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

MINUTES – August 2, 2006

Present:

Javier Romero	President
Eugene Canzano	Board Member
Cindy Coffin	Board Member
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member

Absent:

Forescee Hogan-Rowles	Commissioner
Ron Deaton	General Manager

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Irene Colón	Recording Secretary
June Kim	Investment Officer
Mike Wilkinson	Deputy City Attorney
Sarah Bernstein	Pension Consulting Alliance (PCA)
Tad Ferguson	PCA
Neil Rue	PCA
Avery Neaman	Risk Manager

Mr. Canzano called the meeting to order at 9:36 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

Mr. Canzano asked if there were any public comments.
There were no public comments.

President Romero welcomed Ms. Monette Carranceja, one of the two new Assistant Retirement Plan Managers.

President Romero reported item 1 is submitted for consent approval as follows:

1. Courtesy Notification from Mellon Regarding News **1.1**

About ADP

Mr. Canzano moved adoption of the above item 1 on consent. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez

Nays: None

2. Presentations for Large Growth **2.1**

a) Fred Alger

b) Intech

a) Fred Alger

Mr. Charles Meythaler, Executive Vice-President, Head of Institutional Sales, and Mr. William Rechter, Senior Vice-President, Client Portfolio Manager of Fred Alger Management, Inc. (Fred Alger), approached the Board Table. President Romero recognized Mr. Meythaler and Mr. Rechter.

The representatives of Fred Alger provided the Board with a review of the Fred Alger Large Growth portfolio.

Mr. Vazquez, as a follow-up to comments made by Mr. Rechter, inquired when Fred Alger intends to sell the Plan's holdings in Apple Computer, Inc. (Apple) and Valero Energy Corporation. Mr. Rechter responded the Fred Alger analysts develop five-year business models for each company they follow. He stated for each business model, the analysts develop 1) a most likely scenario, 2) a best case scenario, and 3) a worst case scenario. Analysts also develop a price range in conjunction with each scenario. Mr. Rechter commented on a discounted cash flow study. This is performed so the future earnings and cash flows are discounted by very high discount rates to take into account for high multiples and companies with higher growth. He stated for each company Fred Alger has a price target, and as the shares move up toward the price target, they will start to reduce the position in the company. Mr. Rechter stated, based on the earnings growth, the analysts may decide to increase the price target.

Mr. Vazquez inquired if the price target for Apple has been raised. Mr. Rechter explained that Apple traded as high as $85 a share and the most likely scenario target price set by Fred Alger analysts was approximately $55 to $90. He stated as the share price started dropping closer to the mid-fifties, Fred Alger began acquiring additional shares. Mr. Rechter stated he believed the Apple shares were back up to $67 or $68. He noted the price ranges are watched very carefully and the shares will be sold when the share prices approach the upside of the price target. Mr. Meythaler added approximately one-year ago, the Plan held a 5% position in Apple and the stock was selling in the $80 range. He stated, at that point the Plan's holdings in Apple were trimmed back, but the stock was not completely sold off because of Fred Alger's continuing belief in the underlying fundamentals of Apple. Mr. Meythaler added when the stock went down to the $50 and $60 range, Fred Alger started to buy back into Apple.

Mr. Vazquez inquired as to the Plan's position in Apple Computer. Mr. Rechter stated he believed the Plan's holdings in Apple went down from 5% to 2%. He added Fred Alger strongly believes in the future of Apple and wants the Plan's portfolio to stay exposed to Apple.

Mr. Moore inquired if the Sector Weightings chart found on page 3.3 of the Alger presentation material helps explain the underperformance of the last quarter. Mr. Rechter responded in the affirmative, stating some of the sectors with the heaviest weightings, such as Information Technology and Financials, had stocks performing very well last year, but they have not performed as well this year. He stated Alger still believes in these companies. He added some of the other reasons for the underperformance are not found on the sector weightings chart. He indicated specific stock selection issues also contributed to the underperformance. Mr. Rechter noted there have been one or two stocks in the portfolio that have performed poorly. Mr. Rechter stated whenever a stock is owned, Alger tries to evaluate whether or not they would sell it or buy it again today. He noted, as an example the Plan's holdings in XM Satellite Radio, and stated it has performed poorly this year. Mr. Rechter stated in the satellite radio industry there are two companies, XM Satellite Radio and Sirrius Satellite, adding that these two companies are creating a new industry and changing the landscape of the radio business. He stated Alger believes the business model of the satellite industry makes sense; however, the management teams have not executed the plans properly. Mr. Rechter indicated the two companies have competed with each other and driven up the overall cost structure. He stated if the companies would realize there is a large enough market for both companies, and stop competing with each other, their profitability could become enormous. Mr. Rechter stated each time Alger has evaluated the company, they decided to keep XM Satellite and over time the stock continued to drop in price. He stated he believes XM Satellite management is finally turning the company around, and noted he read of the company signing a deal with Google. Mr. Rechter also stated XM Satellite management has stated the company will be cash flow positive by the end of the year, or early 2007. He added the Alger analysts are doing a great deal of research on the issue.

Mr. Vazquez stated he was surprised by the change in the make-up of the portfolio during the past months, especially in regards to the consumer discretionary, energy and healthcare sectors. Mr. Rechter responded Alger has sold off healthcare stocks primarily in the large pharmaceutical, medical device and the HMO areas. He stated Alger believed there was an opportunity to profit or avoid additional losses. Mr. Rechter informed the Board the Alger healthcare team had just added a new Senior Analyst to the team. He indicated the new Senior Analyst is a medical doctor who has experience managing bio-technology portfolios and completed his residency at Stanford Hospital.

Mr. Moore inquired about the Plan's holdings in JDS Uniphase Corporation, noting the stock's value had plunged in the past. Mr. Rechter stated JDS Uniphase nearly went bankrupt in 2002; however, their balance sheet was strong enough to bring them through that period. He stated there has been a great deal of consolidation in that industry and JDS Uniphase is one of the survivors. Mr. Rechter stated the company has signed many new contracts for sales of their equipment. He stated the JDS Uniphase Corporation revenues have started to grow at very strong double-digit rates. Mr. Rechter stated Alger believes JDS Uniphase may have undergone a positive life cycle change and may potentially experience a high-unit volume growth rate.

Mr. Vazquez stated with XM Satellite Radio there is an unrealized loss of $5.3 million. Mr. Rechter indicated the situation with XM Satellite Radio is difficult. He acknowledged there is a very large unrealized loss with the company, but stated Alger believes in their industry model and believes the company is starting to perform. Mr. Rechter explained Alger does not believe XM Satellite Radio could perform any worse. He stated every time Alger has evaluated the XM Satellite Radio company, it has been decided to hold onto their stock.

Mr. Vazquez asked why, with all of the projections Alger does on the companies they have holdings in, the situation with XM Satellite Radio became so bad. Mr. Rechter responded Alger employees conducted creative surveys in an attempt to gather consumer data before other managers. He stated Alger surveyed Best Buy and Circuit City employees throughout the nation and found out customers were equally buying XM Satellite Radio and Sirrius Radio. Mr. Rechter stated he was surprised by management's decision to reduce their projection for the number of future subscribers for XM Satellite Radio. He stated the biggest surprise had been that the subscriber acquisition costs increased substantially higher than Alger had projected. Mr. Rechter commented the performance of XM Satellite Radio surprised almost everyone. Mr. Meythaler added XM Satellite Radio stock did not fall in small increments, but instead fell in one day approximately $5. He explained the reason Alger has continued to remain in the position was because 1) XM Satellite Radio entered into agreements with Toyota and General Motors to have its radio's installed in the original manufacturing of Toyota vehicles and General Motors' 2007 SUV line, and, 2) the pending resolution of an FCC safety study regarding XM Satellite Radio's creation of a new portable radio device. Mr. Meythaler stated XM Satellite Radio will have approximately 8 million customers who will each be charged approximately $10 per month. He stated that would be nearly one billion per year of very high marginal revenue. Mr. Meythaler stated Alger's fault was in buying in too early with XM Satellite Radio.

Mr. Canzano stated Apple has a significant amount of money in the bank and inquired if the company has received much Wall Street criticism about that issue. Mr. Rechter stated he was not been of aware of criticism towards Apple for having too much cash in the bank. He stated Apple's capital expenditures and new product development are very high, such that they spend a lot of their money.

The Fred Alger representatives returned to the audience.

b) Intech

Mr. Russell Bjorkman, Vice-President of Portfolio Management Group for Intech, approached the Board table. President Romero recognized Mr. Bjorkman.

Mr. Bjorkman provided the Board with a review of the Intech Large Cap Growth

Portfolio.

Mr. Vazquez asked, based on the information provided on page two of the Intech presentation material, whether the 2005 turnover rate was unusually high or was the rate in 2006 unusually low. Mr. Bjorkman responded the 2006 rate is only year-to-date and 2005 was slightly higher than normal. He noted on an average Intech's turnover rate is approximately 100%.

Mr. Moore inquired if a major variable influencing the turnover rate was the lower volatility for the period. Mr. Bjorkman responded volatility could be a component. He added the volatility Intech is looking for is intra-market volatility. Mr. Bjorkman stated in the past couple of months the broad market volatility had increased significantly and there had been a slight increase in relative volatility. He noted when the whole market is up or down a percentage everyday and 90% of the stocks are going in the same direction, that is not the intra-market volatility. Mr. Bjorkman described relative volatility as when the market goes nowhere, but the stock trade with half the issuers going up and half of the issuers going down. He noted relative volatility has been slightly higher. Mr. Bjorkman commented volatility is a component of the turnover rate, but it was not the only component.

Mr. Moore requested Mr. Bjorkman to relate the chart on page 9 with the chart on page 4. Mr. Bjorkman stated he was unsure if there is a relationship between the two charts. He explained the chart on page 9 reflects a relative return strategy, and the chart on page 4 is showing Intech's return rankings within its peer group of 46-47 Large Cap Growth managers. Mr. Bjorkman commented the chart on page 4 indicates Intech was slightly higher than the median of the large cap growth managers for the last one-year period. He stated this one-year ranking was down from the two-year time period when the Intech rank was slightly less than the top-quartile. Mr. Bjorkman stated if a manager can rank in the top 50 percentile every year, typically the manager will be toward the top of the pack on a multi-year basis. He commented Intech's primary competition is the benchmark. Mr. Bjorkman stated if Intech can consistently perform in the 300 basis points north of benchmark range, they would be a top quartile manager. Mr. Moore stated he believed the chart on page 9 was making somewhat the same point. Mr. Bjorkman explained the chart on page 9 is the best and worst time frames on a rolling 12-month time period. He explained no peer data is included in the chart on page 9, but it is just against the benchmark. Mr. Bjorkman added the chart on page 4 is comparing Intech's results versus the benchmark and its peer data. He noted over time Intech does narrow in on the return objectives of above 300 basis points above the benchmark.

President Romero inquired if the recent performance has any weight as to the turnover. Mr. Bjorkman responded in the negative, stating that arguably what happened in the middle of 2003 was the market went from being negative in real terms to positive in real terms due to a lower quality stock rally. He stated, starting in the end of February lasting through April, some of the lower quality issues were hit hard. Mr. Bjorkman indicated that this was a structural change in the marketplace and Intech is not forecasting the change. He stated Intech is looking at the trailing price data, the volatility and the correlations. Mr. Bjorkman conveyed what is unique about price is the only input as the change occurs Intech will typically pick them up.

Mr. Moore requested Mr. Bjorkman to comment on the charts on page 5 of the Intech presentation material. Mr. Bjorkman provided an explanation of the requested charts.

Mr. Canzano inquired as to the reason there is no benchmark listed on the chart found on page 25 of the Intech presentation material. Mr. Bjorkman indicated he is unaware of any reason why there is not a benchmark comparison on page 25. He stated there are benchmarks listed in the front.

The representatives of Fred Alger and Intech left the Board meeting.

3. Discussion of recommendation by PCA of Private Equity Secondary Market Fund-of-Funds firm and possible action **3.1**
- **Presentation by PCA**
- **Presentation by Landmark (Private Equity Secondary Market Fund-of-Funds firm)**

Ms. Sarah Bernstein and Mr. Tad Ferguson of PCA approached the Board table. President Romero recognized the PCA representatives.

Ms. Bernstein and Mr. Ferguson provided a brief presentation on the benefits of Private Equity Secondary Fund-of-Funds.

Mr. Francisco L. Borges, Chairman & Managing Partner of Landmark Partners, approached the Board table. President Romero acknowledged Mr. Borges.

Mr. Borges provided the Board with a presentation on the private equity secondary market and Landmark Partners.

Mr. Moore asked where is it anticipated that most of the non-U.S. investments will go. Mr. Borges commented most non-U.S. investments are in developed European countries.

Mr. Canzano stated the Board had received a directive from Mayor Villaraigosa regarding investment with companies that have business operations in Darfur, Sudan. He requested Mr. Borges to address this issue. Mr. Borges responded this is a sensitive issue with many of Landmark’s investors; however, they do not have that exposure.

Mr. Vazquez inquired if there was a reason why this fund is significantly greater than any other fund Landmark has offered in the past. Mr. Borges responded Landmark sizes their funds based on what their pipeline looks like. He stated the last Landmark fund was $626 million and they received an additional $400 million to complete the deal, so all in all a billion dollars was raised. Mr. Borges commented Landmark feels pretty confident they can deploy this fund within a three-year investment period.

Mr. Vazquez inquired regarding the Landmark management fee structure, asking what the reported value is versus committed capital. Mr. Borges explained reported value is what is left as value within the portfolio.

Mr. Vazquez requested Mr. Borges explain the term “liquidity events” as noted on page 7 of the Landmark presentation materials. Mr. Borges described “liquidity events” as either the General Partner having sold a company to a strategic buyer, a recap or having taken it public.

Mr. Moore requested Mr. Borges address the reasons why certain Landmark funds were low performing. Mr. Borges stated fund IX was unsuccessful because the Landmark investment professionals did not anticipate NASDAQ taking a 75% correction the other way. He indicated fund X had a timing issue and it is too soon to tell how well it will perform.

Mr. Moore requested Mr. Borges clarify the relationship Landmark has with Lexington Partners. Mr. Borges explained the Lexington Partners’ New York office formerly belonged to Landmark. He stated Mr. Stan Alfeld (Landmark founder) determined the company needed to have a New York presence and hired Mr. Brent Nicholas to run that office. Mr. Borges indicated there were philosophical differences between Mr. Alfeld and Mr. Nicholas and the two parted ways. He explained in the midst of their separation the two funds had not been deployed, so it was agreed that Lexington and Landmark would continue to deploy the two funds together and jointly report to the investors.

Mr. Moore inquired if the split poses any conflict with the Plan’s involvement with Lexington. Mr. Ferguson responded there is no longer any investment activity between Lexington and Landmark. Mr. Ferguson commented Landmark is responsible for all the administration and they intend to share the credit for the investment activities. Mr. Borges stated Lexington and Landmark have a good working relationship.

Mr. Moore inquired as to the details of a civil complaint filed against Landmark founder, Mr. Stanley Alfeld in 2000. Mr. Borges responded Mr. Alfeld retired four years ago and is now deceased. He explained there was a civil issue filed with the Securities and Exchange Commission (SEC) relating to fund XIII when Landmark used a placement agent. Mr. Borges noted the nature of the complaint was Landmark’s use of a third party agent who was allegedly involved in inappropriate activities. Mr. Borges stated Landmark no longer uses placement agents.

Mr. Moore inquired if the SEC has brought action against the entire Landmark firm. Mr. Borges stated there was a civil action filed against Landmark. He stated the civil action was settled without admission or denial of the allegations and a $50,000 fine was paid.

Mr. Moore inquired if Landmark has prior funds that are not fully invested which would prohibit the opening of the newest fund. Mr. Borges responded in the negative, stating Landmark has completely invested all of the prior funds.

Mr. Vazquez inquired what is the target bogie for the Landmark funds. Mr. Borges responded the bogie is an 18% net to the investors.

Ms. Bhatia stated in PCA's presentation packet it states the Partnership might be amended. She inquired what amendments are being referred to. Mr. Ferguson responded that this is standard language. He stated the Partnership was set-up so there is no adverse impact on limited partners. However, if the need for additional provisions, improvements, or language changes, it requires a certain level of Limited Partnership vote. Mr. Borges added once an agreement is entered into, Landmark could not make changes without the consent of the Limited Partners. He stated periodically Landmark may need to request approval by the Limited Partners for changes due to new legislation.

Ms. Bhatia inquired as to how capital calls are scheduled and will Staff receive advance notice. Mr. Borges stated advance notice will always be given, along with the reason for the capital call. He explained Landmark has an efficient way to communicate with investors in regards to capital calls. Mr. Borges indicated it is an easy, non-invasive procedure.

Ms. Bhatia inquired how much advance notice is given. She stated time is needed to send the funds. She mentioned that with the last capital call with Lexington Partners, Staff only received a two- day advance notice. Mr. Borges indicated Staff would receive much more than a two-day notice. Mr. Ferguson stated he believed the documents require a ten-business day notice. Mr. Borges commented if there were a very large capital call, typically Landmark would provide even more than a ten-business day notice.

Ms. Bernstein thanked Mr. Borges for his presentation. She stated PCA thinks highly of this fund-of-funds. Ms. Bernstein expressed PCA feels this will be a nice complement to the Lexington Partnership, recently signed. She reminded the Board that PCA is recommending equal investments of $30 million to both the Lexington and Landmark funds.

Mr. Moore moved to approve PCA's recommendation of investing with Landmark. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

Mr. Borges left the Boardroom. Mr. Ferguson returned to the audience.

President Romero called for a five-minute break at 11:19am. The meeting reconvened at 11:25am.

4. Discussion and possible action in connection with approval of Hedge Fund-of-Funds Short List and RFI – PCA presentation **4.1 – 4.10**

Mr. Neil Rue of PCA approached the table. President Romero recognized Mr. Rue.

In response to a request by President Romero, Ms. Bernstein and Mr. Rue explained the definitions of the Sortino ratio and the Sharpe Ratio.

Mr. Vazquez requested clarification of the “directional and foreign specific funds” as noted in the Specific Filters chart on page 4.3 of the Board package. He also inquired if the “Directional” screen only eliminated three firms from consideration. Mr. Rue explained PCA goes through the quantitative screens listed on the Specific Filters chart and then makes a subjective judgment about whether the funds have too much Beta risk. He stated “directional funds” tend to move with a particular market factor. Ms. Bernstein described “foreign specific funds” as funds that have actual foreign specific funds in their fund-of-funds. She added, had the “Directional” screen been applied to the total number of firms, it would have eliminated a greater number than three firms.

Mr. Vazquez inquired about the “Other” screen (Specific Filters chart, page 4.3 of the Board package) asking if it is a subjective measure. Ms. Bernstein responded in the negative, explaining PCA did not detail the category. She offered to provide the Board with the full list and added there is a footnote on page 4.3 which lists some of the other factors. Mr. Vazquez stated he would like to know exactly what these other factors are. Ms. Bernstein stated she would provide a complete list to Staff. Mr. Rue indicated one factor might be that a couple of the same products are offered offshore versus on-shore. Ms. Bernstein added missing or obsolete information as another factor in this category.

Ms. Bernstein directed the Board to page 4.10 of the Board package where she noted PCA had included a Marketing Cessation Policy. She explained, in going through the Hedge Fund Manager search process, the Board and Staff might become inundated with telephone calls. Ms. Bernstein commented the Marketing Cessation Policy publicly states, once the RFI process begins, all direct marketing contact from any of the candidates should be directed to PCA. Mr. Moore indicated if a phone call was received in violation of the Marketing Cessation Policy, the caller should be informed their call is in violation of the policy and the call should be terminated. Mr. Rue added the caller should be directed to PCA or Staff. Ms. Bhatia indicated Staff would also direct such callers to PCA.

Mr. Moore inquired as to the definition of a “drawdown”, as noted in the Specific Filters chart on page 4.3 of the Board package. Mr. Rue explained once a negative return hits a hedge fund, the negative return could occur for a certain length of time and a certain amount. He stated PCA is trying to keep the drawdowns very small by setting the criteria to no more than 1.15%.

Ms. Bhatia, referring to the Specific Filters chart on page 4.3 of the Board package, requested to know if the “Assets” screen criteria was referring to $300 million, in all accounts, or in only the fund-of-funds. Ms. Bernstein stated she would check on the answer but stated she thought it was only the fund-of-funds products. Mr. Rue indicated the $300 million is referring to only fund-of-funds products. He stated some of the firms manage more than just fund-of-funds products. Mr. Rue indicated if a firm offers multiple fund-of-fund products the $300 million could be the aggregate amount of all fund-of-funds.

President Romero inquired if PCA is assuring the thirty-two candidates all meet the minimum qualifications. Ms. Bernstein responded in the negative, stating at this point in the process, firms are not required to meet the minimum qualifications. However, during the upcoming screenings the firms will be required to meet the minimum qualifications. Ms. Bernstein stated PCA is scheduled to bring back the short list of candidates to the Board on September 20, 2006.

Mr. Vazquez inquired about the specific insurance provisions for Hedge Fund-of-Funds and Private Equities. Ms. Bhatia commented Mr. Vazquez's concern is agenda item 6 and accordingly this will be addressed later during the meeting.

Mr. Vazquez moved to approve the Hedge Fund-of -Funds Short list. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

07-06 5. Resolution to place The Boston Company (Emerging Markets) Portfolio Manager on watch status for failing to meet Short Term Investment Performance Criteria 5.1 – 5.5

President Romero introduced item 5 and inquired if the representatives from The Boston Company had any comments. Mr. Rue stated The Boston Company is being placed on watch status as a procedural function. He commented as of June 30, 2006, The Boston Company failed to meet the investment performance criteria as noted on page 5.5 of the Board package and this is the reason PCA is recommending The Boston Company be placed on watch status.

Mr. Robert Harkins, Vice-President, and Mr. Lawrence Ivey, Vice-President of The Boston Company, approached the Board table. President Romero recognized Mr. Harkins and Mr. Ivey.

Mr. Harkins provided the Board with a brief presentation highlighting the stability of The Boston Company's firm and team, the integrity of the process and factors affecting their near-term performance.

Mr. Vazquez noted, during his presentation, Mr. Harkins stated there has been no turnover in The Boston Company's research analysts since the inception of the portfolio. He requested Mr. Harkins clarify this statement because in the memo recommending The Boston Company be placed on watch status, PCA asserts there has been a transition in research analyst staff. Mr. Harkins apologized for misspeaking and stated that he intended to say there has been no transition in research analyst staff for the six months in 2006.

Mr. Moore commented he is far less troubled by a manager not making the benchmark if they have provided the Plan with a 30% return for the period, particularly in a frothy market and if the manager is quality oriented. He inquired if there was a typical scatter diagram of standard deviation versus return, comparing The Boston Company with the top quartile performers in the Emerging Markets, how would The Boston Company's performance look. Mr. Harkins responded he has scatter diagrams with the requested information for the three-year and five-year periods. He stated the five-year statistics indicate The Boston Company has a much lower standard deviation of return and is approximately at the median.

Mr. Vazquez moved to approval of Resolution 07-06. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

6. Insurance Items

07-07 a) Discussion and possible action to modify the time period for review/recalculation of Plan Assets Under Management (PAUM) under new insurance provisions adopted by the Board on February 15, 2006 **6a.1 – 6a.5**

President Romero introduced item 6a and inquired if there was any discussion. There was no discussion.

Mr. Vazquez moved approval of Resolution 07-07. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

b) Discussion and possible action of insurance requirements for Private Equity and Real Estate managers **6b.1 – 6b.2**

President Romero introduced item 6b and inquired if there was any discussion.

In response to an inquiry from Mr. Moore, Ms. Bernstein commented PCA recommends making the insurance requirements "recommended", but not "required" standards. She stated she did not believe it would be a problem to require bidders to submit proof of insurance. Ms. Bernstein stated she believes it is a good idea to indicate this in the RFP process and require bidders to submit their insurance certificates. She noted the RFP could also direct the bidders to specify the type and level of insurance.

President Romero commented the Board could modify these requirements on a case-by-case basis. Ms. Bernstein concurred, stating the Board has the discretion to not hire a manager if they do not meet the recommended insurance levels. Mr. Rue added, the Board could also decide to hire a manager who does not have the recommended insurance.

Mr. Avery Neaman, Risk Manager, approached the Board table. President Romero recognized Mr. Neaman.

Mr. Vazquez inquired what Landmark Partners (Landmark) and Lexington Partners (Lexington) have in terms of insurance. Ms. Bernstein responded PCA sent Landmark and Lexington's insurance information to Staff. Mr. Neaman stated he received the information. However, he did not bring it to the meeting. Ms. Bhatia stated she received an e-mail indicating the firms carried certain levels of insurance. Mr. Neaman stated his recollection was that the firms carried $25 million of a specialized type of product.

Ms. Bhatia inquired if Staff is expected to provide the insurance information to the Board for discussion each time a Private Equity, Hedge Fund or Real Estate manager is hired. President Romero responded he believed it would be prudent for Staff to provide the Board with information regarding the coverage of each manager. He stated the Board could discuss any insurance concerns and work with PCA and Risk Management to make sure they are all comfortable with the insurance.

Ms. Bhatia indicated that was not done with Lexington. Mr. Moore stated he believed it is reasonable on an ongoing basis for PCA and Risk Management to comment on the insurance levels of each firm. He stated the Board can take the comments into consideration when making a judgment on a particular investment. Mr. Neaman added a Certification of Insurance Limits Procured was developed and reviewed by Attorney Wilkinson. He stated on this form, firms must disclose and certify, under penalty of perjury, their insurance levels. Mr. Neaman stated this form has been pre-approved and he believes it is a good tool to use. He proposed that this form be continued for use and that it could be presented to the Board as proof of the insurance carried by each firm.

Ms. Bhatia expressed there may be instances when time is not available to present the insurance levels to the Board for discussion. She stated with Lexington, Staff had a very short time frame to provide funds for inclusion in the fund. Ms. Bhatia stated for the Alternative Investments and Real Estate mandates it is likely that there will be times when this situation will recur and requested Board direction on this matter. President Romero stated there is a regular Board Meeting on August 16, 2006, and inquired if anything will be happening in regards to Landmark that will not allow time for the Board to review the Landmark insurance levels. Mr. Vazquez noted that Mr. Neaman stated Lexington submitted insurance information with their RFI packet, so the documents had been in possession for a long time.

Ms. June Kim, Investment Officer, approached the podium. President Romero recognized Ms. Kim.

Ms. Kim stated for the Private Equity funds, there is no RFI. She indicated PCA brings forward opportunities as they arise and the Board votes on whether to approve of the opportunity. Ms. Kim stated, once the Board approves inclusion in a particular private equity fund, the process moves forward without ever having a RFI.

Mr. Vazquez inquired of Mr. Neaman as to what was he addressing in his earlier comments regarding having received Lexington's insurance information. Mr. Neaman responded he believed he received an email disclosing the insurance levels. Ms. Bhatia explained the email was received after the funds were sent to Lexington. Ms. Bernstein suggested PCA could include a firm's insurance coverage as part of the due diligence package it presents to the Board. She stated PCA can also make the firms aware of the Risk Management certificate process. Ms. Bernstein recommended the firms can be provided with a copy of the form however, she noted most firms will not fill out such a form until they have an approval. President Romero commented he feels including the insurance form is a good process that will motivate the firms to expeditiously complete the paperwork. Mr. Vazquez conveyed he does not want the form to scare off candidates. Mr. Rue indicated for the sake of process, PCA could receive a copy of the Certification of Insurance Limits Procured form and make it part of the due diligence. Mr. Neaman stated this would also allow the firms an opportunity to present the form to their insurance carrier at an earlier time.

Mr. Moore moved approval of changing the insurance levels to "recommended" but not "required" standards. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

Mr. Neaman left the Board meeting.

7. Discussion of Draft 2006 Manager and Policy Development and Review Schedule **7.1 – 7.3**

Ms. Bernstein indicated she wanted to provide the Board with a mid-year update on presentations by the Plan's Public Security Managers and Policy Development and Reviews. She noted since The Bank of New York has been terminated they will no longer be required to present. Ms. Bernstein stated, in regards to the new Small Growth managers, it is typical to wait at least a year before having them back before the Board to evaluate performance.

President Romero inquired how many Real Estate and Hedge Fund managers the Plan is anticipating hiring. Ms. Bernstein responded the Plan is expecting to hire one or two Real Estate managers and two to four Hedge Fund managers. President Romero inquired as to what date the Hedge Fund education forum is scheduled. Ms. Bernstein stated the Hedge Funds education forum is scheduled for September 20, 2006. She stated she believes the Board Member availability had already been checked for that day and requested clarification on who was available. Ms. Bernstein indicated an alternate date was also available on September 6, 2006.

Ms. Bhatia requested clarification on the type of educational presentation this would be. She stated there was a question about whether PCA was going to provide a background on the various kinds of investment Hedge Funds for the new Board Members or a roundtable similar to one conducted earlier in 2006. Ms. Bhatia stated she believed PCA would provide a background education that would last approximately one hour. President Romero inquired if PCA intended on conducting an education session lasting longer than one-hour. Ms. Bernstein stated she understood from a previous Board meeting, that some of the new Board members wanted a repeat of the earlier education session which was a couple of hours. She expressed PCA is happy to conduct the type of education the Board prefers. President Romero stated he would defer to Ms. Coffin's preference. Mr. Moore added both types of education are useful. He stated PCA could provide information on how Hedge Funds work and the pros and cons of each. He stated perspective is gained by listening to others who have involvements with Hedge Funds. Mr. Moore stated there is some redundancy, but that is also a source of learning. He stated he believed, if time permitted, the longer presentation is valuable. Mr. Moore expressed, if there are time burdens, a briefer presentation is still beneficial. Mr. Vazquez commented if starting without any knowledge of Hedge Funds, he believes the education should be broken up into two peices, with the first being a presentation from PCA to bring all the Board members to a certain level. He added if more in-depth education is sought, then another session can be held. Ms. Coffin stated both options are good. She indicated she does not know what everyone else knows. Mr. Rue stated what had been done in the past was a couple of primers were done and then a roundtable was conducted. He proposed Ms. Coffin start at that point. Ms. Coffin agreed with Mr. Rue. Ms. Bernstein stated the education could be conducted on September 6, 2006, with PCA, and on September 20, 2006 the additional parties could be brought in to discuss Hedge Funds. She stated PCA will work with Commissioner Hogan-Rowles to provide her with the same presentations if she is unavailable on scheduled dates. Mr. Canzano inquired if PCA is intending to conduct the education during a Board meeting or after. Mr. Rue stated the first education session is envisioned to be held during a Board meeting, as an agenda item. Ms. Bernstein stated the second educational presentation could be held directly after the Board meeting allowing anyone who wanted to stay, to do so.

Mr. Moore noted, on September 6, 2006, an education on Private Equity Primary Market Fund-of-Funds is also scheduled. Ms. Bernstein stated the Primary Market education session should be a brief presentation, and, unless there are several agenda items from Staff for that meeting, it should be acceptable to conduct both education sessions on September 6, 2006.

Mr. Vazquez inquired as to the structural reviews. Ms. Bernstein responded that they are looking at the structure of the overall equity-portfolio. She stated it would cover an in- depth review of all of the managers in a particular asset class, how much assets are allocated in that asset class and how the managers are performing. Ms. Bernstein explained the purpose of the structural review, is to determine if there are any adjustments that should be made in allocations to a particular asset class. She noted PCA does not envision any major changes in Domestic Equity, but believes it is a good time to walk through performance measurements, overviews of the asset class, and expectations of risks and returns.

07-08 8. Discussion and possible action on assignment of Fidelity contract to Pyramis Global Advisors 8.1 – 8.29

President Romero introduced item 8 and inquired if there was any discussion. There was no discussion.

Mr. Vazquez moved approval of Resolution 07-08. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Moore and Vazquez

Nays: None

9. Retirement Plan Manager's Comments

a) General Items

Ms. Bhatia informed the Board, Staff had a conference call with LRS in regards to the contract. She stated several questions about the provisions have arisen and are being worked on.

Ms. Bhatia stated Labor Relations has informed her the Investment Officer II and Chief Investment Officer positions are going to the WP Board of Commissioners for approval at the August 8, 2006 meeting. She commented the August 8th meeting is the only scheduled meeting for the month, so if the item is not on the agenda, it will have to be brought before them in September. Ms. Bhatia added she was told the item is on the agenda for August 8th.

President Romero stated he did not hear Ms. Bhatia's comments regarding LRS and inquired if there were any problems. Ms. Bhatia stated there were issues need to be worked out. She explained some of the LRS comments need to be reviewed by ITS to ensure that they are in compliance with the terms and conditions the Department sets for all technical contracts.

President Romero inquired will the issues be resolved by the August 16th Regular Board Meeting. Ms. Bhatia responded she is hoping to have a contract agreement by the August 16th meeting.

Mr. Vazquez inquired about the Utility Administrator position. Ms. Bhatia responded the interviews have been completed and a selection had been made. She indicated a start date is being worked on. Ms. Bhatia explained the new hire was selected from the Certification list and is an employee from another City of Los Angeles department.

Mr. Vazquez commented he would like to add an agenda item regarding the Retiree Health Benefits Fund to the August 16th Regular Board meeting. He stated the Department has discussed the issue with the Unions and a letter of understanding is being finalized. Mr. Vazquez expressed the issue should be at a point where it can be brought back before the Board for consideration at the August 16th Regular Board meeting.

The Board meeting was adjourned at 12:11p.m.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLÓN
Recording Secretary