

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

**MINUTES**

**APRIL 27, 2011**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Mario C. Ignacio, Chief Accounting Employee  
Michael Moore, Retiree Member  
Ronald O. Nichols, General Manager  
Christina E. Noonan, DWP Commissioner  
Barry Poole, Board Member

**Board Members Absent:**

None

**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  
Mike Moy, Pension Consulting Alliance  
Neil Rue, Pension Consulting Alliance  
David Sancewich, Pension Consulting Alliance

President Romero called the meeting to order at 10:09 a.m. following the Pledge of Allegiance.

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

**Public Comments**

Lilly Calvache, Senior Business Representative from IBEW, Local 18 (*expressed during Item 14*)

Mr. Romero called for a motion to approve Consent Items 1 and 2

**1. Request for Approval of Minutes – March 9, 2011, Regular Meeting**

**2. Termination of Monthly Allowance from the April 2011 Retirement Roll**

Mr. Moore requested the last sentence on page 1.5 of the March 9 minutes be changed to read:

“Mr. Moore added he would like to have the insurance criteria ~~enhanced~~ **reviewed** so companies that would otherwise be worth considering are not eliminated.”

*Mr. Moore moved for approval of Items 1 and 2 as amended; seconded by Ms. Noonan.*

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

THE MOTION CARRIED

Mr. Romero called for a motion to approve Received and Filed Items 3 through 10.

**3. Report of Payment Authorizations for March 2011**

**4. Notice of Deaths for March 2011**

5. **Investment Reports for March 2011**
  - a) **Summary of Investment Returns as of March 31, 2011**
  - b) **Market Value of Investments by Fund and Month as of March 31, 2011**
  - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of March 31, 2011**
6. **Report on Status of Insurance as of April 13, 2011**
7. **Report on Organizational Change at Invesco Global Asset Management**
8. **Report on Organizational Change at JP Morgan Asset Management, Inc.**
9. **Report on Due Diligence Site Visit to Aetos Alternatives Management, LLC**
10. **Report on Due Diligence Site Visit to Fred Alger Management, Inc.**

*Mr. Moore moved for approval of Items 3 through 10; seconded by Ms. Coffin.*

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

*Nays: None*

THE MOTION CARRIED.

#### **11. Discussion of Performance of Pyramis Global Advisors International Developed Equity Manager**

Mr. Wolfson provided the background on this item to remove Pyramis Global Advisors (Pyramis) from performance watch status as a result of their improved performance and to place Pyramis on organizational watch status as a result of a change in the portfolio manager for their Pacific Basin sub-portfolio. He reported the organizational watch would be for a period of six to twelve months.

*Mr. Moore moved for approval of Resolution No. 11-86 to remove Pyramis from Performance Watch and for approval of Resolution No. 11-87 to place Pyramis on Organizational Watch for six to twelve months; seconded by Mr. Nichols.*

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

*Nays: None*

THE MOTION CARRIED.

#### **12. Follow-Up Discussion of General and Alternative Consulting Services**

Mr. Wolfson explained this item was originally brought before the Board for consideration to renew the contracts for the Plan's General, Alternative, and Real Estate Consultants. He stated the Board renewed the contract with Courtland Partners for Real Estate Consulting Services; however, they had asked for additional information with respect to the contracts for General Consulting and Alternative Consulting, both with Pension Consulting Alliance (PCA). The item was now being brought back before the Board for action regarding the contracts with PCA for General Consulting and Alternative (private equity) Consulting Services.

*Mr. Nichols moved to extend the contract with PCA for General Consulting Services (Resolution No. 11-88) and the contract with PCA for Alternative Consulting Services (Resolution No. 11-89) each for one year, after which time PCA would be allowed to*

*rebid the two contracts should the Board elect to proceed with Requests for Proposals; seconded by Mr. Ignacio.*

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

*Nays: None*

THE MOTION CARRIED.

### **13. Discussion of Request for Proposal Document**

Ms. Bhatia reported that at the March 9 Retirement Board meeting, the Board had questions regarding the content of the Request for Proposal (RFP) for the Active Emerging Markets Equity Manager, and in response to that, they were provided a copy of the draft RFP for review and feedback.

Ms. Bhatia indicated the Board Members requested a list of all the applicants to the RFP (with a record of who met the minimum criteria), and the Board wanted to determine the final number of applicants to interview.

Mr. Moore suggested the reference to campaign contributions be changed to read, “. . . *has your firm, any employee of your firm, or any associate of your firm made any campaign contribution to any incumbent elected officials and or candidate for an elected office or successful candidate for an elected office?*” He also suggested this refer to the choice of candidates throughout California.

The Board Members also requested the finalists be required to provide evidence they meet all of the insurance requirements, and they requested no contract be signed until proof of insurance is received.

### **14. Discussion of Selection of a Document Imaging Vendor**

Ms. Bhatia reported this item was brought back from the April 13 meeting for continued discussion. She reported since that meeting, Staff met with the Joint Labor/Management Committee and was requested to complete some additional requirements. She stated Staff was working with Labor Relations and requested the item be tabled pending completion of those requirements.

#### Public Comment

Mr. Romero acknowledged Lilly Calvache, Senior Business Representative with IBEW Local 18.

Ms. Calvache acknowledged that she had asked Ms. Bhatia to table this item because Local 18 has some concerns. She stated she spoke to Ms. Bhatia about the 10% overtime provision in the Memorandum of Understanding (MOU). She said she wanted the Board to understand that the Retirement Office is required to complete a Notice of Compliance for any Local 18 Bargaining Unit work being performed, per the MOU.

Messrs. Romero and Poole thanked Ms. Calvache for bringing the requirement to the Board's attention.

Ms. Calvache also expressed her thanks to Mr. Moore for the outstanding job he has performed as part of the Retirement Board and that he will be missed as he steps down from his role as member of this Board.

## **15. Discussion of Request to Extend the Contract with The Segal Company to Provide Actuarial Services**

Ms. Higgins reported the Plan's contract with The Segal Company (Segal) for actuarial services was scheduled to expire in July 2011, and Staff was recommending the Board renew the contract for an additional three years. She cited such contributing factors as Segal's thorough knowledge of the Plan's benefits and demographics, plus Segal's quality work and expertise as the basis for Staff's recommendation. She explained Segal agreed to maintain their fixed fees for one year (except for the newly required Governmental Accounting Standards Board [GASB] report), and will increase their fees slightly in the second and third years of the contract. She added they reduced their hourly rates by approximately 2.5%. She further added Segal completed a required due diligence questionnaire, which Staff reviewed and found no issues.

Ms. Noonan asked why Staff was recommending the contract be renewed for three years rather than one year. Ms. Higgins explained Segal has been involved in the ongoing validation of the new pension system, and their involvement in reviewing how the death and disability plans are funded will likely extend beyond one year. Ms. Higgins also stated a very limited pool of actuarial firms that do work on public sector plans exists.

Mr. Ignacio asked if a process was in place to contain the cost for the services that Segal will charge by time. Ms. Higgins responded Segal will provide a fee quote which can be discussed and negotiated as necessary. Ms. Bhatia added once a fee quote is received, Staff will bring it to the Board for approval prior to beginning the project. She also indicated Segal provides details of the hours they bill the Plan prior to being paid.

Mr. Moore added that Segal has done an excellent job in the past, and Paul Angelo has the ability to explain complex actuarial concepts in an understandable way. Also, the recent attempt to change actuaries was not successful, and the Board returned to Segal.

*Mr. Moore moved for approval of Resolution No. 11-90 to extend the contract with The Segal Company for three years; seconded by Ms. Noonan.*

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

THE MOTION CARRIED.

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

Ms. Bhatia reported testing of the payroll module for the new system was underway, and the parallel testing will begin in July and continue for two to three months. She stated the module was expected to be in place by the end of the year.

She reported Staff was working with Labor Relations on the information required to proceed with the Document Imaging project. She stated the goal is to have all of the back files scanned and uploaded for access by the time the new system is implemented at the end of the year.

Ms. Bhatia announced The Segal Company has begun to review the information the Los Angeles City Employees' Retirement System provided with respect to the reciprocity study.

Ms. Bhatia reported on personnel changes in the Retirement Office (the retirement of one Senior Utility Accountant, the pending retirements of a second Senior Utility Accountant and one Senior Clerk Typist, the vacancy from the reasonable accommodation of one employee to

another division, the long term disability of another employee, the Senior Clerk Typist vacancy in the Administration Section, and the Principal Clerk Utility vacancy in the Membership Section), and she described the adverse affects (delays in reviews of retirement calculations, potential risk of undetected errors, delays in data clean-up and in testing the new system.) She added the full implementation of the new system might be staggered which would have its own associated risks.

She reported the Board of Water and Power Commissioners, this past week, approved changes in health plan benefits for retirees, and the Health Plans Division did not have a quick way to communicate the information to retirees. She noted the Retirement Office was able to help by posting a link on the Retirement web site. She added Staff has received a number of calls from retirees who were upset that they were unable to speak with a live person when they called the Health Plans Office. Staff was often able to take their information and try to reach someone in the Health Plans Office on their behalf.

Ms. Bhatia mentioned the Board Members received a copy of the latest Joint Labor/Management Committee meeting minutes from the January 20, 2011, meeting provided at the request of co-chair Lilly Calvache. She also stated the minutes are posted on the Retirement web site and hard copies are available in a binder in the Administration Section of the Retirement Office for easy employee access.

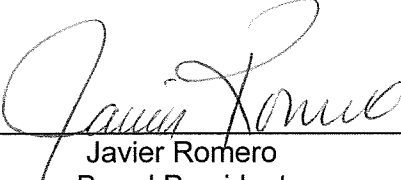
She reported on delays with respect to City Attorney review of invoices for outside legal counsel. She mentioned previous delays in payment were because the contract had not been approved and signed by the City Attorney for a considerable length of time. She noted the contract has now been signed, but the invoices still have not been paid pending review of the City Attorney.

Mr. Romero expressed his concern for the delays and asked Deputy City Attorney Marie McTeague to follow up.

#### 17. Future Agenda Items

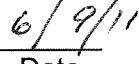
Mr. Romero requested discussion of amending the Plan's Placement Agent/Third Marketer Policy to make it more consistent with the other City plans.


With no further business, the meeting adjourned at 10:50 a.m.

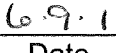
  
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Javier Romero  
Board President

  
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Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

  
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Date

  
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Julie Escudero  
Utility Executive Secretary

  
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Date