

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

MINUTES

MAY 15, 2013

Board Members Present:

Javier Romero, President

Mario Ignacio, Chief Accounting Employee

Robert Rozanski, Retiree Member

Barry Poole, Regular Member

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Attorney

Monette Carranceja, Assistant Retirement Plan Manager

Jeremy Wolfson, Chief Investment Officer

Julie Escudero, Utility Executive Secretary

Mary E. Alvarez, Utility Executive Secretary

Board Members Absent:

Ronald O. Nichols, General Manager

DWP Commissioner - Vacant

Others Present:

Marie McTeague, Deputy City

President Romero called the meeting to order at 8:35 a.m.

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

PUBLIC COMMENTS

Ms. Alvarez reported no public comments.

President Romero introduced Utility Executive Secretary Mary E. Alvarez and Management Analyst Natasha Gameroz as the two newly hired employees to join the staff of the Retirement Plan Office.

- 1. Approval of Minutes for March 27, 2013, Regular 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: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

- 3. Report of Payment Authorizations for March 2013**
- 4. Notice of Deaths for January 2013 and April 2013**
- 5. Investment Reports for March 2013**
 - a) Summary of Investment Returns as of March 31, 2012**

- b) **Market Value of Investments by Fund and Month as of March 31, 2013**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of March 31, 2013**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of April 8, 2013**
 7. **Report on Organizational Changes at Western Asset Management Company**
 8. **BlackRock Asset Management, Large Cap Core Manager – Annual Report**
 9. **Fred Alger Management, Inc., Large Cap Growth Manager – Annual Report**
 10. **MFS, Large Cap Value Manager – Annual Report**
 11. **T. Rowe Price Investment Services, Large Cap Value Manager – Annual Report**
 12. **T. Rowe Price Associates, Inc., Large Cap Growth Manager – Annual Report**

Mr. Rozanski moved that the Board accept Items 3 through 12; seconded by Mr. Poole.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

13. Discussion of Real Estate Investment Opportunity

Mr. Wolfson introduced this item regarding an investment opportunity in Torchlight Debt Opportunity Fund IV, LLC, an opportunistic debt fund. He summarized the investment opportunity and noted this investment would be consistent with the Board's real estate investment policy.

Mr. Michael Humphrey and Mr. Bill Foster, Courtland Partners, Ltd., provided an overview of the current market conditions, referencing the U.S. commercial real estate debt maturities, cumulative distress for all property types, the U.S. commercial real estate transaction volumes, and the opportunity of investing in the current market's real estate. Mr. Foster also briefed on the investment strategy and the advantages, risks, and concerns.

Mr. Daniel Heflin, Chief Executive Officer\Chief Investment Officer, and Mr. Mike Romo, Managing Director, Torchlight Investors, provided a more comprehensive review of this opportunity, which included an overview of the firm and more details of the Torchlight Investors opportunity. Mr. Heflin spoke about the firm's team, their performance, and the long-term investors in their firm. He also described their investment strategy and philosophy.

Mr. Romo presented an in-depth overview of the current market consumer spending, debt levels, the U.S. labor force participation, stricter lending standards that add to an already challenging market for refinancing, and further recognized the commercial real estate opportunity as loans mature. Mr. Romo continued to provide the Board with a detailed example of an investment opportunity in a first mortgage and mezzanine loan. He concluded by saying the fund has a one

billion dollar target, a little over \$300 million has been raised, and pending commitments doubling that amount.

Mr. Rozanski moved that the Board approve Resolution No. 13-75 to invest in Torch Light Debt Opportunity Fund IV, LLC; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

14. Discussion of Organizational Change at Pyramis Global Advisors

Mr. Wolfson reported this item recommended the Board place Pyramis Global Advisors on organizational watch due to significant organizational changes at the firm.

Mr. Rozanski moved that the Board approve Resolution No. 13-76 to place Pyramis Global Advisors on watch; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

15. Discussion of Contract with Wells Capital Management, Inc., Fixed Income Core Manager

Ms. Bhatia explained this item recommended the Board extend the contract with Wells Capital Management, Inc., Fixed-income Core Investment Manager. She noted the extension will be through June 30, 2016, and the existing contract terms will remain unchanged.

Mr. Rozanski moved that the Board approve Resolution No. 13-77 to extend the contract with Wells Capital Management, Inc.; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

16. Discussion of Contract with T. Rowe Price, Large Cap Value Manager

Ms. Bhatia explained this item recommended the Board extend the contract with T. Rowe Price Associates, Inc., Large Cap Investment Manager. She noted the extension will be through June 30, 2016, and the existing contract terms will remain unchanged.

In response to an inquiry by Mr. Ignacio, Mr. Wolfson advised that some existing contracts had mid-month terms that staff is adjusting to end of month with the extension.

Mr. Rozanski moved that the Board approve Resolution No. 13-78 to extend the contract with T. Rowe Price, Associates, Inc.; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

17. Ratification of Board's Action to Hire Commodity Manager Invesco Advisers, Inc.

Ms. Bhatia advised this item recommended the Board ratify the selection of Invesco Advisers, Inc., as the Plan's new active Commodities Manager for the Commodities mandate within the Real Return Asset Class.

Mr. Rozanski moved that the Board approve Resolution No. 13-79 to ratify the Retirement Board's action to hire Invesco Advisors, Inc., to manage the Plan's Commodities mandate; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

18. Discussion of Invesco Advisers, Inc., Health Plan Fund Structure

Mr. Wolfson provided a brief overview to the Board and reported this item recommended the Board invest \$14 million of Retiree Health Benefit Fund assets into Invesco Advisers, Inc., Invesco Institutional Trust Balanced-Risk Commodity Fund.

Mr. Rozanski moved that the Board approve Resolution No. 13-80 to invest in the Invesco Advisers, Inc., Institutional Trust Balanced-Risk Commodity Fund; seconded by Mr. Ignacio

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

THE MOTION CARRIED.

19. Presentation by Pension Consulting Alliance, Inc. – Fixed Income Structure Review

Mr. Neil Rue, PCA, provided a Fixed Income Structure review, and proposed that the Board consider to materially alter the structure of the Fixed Income Portfolio (Portfolio). Mr. Rue went on to provide a history of the Portfolio explaining the Portfolio had exhibited strong absolute and relative results since its restructuring in 2004; however, the current market is very different.

Mr. Rue provided an overview of numerous global events that occurred between 2004 and 2013, including the housing bubble, Lehman Brothers/Bear Stearns/financial crisis, European debt challenges, global recession, downgrade of the United States credit rating, numerous

rounds of fiscal and monetary stimulus, and the rapid debt expansion in developed nations, explaining as a result, the fixed income markets have been dramatically altered.

Mr. Rue also provided an overview of the analysis and recommended structure of developing a fixed income portfolio primarily involving balancing expected yield (income), interest rate risk, and credit risk; and in allocating capital within fixed income. He stated the key objectives were risk mitigation and return enhancement. In order to accomplish the stated objectives, PCA proposed Water and Power Employees' Retirement Plan shift from a "core plus" (BC Universal) structure, to a new safety/global credit "barbell" framework.

In response to an inquiry from President Romero, Mr. Rue and Mr. Wolfson advised that the timeline for restructure would be approximately 12 to 18 months. Mr. Rue also advised that a trend exists where other Plan sponsors are considering moving in the same direction as presented by PCA. Discussion ensued regarding the timing, risk factors, manager changes, and schedule of the recommended restructure.

President Romero directed that the item return to the Board with a presentation of a transition plan and a formal memo approving a resolution to adopt the structure.

20. Discussion of Contract with Pyramis Global Advisors-International Developed Growth Equity Manager

Mr. Wolfson explained this item recommended the Board extend the contract with Pyramis Global Advisors, International Developed Growth Equity Manager. He noted the extension will be through July 31, 2016, and the existing contract terms will remain unchanged.

Mr. Rozanski moved that the Board approve Resolution No. 13-81 to extend the contract with Pyramis Global Advisors; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

21. Discussion of Contract with BlackRock Investment Management, LLC., Large-Cap Core Passive Manager

Ms. Bhatia explained this item recommended the Board extend the contract with BlackRock Investment Management, LLC., Large Cap Core Passive Investment Manager. She noted the extension will be through July 31, 2016, and the existing contract terms will remain unchanged.

Mr. Rozanski moved that the Board approve Resolution No. 13-82 to extend the contract with BlackRock Investment Management LLC.; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

22. Discussion of Performance by MFS Institutional Advisors, Inc.

Mr. Wolfson explained this item recommended the Board extend the watch status for MFS Institutional Advisors, Inc. (MFS), for up to six months. He noted MFS underperformed its benchmark for the one-year and three-year periods ending March 31, 2013, and outperformed its benchmark for the five-year and since-inception periods.

Mr. Rozanski moved that the Board approve Resolution No. 13-83 to extend the watch status for MFS Institutional Advisors, Inc.; seconded by Mr. Ignacio.

Ayes: Ignacio, Poole, Romero, Rozanski

Nays: None

Absent: Nichols

THE MOTION CARRIED.

23. Retirement Plan Manager's Comments

Ms. Bhatia reported on the following items:

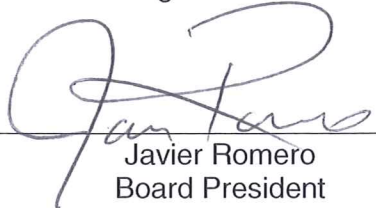
- Utility Executive Secretary Julie Escudero would be retiring as of June 1, 2013, and Mary E. Alvarez would be her replacement.
- Notice of Elections was sent out to all active employees and included the schedule of election dates, and the City Clerk would proceed pursuant to the schedule.
- With regard to system updates that the Board requested, JE representative was onsite, the Med B functionality has been completed and is currently in QA testing with JEA. The person is also working on a couple of other items that are pending. The term of the onsite work ends next week; at which point it will be evaluated to see if it is necessary to bring the person back or continue to work with JEA, as we were working before.
- IT staff continues to work on the retirement estimate calculator which, once completed will be placed on the Retirement Plan Office website.
- Retirement Plan Office is in the process of filling various vacancies.
- Staff continues to work on Retirement Office letters for active and retiree members. The newsletters will include comments from Mr. Romero and Mr. Rozanski.
- Staff continues work on three California Public Records Act requests from the Associated Press, L.A. Times, and the Freedom of Information Act Pension Coalition.
- The Joint Labor Management Committee (JLMC) recommends forming a subcommittee to address scanning of back-files. The JLMC met once and are in the process of defining what constitutes "back-files" and then possibly begin the scanning process. The current scanning group consisting of three employees who continuously scan incoming documents, therefore, the forward scanning is ongoing.

- A Special Board meeting is being coordinated for May 29, 2013, and currently three members have responded as available, provided the meeting begins at 8:30 a.m.

24. Future Agenda Items

None requested at this time.

There being no further business, the meeting adjourned at 10:22 a.m.



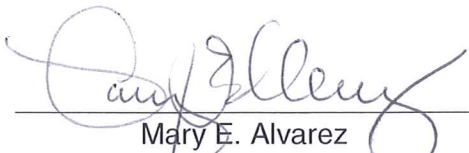
Javier Romero
Board President

6/12/13
Date



Sangeeta Bhatia
Retirement Plan Manager

6/12/13
Date



Mary E. Alvarez
Utility Executive Secretary

6/12/13
Date