

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

MINUTES

APRIL 11, 2012

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Mario Ignacio, Chief Accounting Employee
Ronald O. Nichols, General Manager
Barry Poole, Regular Member
Robert Rozanski, Retiree Member

Board Members Absent:

DWP Commissioner - Vacant

Staff Present:

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

Others Present:

Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 9:03 a.m.

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

Public Comments

Ms. Escudero stated no public comments were requested at this time.

8. Discussion of Request to Purchase iPads for Retirement Board Members (*OUT OF ORDER*)

Mr. Romero reported this item was placed on the agenda at the request of Cindy Coffin after he and Ms. Coffin returned from a Fire and Police Pensions (FPPS) Board meeting where the FPPS Board members were using iPads to review the Board material. Mr. Romero indicated he would like for the DWP Retirement Board to evolve to a paperless environment. He then asked Ms. Bhatia to present the Staff report.

Ms. Bhatia provided the cost analysis of using iPads versus the current method where hard copies of Board materials are mailed to the Board Members. She stated the Plan's annual cost of the current method is \$9,000 (\$3,000 for printing and \$6,000 for shipping via FedEx); and FPPS' initial cost was \$14,000 to procure the equipment and licenses, and approximately \$7,000 for ongoing costs.

Ms. Bhatia noted the Department's Information Technology Services Division (ITS) would have to procure the iPads and perform the corresponding technical support, which it does not currently provide. She indicated Matt Lampe, the Department's Chief Information Officer and head of ITS, was present to answer questions.

Mr. Lampe stated he applauds the paperless movement. He discussed the Department's efforts in that regard and the resulting need for constant security and safety of Department's systems and data. He explained the different security measures that must be provided for public and non-public information.

He also addressed the merits of the iPad and indicated it is a consumption device that displays information through a web browser.

Depending on whether the Board Members would need access to the Department network, Mr. Lampe mentioned the Board could also consider lightweight laptop computers or augmented Blackberry devices and decide if they would better meet the Board's objectives. If so, he stated that would require custom applications and staff time to develop security measures, and that designated staff was currently dedicated to other high-priority programs.

Mr. Romero and Ms. Coffin indicated the intent was for Board Members to access the Board material electronically and not to have access to the Department's network.

Mr. Lampe also noted personal devices used to access Department information are subject to the rules of the California Public Records Act. He added if a device is lost, the Department will wipe the information from the entire device even if it contains personal information.

Mr. Nichols recommended if Board material is to be emailed to the Board Members, it should always come from the same source so it can be easily located among numerous email items. He added a designated shared drive where Board Members could easily access the material would be ideal. Mr. Lampe indicated the Department's new website will eventually have the capability to grant secure access to remote files, and the Retirement Office staff could be established as the moderator to deposit information into a specific folder in its own secured location where Board Members could download information and post comments for discussion. He said this should be available within 60-90 days and may be a better method than email.

2. Report by Pension Consulting Alliance on Due Diligence Site Visit to MFS (OUT OF ORDER)

Mr. Rozanski moved that the Board accept Item 2; seconded by Mr. Nichols.

Ayes: Romero, Coffin, Ignacio, Nichols, Poole, Rozanski

Nays: None

THE MOTION CARRIED.

1. Request for Approval of Minutes for February 22, 2012, Regular Meeting (OUT OF ORDER)

Mr. Rozanski moved that the Board approve Item 1; seconded by Mr. Nichols.

Ayes: Romero, Coffin, Ignacio, Nichols, Poole, Rozanski

Nays: None

THE MOTION CARRIED.

3. Discussion of the Contract and Funding Status for Vontobel Asset Management

Mr. Wolfson reported on Staff's progress toward establishing brokerage accounts in the four remaining countries (out of 35) in Vontobel's portfolio. He reported Staff received information from four firms in response to their solicitation for tax advisors in India, Pakistan, Taiwan, but received no responses for services in Bangladesh. He stated the City Attorney reviewed all of the responses and found no legal issues. Of the four responses, Deloitte Tax LLP was the only firm that included services for India, Pakistan, and Taiwan. Mr. Wolfson stated Deloitte's proposal was priced competitively and provided a contact in the United States. He added that if the Board agreed to contract with Deloitte, Staff would be almost ready to fund the contract for Vontobel.

Mr. Rozanski asked if Staff would still pursue firms for Bangladesh if the Board approved Vontobel. Mr. Wolfson stated funding for Bangladesh would still be pursued although it was not a limiting factor to fund the manager.

Mr. Rozanski moved that the Board approve Resolution No. 12-73 to enter into an agreement with Deloitte Tax, LLP, to provide tax advisory services; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

4. Discussion of Real Estate Investment Trust (REIT) Request for Proposals

Mr. Wolfson stated the draft Request for Proposals (RFP) was provided to the Board for review as part of the normal RFP procedure. Mr. Romero stated RFPs in the past contained Minority Business Enterprise/Women Business Enterprise (MBE/WBE) information, and he asked if that data could be provided to the Board as a separate package. Ms. Bhatia indicated Staff will provide that information to the Board in the future.

5. Presentation by BlackRock Asset Management (Large Cap Core) - Annual Performance Review as of December 31, 2011

Lilian Wan and Marco Merz from BlackRock presented BlackRock's 2011 annual performance review.

During Ms. Wan's brief update on the firm, Mr. Nichols asked how many of BlackRock's clients receive hard copies of their reports. Ms. Wan stated they provide both hard and soft copies to all of their clients.

Mr. Merz reviewed BlackRock's investment philosophy and noted it is fully replicated to the benchmark.

He reported the portfolio over the past 12-month trailing period, slightly outperformed the index by six basis points, mainly due to securities lending and to securities litigation payments received. He noted the two-year, five-year, and since-inception numbers are gross of fee excess returns.

He reviewed the composition of the portfolio, as well as the risk exposure.

He stressed the portfolio's performance, characteristics, etc., closely imitate the benchmark, and he emphasized BlackRock's goal is to consistently deliver the index return with no surprises.

(The Board recessed at 10:08 a.m. and reconvened at 10:14 a.m.)

6. Presentation by T. Rowe Price Investment Services (Large Cap Value) – Annual Performance Review as of December 31, 2011

The Board acknowledged John Plowright, Bill Nolan, and Mark Finn from T. Rowe Price. Mr. Plowright provided a brief overview of T. Rowe Price and stated the firm continues to function very well. He noted the Large Cap Value strategy, in which the Plan is invested, has approximately \$8 billion.

Mr. Finn reviewed the equity research team, the firm's investment philosophy, and investment process. He provided a market overview and reviewed the Plan's portfolio characteristics.

Mr. Nolan reported the portfolio's performance was slightly ahead of the index for the quarter to date through February 2012, and added value (net of fees) for the three-year, five-year, and since-inception periods. He noted in the three-year rolling returns, the portfolio kept pace in strong markets, outperformed in normalized markets, and outperformed in down markets. He reviewed the risk/return characteristics for the three-year and five-year periods and noted the portfolio is slightly ahead of the standard deviation.

7. Presentation by MFS (Large Cap Value) - Annual Performance Review as of December 31, 2011

The Board acknowledged Christopher Callahan, Carolyn Lucey, and Kate Mead of MFS. Mr. Callahan thanked the Board for its continued relationship and trust. Ms. Lucey provided a brief organizational update. She noted MFS now serves the Canadian pension market and continues to grow its research capabilities globally. She noted the Large Cap Value team remains unchanged.

Ms. Mead provided a brief overview of the market environment over the past year. She stated growth and large cap have outperformed value and small cap, and the United States outperformed the international markets. She reported the portfolio's net of fees through the end of February on a trailing one-year basis returned approximately 100 basis points of excess performance. She reported they have added excess value in all periods with exception of the three-year period which was one of the most challenging environments for this strategy given their discipline.

She reviewed the performance drivers and stated a majority of the value added was through stock selection. She stated one of the main detractors was in health care since the portfolio had no exposure in bio-technology companies or health maintenance organizations which were strong performers over the past year. She stated the three largest performance detractors have begun to rebound this year.

She stated the average dividend increase of the portfolio for 2011 was approximately 20% compared to 13% for the benchmark.

She indicated the price to earnings in the portfolio traded at a discount to the benchmark and the return on equity at 24.6% was a substantial premium compared to the benchmark at 12%. She indicated the sector turnover was less than 20%.

9. Retirement Plan Manager's Comments

Ms. Bhatia reported the integrated pension system implementation is progressing well. She stated the May 1 retiree checks will be printed via the new system. She stated the data mailers (pay stubs) will have a slightly new look and will now include new identification numbers for all recipients, including beneficiaries. Information regarding the new identification number will be posted on the website and on the back of the pay stubs.

She reported this Friday, April 13, is the last day to return ballots for the election of the active employee representatives on the Retirement Board. She stated two employees from the Retirement Plan Office will be present when the ballots are counted next week.

She handed the comments over to Deputy City Attorney Marie McTeague. Ms. McTeague stated the City Attorney's Office is currently reviewing recently amended regulations regarding stipends for appointed board members, and they will work with Staff to ensure the Board and the Plan are in compliance.


Mr. Nichols reminded everyone of the Retirement Office's policy that any information provided to publications regarding investments must first be reviewed and approved by the Retirement Plan Manager.

10. Future Agenda Items

Mr. Rozanski asked for an explanation of the difference between the Investment Policy benchmark and benchmark for the individual asset classes.

Mr. Nichols asked for discussion at a future meeting of the possibility of video conferencing of the Retirement Board meetings.

With no further business, the meeting adjourned at 11:07 a.m.



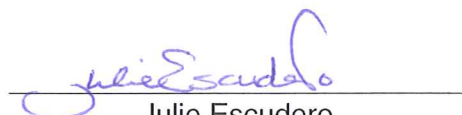
Javier Romero
Board President

5/9/12
Date



Sangeeta Bhatia
Retirement Plan Manager

5/9/12
Date



Julie Escudero
Utility Executive Secretary

5.9.12
Date