

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

**MINUTES**

**October 15, 2008**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Board Member  
Eugene K. Canzano, Board Member  
Michael Moore, Retiree Member  
Forescee Hogan-Rowles, Commissioner

**Board Members Absent:**

H. David Nahai, General Manager  
Ron Vazquez, Chief Financial Office

**Others Present:**

Sangeeta Bhatia, Retirement Plan Manager  
Mary Higgins, Assistant Retirement Plan Manager  
Monette Carranceja, Assistant Retirement Plan Manager  
Jeremy Wolfson, Chief Investment Officer  
Julie Escudero, Utility Executive Secretary  
Sarah Bernstein, Pension Consulting Alliance  
Alan Manning, Assistant City Attorney  
Michael Wilkinson, Deputy City Attorney

President Romero called the meeting to order at 9:38 a.m. after the Pledge of Allegiance.

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

There was no public comment.

**1. Termination from Monthly Rolls  
Termination from Retirement Roll Resolution for October 2008**

**Resolution to Terminate Ronnie M. DeJesus from November Family Death Benefit Roll – Attained Legal Age**

**Resolution to Terminate Jennifer Lazado from November Family Death Benefit Roll – Attained Legal Age**

**Resolution to Terminate Eula Johnson from the October 2008 Survivorship Roll as a Result of Her Death**

**Resolution to Terminate Dorothy I. Pesante from the October 2008 Survivorship Roll as a Result of Her Death**

**Resolution to Terminate Thomas J. Moran from the October 2008 Permanent Total Disability Roll as a Result of His Death**

Mr. Moore moved approval of Item No. 1. The motion was seconded by Mr. Canzano and carried unanimously after the following votes:

Ayes: Romero, Coffin, Canzano, and Moore  
Nays: None

Mr. Romero called for comments on the following items 2 through 6.

2. **Report of Payment Authorizations for September 2008**
3. **Notice of Deaths for September 2008**
4. **Summary Investment return as of September 30, 2008**
  - a) **Market Value of Investment by Fund and Month as of September 30, 2008**
  - b) **Market Value of the Retirement, Death and Disability Funds and Retiree Health Care fund as of September 30, 2008**
  - c) **Investment Returns as of September 30, 2008**
5. **Report on Status of Insurance as of September 19, 2008**
6. **Report on Organization Changes:**
  - a) **CB Richard Ellis Investors**
  - b) **Fred Alger Management, Inc.**
  - c) **ING Investment Management**

Mr. Moore stated that he was absent at the last meeting and missed PCA's report and, as a result, he had some questions regarding the performances of PAAMCO and AETOS, specifically since PAAMCO had negative value added of almost 13% at the last quarter. Mr. Wolfson indicated that some information they received from hedge funds was affected by the recent financial crisis and he did not have enough specifics to provide at the moment. Ms. Bernstein added that the credit market was shut down and investment companies were being pressured to keep securities from dropping. Mr. Wolfson and Ms. Bhatia each stated that they would be performing more research and would provide more information to the Board in the future.

Mr. Canzano moved approval of Items 2 through 6. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

7. **Presentation of Actuarial Valuation for the Retirement Fund, by The Segal Company**

Ms. Higgins acknowledged and welcomed Paul Angelo and John W. Monroe of The Segal Company (Segal), as the actuaries to the Water and Power Employees' Retirement Fund. She stated they would be presenting the annual actuarial valuation of the Retirement Fund as of June 30, 2008. Segal recommended that the employer contribution rate of 21.59% of payroll be changed to a new rate of 20.28% to be effective upon adoption of Board Resolution No. 09-33.

Mr. Angelo reported that the valuation employs the smoothing policy whereby each year's gains or losses were spread out for a period of five years. He stated that this valuation method was adopted by the Retirement Board a few years ago.

Mr. Angelo presented the following information:

- The market value return was -4.43%.
- The Plan had an assumed rate of return on the actuarial value of assets at 8%.
- For 2007-08, the actuarial value of asset earned a return of 8.15% due to recognition of prior investment gains (actuarial gains/losses over five years); however, the market value of the assets returned -4% to -5% for the year. Since the assumed annual return on assets is 8%, the assets experienced a one-year actuarial loss of over 12%.

Mr. Angelo explained that the salaries for the active members increased on average by 5.1%, as of March 31, 2007, compared to the rate of pay as of March 31, 2008. He continued that the percentage included inflation, across the board increases, advances in grades, and it was less than the assumption of 5.5%. He explained that the result produced an actuarial gain because salaries were paid slower than what was assumed and this also lowered the projected amount of employee benefits paid.

Ms. Hogan-Rowles joined the meeting at 10:00 a.m.

President Romero inquired as to why the actuarial report, dated June 30, 2008, used data on employees' salaries for the month ending March 31, 2008. Mr. Angelo responded that from the time Segal was hired by the Plan in 1998, its established practice was to gather participants' data as of March 31. Ms. Bhatia added that she understood the March 31 data was used to allow sufficient time to gather all the information necessary to prepare the June 30 report.

Mr. Angelo stated that the actual contribution rate, under the Plan's funding policy, was larger than the mandatory minimum contribution of 110% matching the employee contribution and Segal was recommending a required contribution of 20.28%, for the Plan Year 2008-2009, estimated at \$143.7 million. He further explained that the required contribution for the Department was composed of normal cost and the amortization of unfunded or over funded actuarial accrued liability.

Following extensive discussion, Mr. Moore moved adoption of Board Resolution 09-33. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore, and Hogan-Rowles  
Nays: None

#### **8. Recommendation by City Attorney to Approve Contract Extensions with Outside Law Firms for Fiduciary and Investment Counsel**

Mr. Wilkinson stated that the Plan currently has contracts with four law firms; (Nossasman, LLP [formerly known as Nosaman, Gunther Knox and Elliott], Foster Pepper, Klausner & Kaufman, and Morrison & Foerster), and he was recommending that the Retirement Board extend the firms' contracts for an additional year, beginning on December 1, 2008. Although the contracts were good for one year, they included an option for two one-year renewals and this would be the contracts' third year. He also added that a Request for Proposal (RFP) to select new outside counsel would be sent out prior to the contracts' new expiration on November 30, 2009. Mr. Wilkinson also requested the Board authorize an increase in the expenditure cap for the four firms for the period beginning on December 1, 2008.

Mr. Canzano moved approval of Board Resolution 09-34 to extend the contracts. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore, and Hogan Rowles  
Nays: None

## 9. Article of Interest

An article from The Wall Street Journal, "First Into Recession, California Shows Possible Future for U.S.," was included for information only.

## 10. Retirement Plan Manager's Comments

Ms. Bhatia reported that the Staff had responded to the Mayor's request for an update on the impact to the Retiree's pension plan as a result of the recent financial market events. She stated the info was forwarded to the Financial Services Division which was compiling all of the Department's responses into one report for the Mayor's office.


Ms. Bhatia also added that she gave a presentation on the status of the pension plan to approximately 100 retirees on Saturday, November 11, 2008, at which time she assured the attendees that DWP's retirement benefits were safe. She stated the information was well received although many retirees expressed concerns about the guarantee of their benefits.

Ms. Bhatia further stated that the actuarial valuation of the disability fund and the death benefit funds would be presented to the Board for approval probably at the Board's second meeting in November or the first meeting in December 2008. The annual audit report by Simpson and Simpson would be presented to Audit Committee members on Wednesday, October 22, 2008.


Ms. Coffin inquired whether a similar presentation could be provided to active members who share similar concerns regarding the current status of retirement plan benefits. Ms. Bhatia stated information for active members had been posted to the Retirement website, and Retirement staff had already been given relevant information to disseminate to concerned members who had questions regarding the Plan. Ms. Bhatia noted that the Retirement Office was also working on a newsletter for active employees.

The Board Meeting was adjourned at 11:07 a.m.

The Board met in closed session following the break.

  
\_\_\_\_\_  
JAVIER ROMERO  
President

  
\_\_\_\_\_  
SANGEETA BHATIA  
Retirement Plan Manager

  
\_\_\_\_\_  
JULIE ESCUDERO  
Utility Executive Secretary