

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

**MINUTES**

**July 8, 2020**

**Board Members Present via WebEx Meeting:**

LaTanya Bogin, President  
Barry Poole, Vice President  
Martin L. Adams, LADWP, General Manager  
Adolfo Felix, Member  
Mario Ignacio, Chief Accounting Employee  
Cynthia McClain-Hill, LADWP Commissioner

**Board Members Absent:**

Vacant, Retiree Member

**Staff Present via WebEx Meeting:**

William Feng, Interim Asst. Ret. Plan Manager  
Monette Carranceja, Asst. Ret. Plan Manager  
Jeremy Wolfson, Chief Investment Officer  
Jenniffer Yu, Utility Executive Secretary  
Ligia Johnson, Sr. Administrative Clerk

**Others Present via WebEx Meeting:**

Josh Geller, Deputy City Attorney

President Bogin called the meeting to order at 9:07 a.m.

Mr. Geller provided comments and instructions pursuant to the Board of Administration (Retirement Board) of the Water and Power Employees' Retirement Plan's remotely-held meeting and public comments being received via telephone.

Mr. Feng called roll and stated a quorum of the Retirement Board was present.

**Public Comments**

Mr. Geller stated no requests for public comment had been received.

**1. Approval of the Regular Meeting Minutes of June 24, 2020**

*Mr. Poole moved that the Board approve Item 1; seconded by Ms. McClain-Hill.*

*Ayes: Adams, Bogin, Felix, Ignacio, McClain-Hill, Poole*

*Nays: None*

*Absent: None*

*THE MOTION CARRIED.*

**2. Investment Reports for May 2020**

**a. Summary of Investment Returns as May 31, 2020**

**b. Market Value of Investments by Fund and Month as of May 31, 2020**

**c. Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of May 31, 2020**

**3. Articles of Interest**

*There being no discussion, Ms. Bogin directed that Item Nos. 2-3 be filed.*

#### **4. Discussion of Nominations and Appointment of Officers of the Board of Administration of the Water and Power Employees' Retirement Plan**

Mr. Feng called for nomination of the Officers for the Retirement Board.

##### **a) Nominations and Election of President and Vice-President**

*Mr. Poole nominated Ms. Bogin as Board President; seconded by Mr. Felix and carried unanimously after the following vote:*

*Ayes: Adams, Bogin, Felix, Ignacio, McClain-Hill, Poole*

*Nays: None*

*Absent: None*

*Mr. Felix nominated Mr. Poole as Board Vice-President; seconded by Ms. Bogin and carried unanimously after the following vote:*

*Ayes: Adams, Bogin, Felix, Ignacio, McClain-Hill, Poole*

*Nays: None*

*Absent: None*

##### **b) Appointment of Chair and Members of Benefits Committee**

*Ms. Bogin appointed herself and Mr. Felix as Committee Members and Mr. Poole as Chair.*

#### **5. Discussion of Plan Rebalance and Mandate Funding**

Mr. Wolfson reported on this item that entailed a briefing on prior Retirement Board-approved new asset class structures for Public Equity and Real Return and stated that staff will implement a full portfolio rebalance in conjunction with funding target portfolios that align with the Plan's Statement of Investment Objectives, Goals and Guidelines that call for periodic portfolio rebalancing in accordance with asset class values that shift over time given various market conditions.

#### **6. Discussion of General Consultant Request for Proposal**

Mr. Wolfson reported on this item that was brought about in accordance with the Retirement Board's request that staff provide a draft version of each Request for Proposal prior to its publication for the Retirement Board's review. Mr. Wolfson stated that the Request for Proposal process will evaluate candidates based on the firm, personnel, client information, investment process, alternative investment services, reporting, and fees; that a pool of the top candidates will be provided to the Retirement Board for interview selection after staff has conducted an initial review and scoring.

#### **7. Presentation by RVK, Inc. – Asset/Liability Study**

Messrs. Jim Voytko and Ryan Sullivan of RVK, Inc. presented the Asset/Liability Study.

Mr. Ignacio inquired as to whether the target allocation referenced in the Asset/Liability Study was the long-term strategic target approved by the Board, and Mr. Sullivan confirmed this was so.

Mr. Adams inquired about the meaning of being 100 percent funded and whether a guarantee could be tied to that number.

Mr. Voytko responded that it was definitely not a guarantee; that it is more a goal that can be reached but will take effort to maintain because capital markets are always shifting and liabilities change.

Mr. Adams then inquired about being at 94 percent, hypothesized a conservative drop to 92 percent, and asked what the target should be to stay in check.

Mr. Voytko responded that it is difficult to set targets from year to year because even if target funding is reached, the path traveled to acquire that funding is unpredictable. Hence, the need for Asset/Liability studies every 3-5 years to recalibrate points along that path.

Mr. Adams then addressed Mr. Ignacio to clarify whether in terms of affecting contributions that it also meant affecting the Department's budget and whether every year must be squared up because there was no way to smooth or average out contributions. Mr. Adams also inquired as to whether more aggressiveness in investments would create more risks for the ratepayer.

Mr. Ignacio responded that the Plan is set up to avoid volatility in contributions by way of the actuarial studies that are performed; that contribution rates may have to be increased if assumed rates of return are not reached.

Mr. Feng concurred and added that this is all built into the annual actuarial evaluations that incorporate a five-year smoothing regarding market values versus the expected rate of return and values. The resulting unfunded liabilities are calculated and are then amortized over the course of 15 years.

Mr. Adams then inquired as to what would happen if funding became aggressive and risky that resulted in a loss and the extent as to which the impact felt by customers would be mitigated.

Mr. Voytko responded that if, for any reason, a large investment loss occurred that would result in a need to raise contribution rates to help make up for that loss, only gradual changes would need to occur due to the smoothing that has been put into place. And further commented that while smoothing is beneficial in terms of budget stability, it can come at a cost if, while that adjustment is being made gradually, there isn't some other offset in investment returns.

Mr. Sullivan concurred and stated that RVK, Inc. examines market-value funding rather than actuarial-value funding because investments can only be made in market value not smoothing value.

Mr. Wolfson asked whether anything further was needed from RVK, Inc. as far as direction is concerned for the Retirement Board in order to bring back the Asset Allocation study in a month or so.

Mr. Sullivan responded that based on the comments received, there did not seem to be any expressed concerns over current levels of risk and unless otherwise instructed, that this would be the direction taken for the upcoming Asset Allocation analysis.

Mr. Poole commented that a lot of variables are at play and that this seemed to be one of the greatest periods of change Retirement Board has ever seen; that Retirement Board has invested a lot of faith into RVK, Inc.

Mr. Voytko concurred that this is an unusual, unprecedented period of time for investments; that surprises should be expected over the next year or two; that RVK, Inc., would continue to do their best and would also continue to work closely with Retirement Plan Office staff members as they have been doing.

**8. Presentation by RVK, Inc. – Fixed Income Structure Education and Benchmark Review**

Messrs. Voytko and Sullivan of RVK, Inc. presented the Fixed Income Structure Education and Benchmark Review.

**9. Annual Presentation by Zeno Consulting Group – Trading Cost Analysis Provider**

Mr. Brian Greene, Senior Vice President of Zeno Consulting Group, presented the annual Trading Cost Analysis Provider report.

**Retirement Plan Manager’s Comments**

Mr. Feng reported the following:

- That the process to fill the vacant Retiree Representative member seat on the Retirement Board will likely be concluded within the next month or two;
- That the coordinating and conducting of Retirement Seminars online may begin around the end of July or beginning of August 2020.

**Future Agenda Items**

Mr. Wolfson reported that work has begun on the emerging managers presentation and is on track to be brought to the Retirement Board on August 12 at its regular meeting.

There being no further business, the meeting adjourned at 11:36 a.m.

LaTanya C. Bogin  
LaTanya Bogin  
Board President

07/23/20  
Date

L Le  
Linda P. Le  
Interim Retirement Plan Manager

7/23/20  
Date

Jennifer Yu  
Jennifer Yu  
Utility Executive Secretary

7.23.2020  
Date