

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

MINUTES

May 20, 2009

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Barry Poole, Board Member
Michael Moore, Retiree Member
H. David Nahai, General Manager
Forescee Hogan-Rowles, Commissioner
Jeff Peltola, Chief Financial Officer

Board Members Absent:

None

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Mary Higgins, Asst. Retirement Plan Mgr.
Monette Carranceja, Asst. Retirement Plan Mgr.
Scott Vargas, Senior Investment Officer
Julie Escudero, Utility Executive Secretary

Others Present:

Alan Manning, Assistant City Attorney
Michael Wilkinson, Deputy City Attorney
Mike Moy, Pension Consulting Alliance, Inc.
Tad Fergusson, Pension Consulting Alliance, Inc.
Neil Rue, Pension Consulting Alliance, Inc.

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

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

Public Comments

There were no public comments.

Out of Order - The Board met in closed session at 10:14 a.m. to confer with counsel and staff on the following item:

- 14. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b)**, to confer with legal counsel regarding a matter in which, based on existing facts and circumstances, there is a significant exposure to litigation against the Board, and pursuant to Government Code Section 54956.9(c), to confer with counsel in considering whether to initiate litigation in that matter

(Ms. Hogan-Rowles joined the meeting at 10:21 a.m.)

The Board met back in open session at 11:05 a.m. with no action taken.

(Mr. Nahai left the meeting at 11:07 a.m.)

1. Approval of Minutes:

- a) **April 15, 2009, Governance Committee Meeting**
- b) **April 15, 2009, Regular Meeting**

2. Termination from Monthly Rolls

- Termination from the May 1, 2009, Retirement Roll**
- Termination of Helen B. Kelley (Deceased) from the May 2009 Survivorship Roll**
- Termination of Irene B. Romo (Deceased) from the May 2009 Survivorship Roll**

Mr. Moore moved for approval of Items 1 and 2; seconded by Ms. Coffin and carried unanimously after the following vote:

*Ayes: Romero, Coffin, Poole, Moore, Hogan-Rowles, and Peltola
Nays: None*

Mr. Romero called for discussion of Items 3 through 10:

3. Report of Payment Authorizations for April 2009

4. Notice of Deaths for April 2009

5. a) Summary of Investment Returns as of April 30, 2009

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

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

6. Report on Status of Insurance as of May 13, 2009

Mr. Moore indicated he believed the footnote on page 6 still understated the insurance requirements. Ms. Bhatia explained if investment managers for real estate, private equity, hedge funds, and other alternative investments do not provide proof of insurance, WPERP may still enter into a contract with them. She added that Staff may ask what coverage the companies carry but would not insist they name us as additional insured. Mr. Moore suggested the language be better worded, and Ms. Bhatia noted that Staff would verify the Board Resolution language and would report back at a future meeting.

7. Update on Bankruptcy Notification from JP Morgan Real Estate Fund

8. Report on Personnel Changes at T. Rowe Price

9. Report on Changes to Securities Lending in The Boston Company's Emerging Market Portfolio

10. Report on City Council Motion Regarding Pension Reform

Ms. Coffin and Mr. Moore requested additional information. Ms. Bhatia reported the Motion was presented at the Budget and Finance Committee Meeting held on May 13, 2009, and was in response to media attention regarding the use of placement agent in connection with awarding investment management contracts. She added staff will schedule a Governance Committee Meeting to discuss this and was already gathering information from the different public pension plans and PCA.

Mr. Moore moved for approval of Items 3 through 10; seconded by Ms. Coffin and carried unanimously after the following vote:

*Ayes: Romero, Coffin, Poole, Moore, Hogan-Rowles, and Peltola
Nays: None*

(Mr. Peltola left the meeting at 11:15 a.m.)

11. Presentation by Pension Consulting Alliance, Inc. – Quarterly Performance Review as of March 31, 2009

Mr. Romero acknowledged Neil Rue from Pension Consulting Alliance, Inc. (PCA).

Mr. Rue reported that as of March 31, 2009, the Plan's portfolio had an aggregate value of \$5.1 billion which represented a \$318.3 million decrease from the last quarter. He indicated the portfolio outperformed its policy benchmark by 380 basis points, due largely to its holdings in fixed income, but was down by 24 percent for the year. He noted if the Plan had held to its current policy, it could have been down by 28 percent, and he further noted they will be rebalancing the portfolio according to the recently revised policy adopted by the Board. He indicated the Plan's portfolio ranked in the top one-third percentile compared to its peers for the last three years. With respect to policy targets, he stated the portfolio was overweight in fixed income and cash and underweight in domestic equity, international equity, and real return. He emphasized that although target deviations were high by historical standards, not rebalancing back into the public equity classes has protected the portfolio from additional losses.

Mr. Rue noted ING underperformed by 930 basis points over the past 12 months due to their credit emphasis; however, over the past six weeks, they were 150 basis points ahead of their benchmark. He added that if the markets continued to improve, they would expect ING's performance would continue to improve as well, and that PCA and Staff will continue to monitor ING while they conduct a search for a possible replacement.

12. Presentation by Pension Consulting Alliance, Inc. – Private Equity Quarterly Performance Review as of September 30, 2008

Mr. Romero recognized Tad Fergusson from PCA.

Mr. Fergusson explained private equity performance was reported on a lagged basis so the date of the reporting period was correct. He added the 2008 year-end report should be expected around June or July.

He reported the Plan had \$130 million committed in capital; \$55 million drawn down; \$9.4 million distributed and \$45.5 million in reported value with a since-inception internal rate of return of 1.2 percent. He added the aggregate report reflected a negative result because of market instability, but the initial performance has minimized the J-curve. He further added the secondary market funds-of-funds (Landmark and Lexington) were generating attractive results.

Mr. Fergusson noted the program's aggregate commitment was now \$176 million; that included \$30 million re-committed to Lexington and \$16 million recently committed to Oaktree. He stated the goal of the program was to generate attractive returns and create a highly diversified portfolio.

13. Discussion of Parking Spaces for Retirement Board Members

Mr. Romero reported this item was requested at the last meeting because some Board Members were having difficulty finding parking. Ms. Bhatia reported that staff had discussed with the Commission Office the possibility of using parking reserved for the DWP Commissioners and was told that availability could not be guaranteed but to speak with the General Manager. She stated staff also spoke with the Parking Office and was told that several spaces would be set aside in the former customer lot on meeting days, and the guard would direct the Board Members to one of the reserved spaces. Several Board Members reported that had not happened today. Ms. Bhatia reported she will follow up, and will also ask the General Manager about the covered parking that was formerly used by the Commissioners.

14. Closed Session *(considered earlier in the meeting)*

15. Retirement Plan Manager's Comments

Ms. Bhatia provided a brief update on the system and she reported a conversion dry-run was performed over the past weekend, and staff was also performing acceptance testing, which was going well. She added the implementation would begin around June 6, and parallel testing was expected to begin for three to six pay periods.

Ms. Bhatia indicated a Governance Committee Meeting would be scheduled soon to discuss the policy on placement agents as well as a travel and education policy for Board Members.

She also noted the transition plan for NorthPointe, a small cap investment, was complete and a report would be provided to the Board as soon as it was available.

16. Future Agenda Items

No future agenda items were requested at this time.

The meeting adjourned at 11:42 a.m.



JAVIER ROMERO 6/17/09
President Date



SANGEETA BHATIA 6/17/09
Retirement Plan Manager Date



JULIE ESCUDERO 6.17.09
Utility Executive Secretary Date