

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

MINUTES

AUGUST 14, 2013

Board Members Present:

Javier Romero, President
LaTanya Bogin, Member
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
Jeremy Wolfson, Chief Investment Officer
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Mary E. Alvarez, Utility Executive Secretary

Others Present:

Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 9:00 a.m.

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

Public Comments

Ms. Alvarez stated no public comments were received.

Mr. Romero introduced Retirement Board of Administration Member LaTanya Bogin. Ms. Bogin was elected as a Board Member representing the Joint System. Mr. Romero also introduced Retirement Office employees Loryn Lam and Maria Kay. Mr. Lam is the new Principal Clerk Utility in the Retirement Section, and Ms. Kay is the new Sr. Clerk Typist in the Administration Section.

- 1. Approval of Minutes for June 26, 2013, Special Meeting**
- 2. Termination from Rolls - Monthly Allowance from the July 2013 Retirement Roll**

Mr. Nichols moved that the Board approve Items 1 and 2; seconded by Mr. Rozanski.

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

Nays: None

Absent: None

THE MOTION CARRIED.

- 3. Report of Payment Authorizations for June 2013**
- 4. Notice of Deaths for June 2013**

5. **Investment Reports for June 2013**
 - a) **Summary of Investment Returns as of June 2013**
 - b) **Market Value of Investments by Fund and Month as of June 2013**
 - c) **Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of June 30, 2013**
 - d) **Summary of Contract Expirations**
6. **Report on Status of Insurance as of July 11, 2013**
7. **MFS Investment Management Company International Value Equity On-Site Visit – Report from Pension Consulting Alliance, Inc.**
8. **ConvergEx Execution Solutions, LLC On-Site Visit – Report from Staff, and Pension Consulting Alliance, Inc.**

Mr. Nichols moved that the Board accept Items 3 through 8; seconded by Mr. Ignacio.

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

Nays: None

Absent: None

THE MOTION CARRIED.

9. **Discussion of Nominations and Appointment of Officers of the Retirement Board of Administration Water and Power Employees' Retirement Plan; and Possible Action**

Mr. Romero called for nomination of the Officers for the Retirement Board.

a) Nominations and Election of President and Vice-President

Mr. Poole nominated Mr. Romero as Board President; seconded by Mr. Nichols and carried unanimously after the following vote:

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

Nays: None

Absent: None

Ms. Bogin nominated Mr. Poole as Board Vice-President; seconded by Mr. Ignacio and carried unanimously after the following vote:

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

Nays: None

Absent: None

b) Appointment of Chair and Members of Audit Committee

Mr. Romero appointed Mr. Poole as Chair of the Audit Committee and Mr. Ignacio and Mr. Rozanski as Committee Members.

c) Appointment of Chair and Members of Benefits Committee

Mr. Romero appointed Ms. Bogin as Chair of the Benefits Committee and Mr. Poole and Mr. Romero as Committee Members.

d) Appointment of Chair and Members of Governance Committee

Mr. Romero stated that the Governance Committee is a Committee-of-the Whole. Mr. Poole was appointed as Chair of this Committee.

e) Appointment of Chair and Members of Legislative Committee

Mr. Romero appointed Mr. Rozanski as Chair of the Legislative Committee and Mr. Poole and Ms. Bogin as Committee Members.

10. Discussion of Proxy Voting Guidelines

Mr. Wolfson provided the background for this item which recommended the Board amend the Plan's Proxy Voting Policy Guidelines to allow for automated proxy voting involving human rights issues. The Plan's vote will be based on Glass Lewis' recommendation.

In response to an inquiry from Mr. Nichols regarding how Glass Lewis will vote the Plan Proxy, Mr. Wolfson advised that there is a facility and mechanism in place to communicate with Glass Lewis the Board's intentions.

In order to clarify the adoption of the amendment to the Proxy Voting Policy, Mr. Nichols confirmed with Mr. Wolfson that by adopting this amendment, absent the Board proactively seeking to engage with Glass Lewis, they will continue using their in depth research to vote human rights related proxies while also considering the Board's fiduciary responsibility.

Mr. Rozanski moved that the Board approve Resolution No. 14-05 to amend the Plan's Proxy Policy using the proposed language and inform Glass Lewis accordingly; seconded by Mr. Nichols.

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

Nays: None

Absent: None

THE MOTION CARRIED.

11. Discussion of Securities Lending Program

Mr. Wolfson gave an overview of how the Securities Lending Program functions. He stated that third parties will borrow securities we have in our portfolio and in return provide cash and cash equivalent securities as collateral for the borrowed securities. The collateral levels can range from 102% to 105% of the value depending on the type of borrowed security. Mr. Wolfson stated that BNY Mellon is proposing using non-cash, i.e. equities, as additional option for collateral. Mr. Wolfson mentioned that the proposed collateral requirement would be 110% of the borrowed value.

Mike McDermott from the Securities Lending group at BNY Mellon presented to the Board. He gave an overview of the current Securities Lending market conditions. He stated that sizable plans are increasingly using non-cash collateral in their securities lending programs. Mr. McDermott stated that using non-cash collateral provides benefits to the Plan (clients), such as mitigation risk.

In response to an inquiry from Mr. Romero regarding other types of risks for using non-cash collateral, Mr. McDermott advised that there was "bank risk" which means the bank has to come up with the portion of the market value of the securities held as collateral (once liquidated) that was not able to cover the portion of the securities that must be returned to the Plan.

In response to an inquiry from Mr. Nichols regarding fees for the use of non-cash collateral, Mr. McDermott advised that there were no other fees; however, the advantage to the Plan was that the extra revenue generated by using non-cash collateral could push the Plan above a more favorable split between the Plan and BNY Mellon.

In response to an inquiry from Mr. Ignacio regarding what indemnification covers, Mr. McDermott stated that the indemnification protection covers: counter-party risk, non-cash collateral risk, and operational risk.

Mr. Rozanski moved that the Board approve Resolution No. 14-06 to amend the Securities Lending Program agreement; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

12. Discussion to Amend Resolution No. 10-45, for Frontier Capital Management Active Small Cap Growth

Ms. Bhatia provided the background for this item which recommended the Board amend Resolution No. 10-45 to reflect the correct dates to match the investment management contract with Frontier Capital Management.

Mr. Rozanski moved that the Board approve Resolution No. 14-07 to amend Resolution No. 10-45; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

13. Discussion to Amend Resolution No. 10-44, for Western Asset Management Company, Active Global Inflation Linked Securities

Ms. Bhatia provided the background for this item which recommended the Board amend Resolution No. 10-44 to reflect the correct dates, to match the investment management contract with Western Asset Management Company.

Mr. Rozanski moved that the Board approve Resolution No. 14-08 to amend Resolution No. 10-44; seconded by Mr. Ignacio.

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

THE MOTION CARRIED.

14. Discussion to Amend Resolution No. 10-43, for JP Morgan Investment Management, Inc., Active Fixed Income Core

Ms. Bhatia provided the background for this item which recommended the Board amend Resolution No. 10-43 to reflect the correct dates, to match the investment management contract with JP Morgan Investment Management, Inc.

Mr. Rozanski moved that the Board approve Resolution No. 14-09 to amend Resolution No. 10-43; seconded by Mr. Ignacio.

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

Nays: None

Absent: None

THE MOTION CARRIED.

15. Discussion to Amend Resolution No. 10-65, for T. Rowe Price Associates, Inc., Active Domestic Large Cap Growth

Ms. Bhatia provided the background for this item which recommended the Board amend Resolution No. 10-65 to reflect the correct dates, to match the investment management contract with T. Rowe Price Associates, Inc.

Mr. Rozanski moved that the Board approve Resolution No. 14-10 to amend Resolution No. 10-65; seconded by Mr. Ignacio.

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

Nays: None

Absent: None

THE MOTION CARRIED.

16. Presentation by Pension Consulting Alliance, Inc. – 2012 Fourth Quarter Private Equity Performance Report

Mr. Tad Ferguson, from Pension Consulting Alliance, Inc., presented to the Board the Plan's Private Equity Portfolio. He stated the portfolio had \$255.5 million in commitments across 11 partnerships. Mr. Ferguson also stated that as of the end of the fourth quarter of 2012, \$161 million in capital had been drawn down, \$57.2 million in distributions had been made and the portfolio had a reported market value of approximately \$136 million. He stated the net since inception internal rate of return (IRR) was 7.6% as of December 31, 2012, up from 7.0% as of September 30, 2012. Mr. Ferguson discussed the Plan's Private Equity Portfolio's evolution, highlighting the evolution of the program in terms of quarterly cash flows and since inception net IRRs at each quarter end. He also provided a review of the portfolio's structure including sector, geographic, and vintage year holdings.

In closing, Mr. Ferguson stated that overall the portfolio's performance results have improved at year end with an attractive appreciation across the partnerships and the Private Equity Program continues to remain highly diversified.

17. Presentation by Courtland Partners, Ltd. – 2013 First Quarter Performance Report

Mr. Michael Humphrey, Mr. Stanley Kim, and Mr. Bill Foster from Courtland Partners, Ltd., reported to the Board on the Plan's Real Estate Portfolio, ending the first quarter of 2013. Mr. Humphrey advised that the returns for the Real Estate Portfolio remain strong, outperforming the benchmark in the one, two, and three year period for gross and net returns; however, the portfolio underperformed over the five-year period and has yet to fully recover. Mr. Bill Foster reported on the current portfolio market value and the unfunded investment commitments. He stated Courtland is conducting manager due diligence meetings to identify new opportunities for the Plan. He reported to the Board that there is still

distress in some sectors of the market and still a tremendous amount of opportunity, but overall the net returns are good and they are looking toward a strong second quarter.

18. Retirement Plan Manager's Comments

Ms. Bhatia reported on the following items:

- Annual Member Statements for active employees reflecting their retirement contribution balances, as well as interest amount, are scheduled to be mailed in early September
- Testing of Med B functionality will be completed and implemented in October 2013 for the previous quarter

Ms. Bhatia stated that she wanted to make sure Board Members were aware that the Retirement Plan Office will require lead time to properly implement the proposed changes to the Plan, should they be approved. She requested information be shared with Retirement Staff as it becomes available, to enable expediting the implementation of proposed changes, if approved.

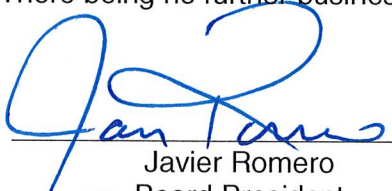
Mr. Romero advised that as trustees of the Plan, the Board looks at the best interest of the Plan and their interest is to protect the Plan, and if these things take time we need to make sure we do everything we can to expedite whatever changes occur.

He added we can not wait on the computer program transition to take too long. He also stated that if actions happen they are going to happen with the timeline deemed by the parties and we just need to make an effort to make them happen as quickly as possible.

19. Future Agenda Items

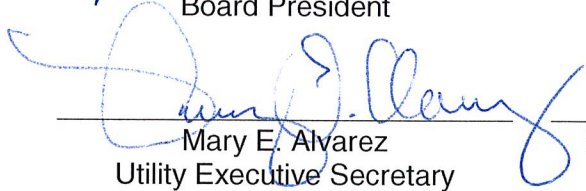
Mr. Romero requested that Ms. Bogin be scheduled to attend the International Foundation of Employee Benefit Plans Conference scheduled for October in Las Vegas, California.

There being no further business, the meeting adjourned at 10:08 a.m.



Javier Romero
Board President

10/15/13
Date



Mary E. Alvarez
Utility Executive Secretary

Date



Sangeeta Bhatia
Retirement Plan Manager

10/15/13
Date