusive dates being December 2002 through December 2003 and it keeps the accounting simple for the retirees and they seem to understand this. Mr. Vazquez clarified "13 payment were made during 2003 for the months of December 2002 through December 2003. Mr. Moore stated he is trying to capture what is being said, "13 payments were received during 2003 for the months of December 2002 and each month of 2003 including the December 31, 2003 payment, as the focus needs to be kept on the December 31, 2003 payment because this is what created the problem in the first place and this is what is referred to throughout the letter. Mr. Vazquez indicated this was fine with him. Mr. Moore suggested the letter state, "the 13th payment was the inadvertent result of...etc". Mr. Vazquez indicated he felt this would

clarify this better. Mr. Moore stated he would strike the whole sentence regarding the Q&A as not to make any references regarding this.

Ms. Calvache inquired if the letter could be on one page. Mr. Moore stated the problem with trying to fit this letter all on one page is the type gets pretty small and this presents a problem to retirees as many have difficulty with small print. He indicated this would be one piece of paper, front and back. Mr. Vazquez mentioned changing the date of the letter to today's date January 27, 2004.

Mr. Vazquez moved correction of the letter as discussed. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Moore, Mirisola, Calvache, Romero, and Vazquez

Nays: None

Mr. Vazquez inquired of Ms. Kuo when the letter could go out. Ms. Kuo stated if the letter could be finalized today it could possibly be sent out tomorrow, January 28th but inquired of Mr. Conney Williams if he thought this could be done. Mr. Williams stated this is something which would have to be coordinated with the mail room as this letter will require the help of an outside vendor for folding, stuffing and mailing.

President Romero suggested finalizing the letter today and forwarding it to the mailroom and letting them handle it. Mr. Vazquez stated he would prefer it go through someone in the retirement office. Mr. Williams inquired if he was expected to do this. President Romero indicated he is directing Ms. Kuo to do it and she will direct whomever she needs to direct. Mr. Williams stated there is a problem with coordinating with the mail room and with the print shop to get it printed, stuffed into the envelopes, labeled and mailed out and these are issues all having to be worked out with these respective departments and as they were originally prepared to handle this on Friday January 23rd, and now not knowing what their status and workload is to be able to handle this.

Mr. Moore inquired would it be faster if the Board were to instruct Mr. Williams to have the whole matter handled by the outside contract firm. Mr. Williams stated since he was preparing to do this earlier, some of the things are already prepared, but what he was trying to let the Board know was the earliest the letter could go out would be sometime tomorrow as there are contingencies to consider.

President Romero stated he was directing Ms. Kuo to handle this situation and to use Mr. Williams and his staff in working together to get this done. Mr. Vazquez inquired how it should be signed. President Romero stated he would sign it right after the changes.

Mr. Vazquez inquired of Ms. Kuo the status of the 1099R's. President Romero stated last night after it was found out there might not be quorum for this meeting, he called the attorney Ms. Donna Weisz Jones and related the urgency as to what the deadline was to have the 1099R's mailed to the retirees, however this Board took an action to send the letter along with the 1099's and asked her for legal advise as to what to do, do we ignore the law and Ms. Weisz Jones indicated if the law says 1099R's must be sent by a certain date, then it must be sent by that date and the mailing of the 1099R's must take

precedence over retirees receiving a letter of explanation and fortunately we do have quorum so it is not an issue and the 1099's have not been sent out as of yet.

Mr. Mirisola inquired of the Q&A, is staff will handle this. President Romero stated he believes staff has been doing a good job answering questions and has not heard of any problems. Ms. Kuo stated the chief accountant of the retirement office inquired about the mailing of the 1099 and the letter. President Romero stated they are in separate envelopes and should be mailed out the same day. Mr. Vazquez stated per the IRS, the 1099R's are to be received by February 2, 2004. President Romero stated he is fine with the fact they are in separate envelopes and he would just like a good faith effort in trying to mail everything out as soon as possible to meet the deadlines. Mr. Vazquez inquired of an email hard copy having been distributed to the Board members. Ms. Kuo stated Mr. Vellon wanted the email hard copy to be distributed to the Board members, as there were email problems in the Department. President Romero stated it is not up for discussion as it is not on the agenda. Mr. Vazquez suggested every member of the Board read this carefully.

The Board meeting was adjourned at 9:47 a.m.

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

Regina Luna
Recording Secretary