

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

**MINUTES**

**AUGUST 8, 2012**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Vice President  
Mario Ignacio, Chief Accounting Employee  
Robert Rozanski, Retiree Member

**Board Members Absent:**

Ronald O. Nichols, General Manager  
Barry Poole, Regular Member  
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 9:33 a.m.

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

**Public Comments**

Mr. Romero commented that the notice for the Clerk Typist test came out last week, and the requirements reflect only City personnel may take the exam, which has historically been open to anyone outside of City employment.

**1. Request for Approval of Minutes for July 11, 2012, Regular Meeting**

*Mr. Rozanski moved that the Board approve Item 1; seconded by Ms. Coffin.*

*Ayes: Coffin, Ignacio, Romero, Rozanski*

*Nays: None*

*Absent: Nichols, Poole*

*THE MOTION CARRIED.*

**2. Report on Organizational Changes at JP Morgan Asset Management, Inc.**

No discussion.

**3. Report on New Government Accounting Standards Board Employer Reporting Requirements**

Mr. Romero indicated he requested this item and any information that was available.

Mr. Rozanski asked how the employer would report any shortfall in projected earnings if the practice of smoothing is eliminated as a result of these new standards. Ms. Bhatia responded the auditors briefly discussed the new standards at the Audit Committee meeting held earlier and noted the standards will be implemented in Fiscal Year 2013-14; however, all of the details have yet to be determined. She stated once the information is available, it will be brought back to the Board.

*Mr. Rozanski moved that the Board accept Items 2 and 3; seconded by Ms. Coffin.*

*Ayes: Coffin, Ignacio, Romero, Rozanski*

*Nays: None*

*Absent: Nichols, Poole*

*THE MOTION CARRIED.*

#### **4. Discussion of Proposed Changes to the Account Structure of the Securities Lending Program**

Mr. Wolfson provided the background for the proposed investment guidelines for the Securities Lending Program operated by the Plan's custodian bank, the Bank of New York Mellon (BNY). He explained BNY was changing its cash collateral commingled pool to separate accounts for its clients, and the proposed investment guidelines for the separate accounts replicated the guidelines for the commingled pool. He stated staff at Pension Consulting Alliance (PCA) reviewed the guidelines and is comfortable with adopting them for the Plan's separate account. In response to a question from Mr. Ignacio, Mr. Wolfson stated the proposed guidelines should have no impact on the portfolio's income return.

*Mr. Rozanski moved that the Board approve Resolution No. 13-12 to adopt the Securities Lending investment guidelines for the Plan's separate account; seconded by Ms. Coffin.*

*Ayes: Coffin, Ignacio, Romero, Rozanski*

*Nays: None*

*Absent: Nichols, Poole*

*THE MOTION CARRIED.*

#### **5. Discussion of Developed International Equity Transition Post-Trade Report**

Ms. Bhatia provided the background on the transition of funds from the recently terminated manager to the new manager, MFS Institutional Advisors.

David Sancewich from Pension Consulting Alliance (PCA) discussed the transition report and reported the market value of the combined Retirement/Health Plan portfolio increased during the transition but the cost was higher than expected, yet still within range, due to high market volatility toward the end of the transition period.

Mr. Romero asked if in-kind transfers were considered when selecting the transition manager. Mr. Wolfson said that information is not always available from both the legacy and target portfolios at the time of the pre-trade; many other factors were considered.

Mr. Rozanski asked if the in-kind transfers were included in the benchmark, and Mr. Sancewich responded they were not. Mr. Rozanski remarked that the cost then was actually higher since the in-kind transfers would basically have no cost.

#### **6. Discussion of Performance by MFS Institutional Advisors, Inc.**

Mr. Wolfson provided the background on this recommendation to place MFS Institutional Advisors, Inc., (MFS) on watch for failing to meet the Plan's medium-term performance criteria.

*Mr. Rozanski moved that the Board approve Resolution No. 13-13 to place MFS on performance watch; seconded by Ms. Coffin.*

*Ayes: Coffin, Ignacio, Romero, Rozanski*

*Nays: None*

*Absent: Nichols, Poole*

*THE MOTION CARRIED.*

**7. Discussion of Investment Policy Exception for Wells Capital Management Regarding Equity Exposure**

Mr. Wolfson provided the background on this sixth request from Wells Capital Management Sutter High Yield (Wells Cap HY) to extend the holding period of 2,500 equity shares of Tropicana Las Vegas Hotel and Casino, Inc., in the Wells Cap HY portfolio.

He stated that because there is no market yet to trade these shares and because of the relatively small percentage of the Wells Cap HY portfolio these shares represent, it is likely Wells Cap HY will continue to request extensions to the holding period. To eliminate the need to repeatedly bring these requests before the Board, Staff recommended the Board give the manager full discretion to liquidate at whatever point in the future is most favorable. He indicated Staff and representatives from Pension Consulting Alliance, meanwhile, will evaluate the existing policy and come back to the Board with a threshold upon which to require Board approval for requests of this nature.

*Mr. Rozanski moved that the Board approve Resolution No. 13-14 to extend the holding period of equity exposure in the Wels Cap HY portfolio for an additional six months or longer; seconded by Ms. Coffin.*

*Ayes: Coffin, Ignacio, Romero, Rozanski*

*Nays: None*

*Absent: Nichols, Poole*

*THE MOTION CARRIED.*

**8. Report on Discussion of Audit Program for Fiscal Year-End June 30, 2012, Presented to the Audit Committee on August 8, 2012**

Ms. Bhatia reported on the discussion of the audit program that was presented to the Audit Committee prior to this meeting. She reported the field work for the Retirement Plan audit for the fiscal year ending June 30, 2012, is scheduled to begin August 20, the final report is scheduled to be presented to the Audit Committee on October 24, and the final report will be presented to the City Controller by November 9, 2012.

**9. Ratification of the Board's Action Regarding the Selection of Outside Tax Counsel**

Ms. Bhatia reported approval of Resolution No. 13-15 and Resolution No. 13-16 will ratify the Board's action on July 11, 2012, to select the outside law firms of Ice Miller, LLP; and Steptoe & Johnson, LLP, respectively, to provide tax advice services.

*Mr. Rozanski moved that the Board approve Resolutions No. 13-15 and No. 13-16 to ratify the selection of Ice Miller, LLP; and Steptoe & Johnson, LLP, respectively; seconded by Ms. Coffin.*

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

*THE MOTION CARRIED.*

**10. Reports for Reference**

**Investment Reports for June 2012**

- a) Summary of Investment Returns as of June 30, 2012**
- b) Market Value of Investments by Fund and Month as of June 30, 2012**
- c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of June 30, 2012**
- d) Summary of Contract Expirations**

Mr. Rozanski commented that a recent article on the average returns for various public plans showed the Plan's returns were at or below the median, and he asked what influenced that conclusion

Mr. Wolfson explained the Plan underwent several transitions, underperformed in equities, and is still recovering from the third quarter returns of 2011. David Sancewich from Pension Consulting Alliance commented the universe comparison numbers are gross of fees; however, on a net of fees basis, the Plan actually performed somewhat better. He stated the final numbers will be presented at the next meeting.

**11. Retirement Plan Manager's Comments**

Ms. Bhatia reported the City Attorney's Office will be planning their regular ethics update to the Board Members and Staff but, in the meantime, they remind the Board and Staff to avoid any meetings between potential investment manager candidates and members of the Board and/or Staff during the contracts renewal process.

She reported Mary Higgins has returned from her special assignment to the Mayor's Office.

She reported the Retirement Plan Office will hold its first Safety Recognition Event tomorrow, August 9. She stated the office will be closed for approximately three hours, and Staff has notified customers and posted closure notices outside the office door.

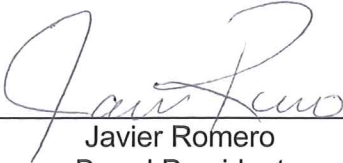
She reported Staff continues to work on data cleanup and retirement estimates. She stated data cleanup is handled on a case-by-case basis at the time a member applies for retirement, as opposed to mass cleanup, due to resource constraints and other competing priorities. She stated Staff is making progress with the estimates, but the office still does not have the capacity to perform a mass cleanup due to individual issues related to specific records.

She announced the August 22 regular Retirement Board meeting has been cancelled due to lack of quorum, and a quorum search will be conducted shortly for the September 12 regular meeting. She reminded the Board that a special meeting to conduct interviews is scheduled for September 19.

**12. Future Agenda Items**

Mr. Romero requested a report under Received and Filed for Board Members to participate in the annual conference presented by the International Foundation in San Diego.

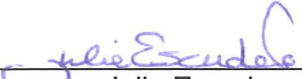
With no further business, the meeting adjourned at 10:09 a.m.

  
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Javier Romero  
Board President

9/26/12  
Date

  
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Sangeeta Bhatia  
Retirement Plan Manager

9/26/12  
Date

  
\_\_\_\_\_  
Julie Escudero  
Utility Executive Secretary

9.26.12  
Date