

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

**MINUTES**

**JULY 15, 2009**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Barry Poole, Board Member  
Michael Moore, Retiree Member

**Board Members Absent:**

H. David Nahaj, General Manager  
Jeff Peltola, Chief Financial Officer

**Staff Present:**

Sangeeta Bhatia, Retirement Plan Manager  
Mary Higgins, Asst. Retirement Plan Mgr.  
Monette Carranceja, Asst. Retirement Plan Mgr.  
Jeremy Wolfson, Chief Investment Officer  
Julie Escudero, Utility Executive Secretary

**Others Present:**

Michael Wilkinson, Deputy City Attorney  
Sarah Bernstein, Pension Consulting Alliance, Inc.

President Romero called the meeting to order at 10:05 a.m. following the Pledge of Allegiance.

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

**Public Comments**

There were no public comments.

**1. Approval of Minutes:**

June 17, 2009, Regular Meeting  
June 17, 2009, Special Meeting

**2. Termination from July 2009, Retirement Rolls**

**3. Resolution to Authorize Name Change for Darlene Dorman**

*Ms. Coffin moved for approval of Consent Items 1 through 3; seconded by Mr. Moore and carried unanimously after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*

*Nays: None*

**4. Report for Payment Authorizations for June 2009**

**5. Notice of Deaths for June 2009**

**6. a) Summary of Investment Returns as of June 30, 1009**

**b) Market Value of Investments by Fund and Month as of June 30, 2009**

**c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of June 30, 2009**

**7. Report on Status of Insurance as of June 30, 2009**

**8. Report on Organizational Changes at Intech**

- a) Russel Bjorkman
- b) Dr. Jason Greene

*Mr. Moore moved for approval of Items 4 through 8 as received and filed; seconded by Ms. Coffin and carried unanimously after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**9. Report on Organizational Change at Wells Capital**

*Mr. Moore moved for approval of Item 9 as received and filed; seconded by Ms. Coffin and carried unanimously after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**10. Discussion of Recommendation to Approve the Contract Extension for Intech**

*Mr. Moore moved for approval of Resolution No. 10-07 approving the contract extension for Intech Investment Management, LLC; seconded by Ms. Coffin and carried unanimously after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**11. Discussion of Recommendation to Approve the Contract Extension for Fred Alger Management, Inc.**

*Mr. Moore moved for approval of Resolution No. 10-08 to extend the contract for Fred Alger Management, Inc.; seconded by Ms. Coffin and carried unanimously after the following vote:*

*Ayes: Romero, Coffin, Poole, and Moore*  
*Nays: None*

**12. Status Update on Transition Plan**

Mr. Wolfson provided an update on the upcoming transition to bring the Plan's portfolio in line with the recently adopted strategic asset allocation targets. He reported the Plan currently has a bench of five transition managers who will each be given an opportunity to bid on the asset allocation changes to the Retirement Plan and Retiree Health Benefits Fund. He explained the bids would be evaluated on the projected implementation shortfall and the transition managers' capacity to manage a large complex transition along with their transition execution strategy. Mr. Wolfson further added Pension Consulting Alliance (PCA) re-evaluated the Plan's current asset class exposures to determine the most efficient approach to rebalance the portfolio.

Mr. Wolfson explained the transition will consist of two phases: Phase I will move assets out of fixed income, which is currently over-allocated, and into domestic equity; and the domestic equity assets will be rebalanced to appropriately align exposures within the Plan's equity mandates. He added temporary passive index funds may be used during the transition to

obtain exposure to certain mandates that may be pending a Request for Proposal (RFP) for a new manager. He noted the Plan's exposure to international equity is basically in line with its target, and Phase I will not include any movement of international equity. He indicated an RFP for an inflation-linked mandate will be published soon, and both fixed assets and cash will be utilized to fund the new mandate.

Mr. Wolfson explained Phase II will address the Retiree Health Benefits Fund, and an equal amount of assets will be moved from domestic equity and fixed income to fund domestic equity managers, core and high yield fixed income managers, international equity managers, and the new inflation-linked mandate. He added that Staff and PCA will provide a post-transition review once the transition process is complete.

In response to Mr. Romero's inquiry if any RFPs had been published, Mr. Wolfson indicated that Requests for Information (RFI) will be sent to the five transition managers in the near future and they all will be able to bid on the project. He added three RFPs for other mandates will be released soon.

Mr. Romero asked how the RFPs would be advertised, and Mr. Wolfson indicated the customary publications are *Pension & Investments* magazine (P&I), the *Los Angeles Times*, and *The Wall Street Journal*, but Staff will most likely go with just P&I and the *Los Angeles Times*. Ms. Bhatia added Staff researched various publications, and P&I and the *Los Angeles Times* should provide a wider circulation for more days at a reasonable price.

Mr. Moore requested clarification of how fixed income would be decreased. Mr. Wolfson explained Staff would be mindful about transferring funds to any manager currently on watch status. He stated funds would be moved from both ING and Wells Capital.

### **13. Article of Interest**

The article "Two-Hat Issues for Trustees," from the *Benefits & Compensation Digest, June 2009*, was included for information only.

### **14. Retirement Plan Manager's Comments**

Ms. Bhatia reported the Retiree Monthly Newsletter will be discontinued beginning in September. She explained that Staff and Mr. Moore assessed the value of the newsletter in its current format and concluded the Retirees would be better served by receiving a more meaningful, comprehensive publication twice a year. She added Staff will notify the Retirees about the change and also inform them that ongoing updates will be provided on their monthly paycheck data mailers.

She reported the Treasurer's Office is changing its financial institution from Bank of America to Wachovia and that will have no effect on the Retirees.

With respect to the new system, Ms. Bhatia stated Staff notified the contractors of modifications needed which were identified during the parallel testing. She indicated another conversion would take place the upcoming weekend to realign certain specific functions of the new system with those of the old system and this would also require an extension of the parallel testing.

She reported the first phase of the Retirement Office remodeling was scheduled to begin that evening and each phase would last approximately one week.

She updated the Board regarding several IRS compliance issues and stated Ms. Higgins was spearheading that effort in collaboration with the tax attorneys. She added this item will be brought back to the Board for approval and eventual incorporation into the Plan.

Ms. Bhatia reported copies of the revised Retirement budget, adopted by the Retirement Board on June 17, 2009, were provided to the Financial Services Organization and to the Board of Water and Power Commissioners Office; however, it was not clear whether it needed to go back to the DWP Board of Commissioners. She noted that Alan Manning, the Plan's City Attorney, will be meeting with the DWP Attorney to seek a resolution on how to proceed. Ms. Bhatia stated she hoped the current budget situation would not affect the Retirement Office's ability to fill the approved positions.

### 15. Future Agenda Items

Ms. Coffin asked if changing the Board meeting schedule to the second and fourth Wednesdays would impact PCA's ability to attend, and Sarah Bernstein of PCA indicated that PCA had no problem with meeting on the second Wednesday but had previous commitments for the fourth Wednesday. She indicated she would check if the conflicts could be rearranged to accommodate the Board. Ms. Bhatia noted she would follow-up with Neil Rue of PCA and report back at the next meeting. It was requested that this be brought back before the Board along with the respective meeting schedules for the Retirement Board and the Board of Water and Power Commissioners.

The meeting adjourned at 11:18 a.m.

  
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JAVIER ROMERO                      8/19/09  
President                                      Date

  
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SANGEETA BHATIA                      8/19/09  
Retirement Plan Manager                      Date

  
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JULIE ESCUDERO                      8.24.09  
Utility Executive Secretary                      Date