

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

MINUTES

OCTOBER 27, 2010

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Barry Poole, Board Member
Michael Moore, Retiree Member
Christina Noonan, DWP Commissioner
Mario Ignacio, Chief Accounting Employee

Board Members Absent:

Austin Beutner, Interim General Manager

Staff Present:

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

Others Present:

Neil Rue, Pension Consulting Alliance
Marie McTeague, Deputy City Attorney
Jim Berens, PAAMCO

President Romero called the meeting to order at 10:07 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. Termination from Rolls

**Termination of Monthly Allowance from the October 1, 2010, Retirement Roll
Termination of Marjorie L. Curtis from the October 2010 Survivorship Roll**

Ms. Coffin suggested the word "deleted" on the October 1, 2010, Retirement Roll be changed to "deceased".

Ms. Coffin moved for approval of Item 1 as amended; seconded by Mr. Moore, and carried after the following vote:

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

2. Report of Payment Authorizations for September 2010

3. Notice of Deaths for September 2010

- 4. a) Summary of Investment Returns as of September 30, 2010
b) Market Value of Investments by Fund and Month as of September 30, 2010
c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of September 30, 2010**

5. Report on Status of Insurance as of October 14, 2010

6. Report on Organizational Changes at BNY Mellon Asset Servicing Unit

7. Report on Organizational Changes at Capital Dynamics

Mr. Moore moved for approval of Items 2 through 7 as Received and Filed, seconded by Ms. Coffin, and carried after the following vote:

Ayes: Coffin, Romero, Poole, Moore, Noonan, and Ignacio

Nays:None

8. Update on Reciprocity Program Between the Water and Power Employees' Retirement Plan and the Los Angeles City Employees' Retirement System

Ms. Higgins provided background on the proposed suspension of the Reciprocity program and indicated that the Los Angeles City Council had asserted jurisdiction over the item and vetoed the Board of Water and Power Commissioner's action to approve the Plan Amendment to suspend the reciprocal arrangement. She noted the amendment would now go back to the DWP Board with the same authority and presumably the City Council could assert jurisdiction again. She stated Staff would be arranging a meeting with representatives from the Los Angeles City Employees' Retirement System, the Office of the City Administrative Officer, the Office of the Chief Legislative Analyst, and the City Attorney's office to discuss mutually agreeable changes to the reciprocal arrangement. She also stated that any changes would be brought back to the Retirement Board.

In response to the Board's concerns/questions with the reciprocity agreement being vetoed again, Ms. McTeague it was a possibility.

9. Discussion of Organizational Changes at Pacific Alternative Asset Management Company

Mr. Wolfson provided background on this item which recommended termination of the contract with Pacific Alternative Asset Management Company (PAAMCO) due to significant organizational changes. He reviewed the organizational changes that had prompted the Board to place PAAMCO on watch status at the October 13, 2010, Retirement Board meeting. He stated Staff was concerned about the future uncertainty of PAAMCO and, as a result, Staff and representatives of Pension Consulting Alliance (PCA) were recommending a full redemption of funds and termination of PAAMCO's contract. He noted that PAAMCO had extended the deadline to request a full redemption and end the contract without any penalties.

Neil Rue from PCA added that PAAMCO has done a good job for the Plan and that terminating the contract would be a preemptive move. He recommended the redemption funds be placed temporarily with the Plan's Global Inflation-Linked Securities Manager.

Jim Berens, PAAMCO's Managing Director, explained there would be no costs or fees involved to liquidate the Plan's funds, and there would be no discount to the Plan's Net Asset Value.

Mr. Berens reviewed the events involved with the organizational changes, and he emphasized the firm's operating style had not been affected.

In response to Mr. Ignacio's query regarding the redemption process, Mr. Wolfson explained the Plan would receive approximately 90% of the funds by the end of 2010. Mr. Berens added the remaining 10% would be released upon completion of the final audit which is usually conducted in June.

In response to Ms. Coffin's concerns over why this matter was not discussed at the previous Board meeting when PAAMCO was placed on watch, Ms. Bhatia and Mr. Rue explained that information was still being gathered and all paperwork and information needed for the Board to make an informed decision was unavailable at that time.

Further discussion ensued regarding PAAMCO's ownership structure.

Mr. Romero commented that the recent turn of events was unfortunate, and he thanked Mr. Berens for the outstanding service PAAMCO had provided the Plan over the years.

Mr. Moore moved for approval of Item 9 and Resolution No. 11-33 to terminate the contract with PAAMCO; seconded by Mr. Poole, and carried after the following vote:

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

Mr. Moore further moved that the Plan's redemption proceeds be placed temporarily with the Plan's Global Inflation-Linked Securities Manager; seconded by Mr. Poole, and carried after the following vote:

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

10. Discussion of Future Investment Agenda Items

Mr. Rue provided background for this item and stated the Retirement staff was in the process of implementing the final step of the broad investment policy which the Board adopted in 2007. He suggested, given the market dynamics of late, that the Board revisit how the Plan's portfolio was strategically structured and what changes, if any, should be made. He provided an agenda of items to discuss at future Board meetings, which included restructuring some of the existing classes and introducing new classes. He added that if approved by the Board, the first key item to discuss would be what to do from a broad strategic allocation standpoint, and said that could be discussed as early as the next Board meeting.

The Board members present agreed it would be beneficial to revisit the portfolio's structure, and Mr. Rue indicated he would begin at the next meeting.

11. Discussion of Investment Performance of T. Rowe Price Emerging Markets Manager

Mr. Wolfson provided an overview of this item which recommended the Board place T. Rowe Price Emerging Markets Manager on extended watch status for six months for failing to meet the Plan's medium-term and long-term performance criteria.

Mr. Moore moved for approval of Item 11 and Resolution No. 11-34 to extend the watch status for T. Rowe Price Emerging Markets Manager for an additional six months; seconded by Ms. Coffin, and carried after the following vote:

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

12. Discussion of Contract with The Boston Company Asset Management for the International Developed Equity Mandate

Mr. Wolfson reviewed The Boston Company's (TBC) history with the Plan and provided data on why it was being recommended that their contract be extended for an additional three years.

With regard to insurance, Mr. Wolfson stated TBC would only be paid as long as they were in full compliance with the Department's insurance provisions. He further stated if the contract was not renewed, it would be necessary to go through the Request for Proposal process to find another manager in the same category.

Mr. Wolfson pointed out that in the attached Board Resolution No. 11-35, the phrase "20 out of the previous 65 months" should be replaced with "25 out of the previous 65 months."

Mr. Moore moved for approval of Item 12 and Resolution No. 11-35 as corrected; seconded by Ms. Coffin, and carried after the following vote:

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

13. Discussion of the Status of the Approved Budgeted Positions for the Retirement Office

This item was tabled until further notice.

14. Update on Discussion of the Presentation by Simpson & Simpson, CPAs, of the Annual Audit Report and Related Financial Statements, as of June 30, 2010, as Discussed at the October 27, 2010, Audit Committee Meeting

Ms. Bhatia reported the Annual Audit Report and Related Financial Statements were discussed at the Audit Committee meeting held just prior to this meeting. She noted the preliminary report did not include the numbers for the Retiree Health Benefit Fund which were included in the actuarial information presented to the Board at the last meeting. She indicated that information was expected to be received soon and, once received, the final Audit Report and Related Financial Statements would be provided to the Board for review.

15. Retirement Plan Manager's Comments

Ms. Bhatia reported Retirement Office staff has developed a mid-career retirement training program as a result of significant number of requests for this type of training. She noted the first pilot session went well and the class is expected to be available by the beginning of 2011 to employees who have at least five to seven years of employment. She added the mid-career training will be in addition to the regular retirement seminars.

She noted Staff met with ITS staff to resolve glitches in the implementation of the new system.

She reported the relocation of the Retirement Offices has been placed on hold as a result of additional office space that is required for the Department's CIS project. The CIS project staff will be moving into the new building on Third Street in the space previously set aside for the Retirement Offices.

She stated the report with respect to the Additional Annuity Plan Amendment will be on the agenda for the November 16 DWP Board of Commissioners meeting.

She also noted the change in the interest rate for member accounts was still in the meet and confer process with IBEW representatives.

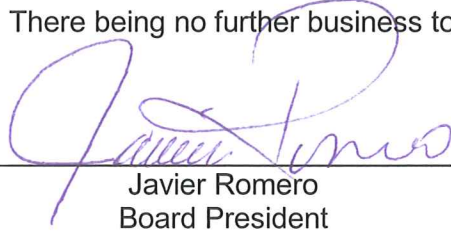

16. Future Agenda Items

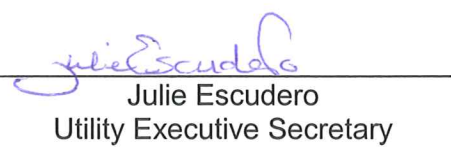
Mr. Romero asked for an update after the meeting with staff and representatives from the Los Angeles City Employees' Retirement System (LACERS), the Office of the City Administrative Officer, the Office of the Chief Legislative Analyst, and the City Attorney's office with respect to the Reciprocity amendment.

Ms. Bhatia noted Mr. Romero's request and added that the Rules and Elections Committee had scheduled an item on its agenda to receive a report that detailed the vesting rights of employees who transferred to DWP from LACERS. She indicated it was her understanding this item would be put on hold.

Ms. Bhatia stated the investment transition was completed and a post transition review will be brought to the Board in the near future.

There being no further business to come before the Board, the meeting adjourned at 11:20 p.m.

 _____ Javier Romero Board President	<u>12/15/10</u> Date	 _____ Sangeeta Bhatia Retirement Plan Manager	<u>12/15/10</u> Date
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 _____ Julie Escudero Utility Executive Secretary	<u>12.15.10</u> Date
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