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

MINUTES – December 6, 2006

Present:

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

Absent:

Ronald Deaton	General Manager
Forescee Hogan-Rowles	Commissioner

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Mark Blunk	Assistant Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Irene Colón Gonzalez	Recording Secretary
David Sancewich	Pension Consulting Alliance
Sarah Bernstein	Pension Consulting Alliance
Alan Manning	Assistant City Attorney

President Romero called the meeting to order at 9:38 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

President Romero inquired if there were any public comments.

Mr. Rob Harkins, Vice-President of The Boston Company approached the podium. President Romero recognized Mr. Harkins.

Mr. Harkins announced on December 4, 2006, The Boston Company's parent company Mellon Bank announced its merger with The Bank of New York. He stated the effects of the merger on the Boston Company will be minimal.

President Romero requested PCA's opinion of the merger.

Ms. Sarah Bernstein of PCA approached the podium. President Romero recognized Ms. Bernstein.

Ms. Bernstein stated this represents a major merger with the Plan's money manager and custodian bank, Mellon Bank. She stated PCA does not feel it is appropriate to make any comments at this point, however, they will be monitoring the situation and updating the Board during 2007. Ms. Bernstein indicated the merger is not scheduled to conclude until the third quarter of 2007.

Ms. Bernstein returned to the audience.

Mr. Michael Ferguson, Relationship Manager for Mellon Financial, approached the podium. President Romero recognized Mr. Ferguson.

Mr. Ferguson stated Mellon Financial is very excited about the merger. He added there will be enhancements to the technology. He thanked the Board.

Mr. Harkins left the Board meeting. Mr. Ferguson returned to the audience.

	1. Approval of Board Minutes:	
	a) September 6, 2006 (Regular Meeting)	**1a.1 – 1a.16**
	b) October 18, 2006 (Regular Meeting)	**1b.1 – 1b.11**
	2. Termination from Monthly Rolls as of November 2006:	**2.1 – 2.3**
07-28	**Retirement Resolution for November 2006**	
07-29	**Resolution terminating Maxine Kuykendall from the November 2006 Survivorship Roll as a result of her death**	
07-30	**Resolution terminating the following monthly allowances from the October 2006 Family Death Benefit Roll: Blake J. Blaney, Nicole McEntire (attained 18 years of age)**	

Mr. Moore moved adoption of the above items 1 and 2 on consent. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore, and Vazquez
Nays: None

3. Report of Payment Authorizations as of October 2006	**3.1 – 3.85**
4. Notice of Deaths for October 2006	**4.1**
5. Report on Status of Insurance as of October 31, 2006	**5.1**
6. Summary Investment Returns as of October 31, 2006	
a) Market Value of Investment by Fund and Month as of October 31, 2006	**6a.1**
b) Market Value of the Retirement, Death & Disability Funds as of October 31, 2006	**6b.1 – 6b.3**
c) Investment Returns as of October 31, 2006	**6c.1 – 6c.2**
7. Notification from The Boston Company on establishment of securities lending for the Emerging Markets Value Equity Fund	**7.1 – 7.2**
8. Letter sent to the Mayor to update him on the issue of investments in companies that have business operations in Sudan.	**8.1 – 8.2**
9. Developments at Glass Lewis	**9.1**
10. Memo from PCA pertaining to litigation involving private equity funds	**10.1**

11. a) Information from Ethics Commission - Commissioner/Board Member participation in contracting process **11a.1**

b) Memo from City Attorney regarding State law and Mayoral-mandated Ethics and Open Government training **11b.1 – 11b.3**

Mr. Canzano moved the above items 3 through 11 be received and filed. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

07-31 12. Hedge Fund of Fund Finalist Interviews and possible selection **12.1 – 12.5**

a) Aetos

Ms. Anne Casscells, Managing Director, and Ms. Andrea Bollyky, Managing Director of Aetos, approached the Board table. President Romero recognized the representatives of Aetos.

The representatives provided a review of their hedge fund strategy.

Ms. Casscells stated, in response to a question from Mr. Moore, there are two places in a portfolio where you get leverage. She stated the average manager in the portfolio is unleveraged. Ms. Casscells stated within the Arbitrage Fund there are three or four fixed income managers and the average leverage is 6 or 7 to 1. She stated the Market Neutral Strategies fund could also be called a Quantitative Strategies Fund and leverage is used in it. Ms. Casscells noted all of the leverage is used in a completely risk-controlled fashion.

Mr. Moore inquired if the overall balance portfolio shows a fair amount of leverage based upon the Arbitrage Fund and the Market Neutral Strategies Fund. Ms. Casscells responded the amount of leverage is the result of a 10% or 15% portion of the portfolio at 7 or 8 leverage and blended with a completely unleveraged portfolio.

Mr. Vazquez, referring to page 5 of the Aetos presentation package, requested an explanation of the “S & P 500 DRI Index”. Ms. Casscells explained the “DRI” stands for Dividend Re-Investment and stated there is an approximate 2% dividend yield.

President Romero stated the Aetos presentation material lists the maximum position as 6.4%, and inquired if the 6.4% maximum position is per manager or per asset. Ms. Bollyky explained the 6.4% was the actual position. She stated the maximum position in one manager is up to 10%, however, it has generally been at 5%.

President Romero inquired what would prevent Aetos from making one big bet and holding a 10% position in one manager. Ms. Bollyky stated it is just not what Aetos would do, however, the company does have a guideline of up to 10%. She added a 10% position has never been used.

Mr. Moore, referring to pages 20 and 21 of the Aetos presentation material, inquired if the reports listed under client reporting are the only reports Aetos clients receive. Ms. Casscells responded those are generally the only reports distributed via email or regular mail. She added the Board, Staff, or PCA are able to go the Aetos office and view any of the reports.

President Romero inquired if Aetos was recommending the Balanced portfolio for the Plan. Ms. Bollyky responded in the affirmative and noted it is a combination of four commingled funds.

Ms. Casscells and Ms. Bollyky left the Board meeting.

b) Attalus

Mr. John Boles, Director, and Mr. Patrick Egan, President & CEO of Attalus, approached the Board table. President Romero recognized the representatives of Attalus.

The representatives provided a review of their hedge fund strategy.

Mr. Vazquez inquired as to the amount of total assets under management. Mr. Egan stated he believes the multi-strategy has $1.2 billion in assets and the firm has approximately $2 billion.

Mr. Vazquez inquired as to the number of clients in the multi-strategy. Mr. Boles responded there are currently 80 clients, with another 20 clients having committed but yet to be funded.

Mr. Vazquez asked who was their largest client. Mr. Boles responded the largest existing client is a union based out of Washington D.C.

Mr. Moore inquired if Attalus performs better when the market is up or down. Mr. Egan stated Attalus has done very well in down markets. He stated in 2002 the S&P was down 22% and Attalus was up 4%.

Mr. Moore inquired as to the overall leverage of the fund. Mr. Egan stated the leverage is approximately 2.2

Mr. Moore inquired as to the reason why the correlation to the S&P has gone down in the last few years. Mr. Egan responded when the S&P is positive the correlation goes up.

President Romero inquired as to the maximum position in any one manager. Mr. Egan responded in the multi-strategy fund the maximum position is 10%. He added the current maximum position is about 3.7%.

President Romero inquired if Attalus has ever had 10% in one manager. Mr. Egan responded in the affirmative adding it was in 2002.

Mr. Boles and Mr. Egan left the Board meeting.

President Romero called for a ten-minute recess at 10:47am. The meeting reconvened at 11:02am.

c) Russell Investment Group

Ms. Lisa Sweo Murphy, Regional Director, and Mr. David Tsujimoto, Director, Alternative Investments of the Russell Investment Group approached the Board table. President Romero recognized the representatives of Russell.

The representatives of Russell Investment Group provided a review of their hedge fund strategy.

President Romero inquired as to the amount of assets within this strategy. Mr. Tsujimoto responded $5.4 billion within several different funds.

President Romero inquired as to the maximum allowable position in any one manager. Mr. Tsujimoto responded the maximum weight is approximately 7% or 8%. He stated there is the ability to increase the weight depending on how risk controlled and diversified the underlying manager is. Mr. Tsujimoto stated there is no concrete number and the maximum position is decided on each individual case.

President Romero inquired as to the largest position ever held with a single manager. Mr. Tsujimoto replied 3 years ago a 12% position was held with a single manager.

Mr. Moore requested Mr. Tsujimoto break down the Russell portfolio in terms of length of time in business and size. Mr. Tsujimoto stated that is difficult to do because many of the firms that have been around for many years are not necessarily large. He stated he believed at least 66% of the funds in the portfolio could be considered smaller.

Mr. Canzano inquired as to their policy on investing with companies with business operations in Sudan. Mr. Tsujimoto responded there is no specific policy on Sudan, however, currently there are no Russell hedge funds invested in Sudan.

Mr. Moore inquired as to the amount of leverage in the fund. Mr. Tsujimoto responded the weighted average leverage is approximately 2 to 3 times. He stated generally Russell avoids highly levered funds.

Mr. Vazquez inquired as to the time period the charts on pages 12 and 13 of the Russell presentation material represent. Mr. Tsujimoto responded the charts represent the history of the fund since 2001.

Mr. Vazquez inquired as to the incentives Russell has to retain staff since the company is not employee owned. Mr. Tsujimoto explained the alternative strategies section is a separate division of the firm. He explained the compensation for the employees is competitive with the rest of the Hedge Fund industry. He stated employees receive base salary, bonus and sharing of the performance fees, as well as equity within the firm. Mr. Tsujimoto added he believes the Russell compensation is in line with industry standards.

Mr. Vazquez inquired about the chart on page ten of Russell's presentation package. Mr. Tsujimoto explained the chart represents the earnings on an initial investment of $100,000 over a twenty-year period with and without the impact of management fees.

Mr. Vazquez inquired was this chart representing assumed returns. Mr. Tsujimoto responded in the affirmative stating it was intended to show the impact of performance fees based on a simulation.

Mr. Moore inquired if Northwestern simply views the Russell Company as an investment in some of their funds. He added does Northwestern have many other such investments. Ms. Murphy responded Northwestern decided to buy Russell because it needed to have an investment component to accompany its insurance sales. She stated she believes Russell may be the only company Northwestern owns in the investment business.

Ms. Murphy and Mr. Tsujimoto left the Board meeting.

d) Grosvenor

Mr. Thomas Meagher, Jr., Managing Director, and Mr. David Richter, Manager Director Investments, approached the Board table. President Romero recognized the representatives of Grosvenor.

The representatives of provided a review of their hedge fund strategy.

President Romero inquired as to the maximum position in any one manager. Mr. Richter stated typically not over 5% is held in any one manager, however, the set policy is 10%. He indicated Grosvenor has never held a 10% interest in one manager.

Mr. Canzano inquired if Grosvenor has investments with companies conducting business operations in Darfur, Sudan. Mr. Meagher stated Grosvenor has no investments in any African nations. Mr. Richter added Grosvenor does not invest in any dedicated emerging market managers.

Mr. Moore inquired to what extent does the lack of incentive fee mitigate the incentive of the Grosvenor staff to perform well. Mr. Meagher responded Grosvenor believes institutions are interested in what the fees will be. He stated Grosvenor clients like the idea of fixed fees. Mr. Meagher added part of the incentive for the Grosvenor staff is much of their own money is involved in the portfolio. He stated there are written performance objectives. Mr. Richter stated Grosvenor's main goal is to achieve the objectives of their clients. He noted all the investment professionals are young and interested in a long career so they are focused on performance. He stated their incentive is to build a solid reputation in the industry.

Mr. Moore inquired how would the leverage of the portfolio be characterized. Mr. Meagher stated because the portfolio is tax-exempt there is zero leverage at the portfolio level. Mr. Richter explained the underlying managers use leverage. He stated a breakdown of leverage by strategy and overall portfolio is provided on page 14 of the Grosvenor presentation booklet. Mr. Richter commented leverage does not always equal risk. He stated Grosvenor has guidelines regarding leverage according to strategy. Mr. Richter stated the Grosvenor portfolios have modest leverage and stated the Grosvenor managers utilize modest leverage. Mr. Meagher added the overall portfolio leverage is very conservative.

Mr. Meagher, Jr. and Mr. Richter left the Board meeting.

e) PAAMCO

Ms. Dorothy Walsh, Managing Director, and Mr. Jim Berens, Managing Director of PAAMCO, approached the Board table. President Romero recognized the representatives of PAAMCO.

The representatives provided a review of their hedge fund strategy.
Ms. Coffin inquired how often PAAMCO staff monitors the managers. Mr. Berens explained the managers are monitored at least on a monthly basis.

Mr. Vazquez inquired if PAAMCO's requirement of full disclosure from all managers reduced the number of managers willing to work for them. Mr. Walsh responded in the affirmative noting when PAAMCO implemented the policy of full transparency it was understood the number of managers would be limited slightly; however, the risk control benefit of the decision was believed to be more important.

Mr. Moore requested the representatives elaborate on the PAAMCO bias toward emerging managers because the Board has been educated to believe newer managers tend to have a greater failure rate in the Hedge fund market. Mr. Berens stated he believes as a generalization it is true that newer managers have a higher rate of failure. He stated many of the newer managers fail for charging unjustifiable high fees. Mr. Berens noted the key for PAAMCO is to know which managers to avoid. He explained the PAAMCO partners all specialize in a particular sector and have the experience within a sector to know who does what. Mr. Berens also stated because the failure rate is so high PAAMCO puts so much emphasis on the internal risk system.

Mr. Vazquez inquired as to the amount of the assets under management in the proposed strategy. Mr. Walsh responded the amount is in excess of $7 billion.

President Romero inquired as to when the portfolio was established. Ms. Walsh stated the portfolio was established January 2002.

President Romero asked where was the historical performance data listed. Mr. Berens stated the historical performance was provided to PCA and was not included in the presentation material. Ms. Walsh offered to forward the information to the Board. President Romero stated he would like to see the historical performance data today.

Mr. Vazquez inquired why would PAAMCO waive the performance fee and asked if that was standard.

Mr. Berens explained when a client comes through a consultant the assets are counted together. He stated big, institutional money has an equilibrium fee of approximately 1%. Mr. Berens stated having a performance fee is a way to discourage small investors.

Mr. Vazquez inquired of Ms. Bernstein if she had all of the historical performance data. Ms. Bernstein responded the historical performance data for all of the presenters is listed on page 10 of PCA's presentation material.

Mr. Canzano inquired if PAAMCO has investments with any managers who conduct business operations in Sudan. Mr. Berens responded the portfolio does not include any managers who conduct business in Sudan.

Mr. Moore inquired as to the overall leverage in the portfolio. Mr. Berens stated PAAMCO is very conservative on leverage. He stated most of the managers in the fund are unleveraged. Mr. Berens stated the whole portfolio is under two times leveraged. Ms. Walsh added at the fund-of-fund level no leverage is used.

President Romero inquired as to the maximum position in one manager. Mr. Berens stated the largest position in one manager was 4.04% and the maximum position in one manager was 5%.

Ms. Coffin asked if PAAMCO maintaining its status as majority women and minority owned firm is a future goal. Mr. Berens stated being majority women and minority owned was not a goal when they formed the firm. He added the company is extremely diversified and most likely will continue to be majority owned by women and minorities.

Ms. Walsh and Mr. Berens left the Board meeting.

Discussion and Decision

Sarah Bernstein and David Sancewich approached the Board table. President Romero recognized Ms. Bernstein and Mr. Sancewich.

President Romero requested the representatives of PCA provide the Board with their summary of the presenters.

Ms. Bernstein provided the Board with a brief summary and comments on the Hedge fund presenters.

Mr. Vazquez asked what is the S & P index and could it be invested in. Mr. Sancewich explained the S & P index is the total return index. He explained the S & P is too volatile to invest in.

Mr. Vazquez inquired as to the amount of money and number of managers to be invested in hedge fund-of-funds. Mr. Sancewich stated the Request for Information stated two or three managers were to be selected and approximately -- a $66 million investment. Ms. Bernstein indicated PCA recommends splitting the amount evenly between the selected managers.

Mr. Vazquez inquired if PCA was recommending two or three managers. Mr. Sancewich stated it is the Board's decision; however, there are benefits to having two Hedge Fund managers at higher allocations.

Mr. Moore, referring to a table on page 10 of the PCA presentation material, noted there is a substantial overlap of firms invested in with three of the managers. He inquired if certain manager combinations should not be chosen due to the overlapping firm choice. Mr. Sancewich clarified the table represents firm overlap, not fund overlap.

Mr. Moore inquired if there were any overlapping funds. Mr. Sancewich responded there are cases when the managers are invested in the same fund; however, the table on page 10 represents overlapping at the firm level. He stated the purpose of the table is to point out the higher firm concentration which would occur if certain managers are selected together.

Mr. Moore inquired if Grosvenor, PAAMCO, and Russell tend to focus on the smaller funds. Mr. Sancewich responded in the affirmative noting smaller fund size is smaller asset size, not smaller firm size.

Mr. Moore stated the PAAMCO representatives noted the Pacific Hedge Funds were $7 billion; however, the PCA presentation material notes the fund assets at $200 million. He requested PCA to explain the difference in figures. Mr. Sancewich stated many fund-of-funds because of capacity issues close funds and open up an Alternative Strategy Fund II. He stated the new fund will have a different name and different managers, however, the terms remain the same.

Mr. Moore requested to know PCA recommendation of managers. Mr. Sancewich stated he believes Aetos is the top manager and would recommend choosing another one or two managers in addition to Aetos. He referred the Board to page thirteen of the PCA presentation material and noted based upon the manager overlap and correlation Russell would be a good diversifier for a two-manager portfolio. Mr. Sancewich stated Grosvenor would also be a good diversifier to a two-manager portfolio.

Mr. Vazquez inquired if PAAMCO and AETOS are dissimilar. Mr. Sancewich explained PAAMCO and AETOS overlap with one manager. He stated the overlap would change as managers are added and removed.

Mr. Vazquez inquired as to the reason the return correlation is listed. Mr. Sancewich responded on the three-year active return table the return correlation indicates the performance compared to T-bills. He stated the table shows the Hedge Funds out performed T-bills by 3 to 4%.

President Romero commented, on the annualized return net of fees, Aetos was the second lowest and requested Mr. Sancewich to address this issue. Mr. Sancewich stated he believes the reason was Aetos' avoidance of commodity- traded type strategies. He stated Aetos is not trying to "knock the ball out of the park" as a top performing manager would. Mr. Sancewich stated Aetos tends to be very consistent with who they invest in and stick with. Mr. Moore commented Aetos has a very low standard deviation and a very high information ratio. Mr. Sancewich concurred with Mr. Moore.

In response to comments made by Mr. Moore, Mr. Sancewich stated PCA had an internal discussion concerning the Russell Investment Group because of the portfolio manager from the equity side brought over to start managing the Hedge Fund-of-Funds. He stated initially it was undecided if the manager was going to have decision-making power or be involved in the research aspect. Mr. Sancewich stated it has become clear the manager is going to be the director of research and PCA is comfortable with this.

Mr. Vazquez stated, assuming two managers are selected, his first choice is PAAMCO and second choice Aetos. He stated his third choice would be Grosvenor. He added his preference is to select two managers. Ms. Coffin stated her first two manager choices were Aetos and PAAMCO. Mr. Moore selected Aetos and Russell as his top two managers and had no preference for his third choice. Mr. Vazquez stated the transparency and risk avoidance offered by PAAMCO were highly regarded by him. Mr. Canzano stated his top two manager selections were Grosvenor and PAAMCO and listed his third choice as Attalus. President Romero stated PAAMCO and Attalus were his top two choices and he had no third preference.

Mr. Moore inquired if PCA had a preference of how many managers were selected. Ms. Bernstein indicated she would prefer only two managers be selected.

Mr. Canzano inquired if fewer managers would create less oversight. Ms. Bernstein agreed noting the amount of the hedge funds is a relatively small amount of money. She stated at a later time, once the Board is comfortable with the managers in the portfolio, the decision may be made to increase the number of hedge fund managers.

Mr. Moore moved to select PAAMCO and Aetos as Hedge Fund managers. Seconded by Mr. Vazquez and carried unanimously after the following vote:

> Ayes: Romero, Coffin, Canzano, Moore and Vazquez
> Nays: None

President Romero called for a lunch recess at 12:59 pm. Mr. Sancewich left the Board meeting. The meeting reconvened at 1:40pm.

Mr. Tom Harrington, Retirement Plan Office Consultant; Mr. James Godsey, Partner at Macias, Gini & O'Connell; and Mr. David Livingston, Senior Manager for Macias, Gini & O'Connell all arrived at the Board meeting at 1:40pm.

07-32 13. Resolution to ratify the Board's action pertaining to the adoption of the June 30, 2006 Actuarial Valuation Report and recommendations of the Plan's Actuary for the Retirement Fund 13.1 – 13.2

President Romero introduced item 13. Mr. Moore moved approval of Resolution 07-32. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

14. Discussion of recommendations in connection with the actuarial valuation and review of the Disability Fund as of June 30, 2006 and possible action **14.1 – 14.5**

President Romero introduced item 14. He stated, per Attorney Michael Wilkinson, he was informed there were no legal issues regarding the transfer of money from one fund to another. President Romero inquired of Ms. Bhatia if action should be taken on this item. Ms. Bhatia responded in the affirmative stating there were three options presented by the Segal Company. She noted the options are outlined in a letter from Mr. Paul Angelo of the Segal Company and are included on page 14.2 of the Board package. Ms. Bhatia explained the options are: 1) Raising the contribution rate for the Department from 0.74 for every $100 of covered payroll to $1.55; 2) Extending the period to reach the target reserve back to the four years used in the 2002 valuation making the contribution $1.45 for every $100 of covered payroll; and 3) transferring funds from the Permanent Total Disability Fund to the Temporary Disability Fund. The contribution rate would drop to 0.68 for every $100 of covered payroll. She stated the report should be adopted along with the recommendation the Board chooses to adopt.

Mr. Moore stated he would like to hear Mr. Vazquez's input. Mr. Vazquez stated since the City Attorney had indicated the Permanent Total Disability fund and the Temporary Disability fund are one fund from a Charter standpoint he is comfortable easing the impact on the Department by allowing the transfer of the reserves from the Permanent Total Disability fund to the Temporary Disability fund. Mr. Moore stated he is also in agreement with the second option of extending the period to reach the target reserve.

President Romero inquired if either option two or three presented in the Segal Company's memo would create a significant impact on the Department.

Mr. Vazquez stated he was in agreement with both options. Mr. Vazquez inquired as to the third column on page 14.4 of the Board package. Ms. Bhatia noted she does not believe Mr. Angelo reviewed the option Mr. Vazquez was inquiring about at the previous Board meeting. She explained the third column represented building the target reserve in four years as opposed to two years, making the Department contribution rate $1.02 for every $100 of covered payroll.

Mr. Moore inquired if there was any difference in the size of the transfer because, according to the table on page 14.4, it appears reaching the target reserve in four years has a Department contribution rate of $1.02 for every $100 of covered payroll while the two year plan has the rate of $0.68 per $100 of covered payroll. Ms. Bhatia stated she did not believe Mr. Angelo discussed the option of reaching the target reserve in four years; however, it would appear if the time frame to reach the target reserve was extended, the Department's monthly contribution rate should be lower.

Mr. Canzano stated he is very interested in the fund reaching the full funded rate or as close as possible. He stated actuarial studies have been conducted in the past yet there is quite a large shortfall. Mr. Canzano explained he is in favor of reaching the target reserve in two years. He mentioned he is concerned with transferring the funds. Mr. Canzano stated he is aware there is currently a surplus; however, he is not sure how permanent the surplus is. He indicated, if possible, he would prefer to avoid transferring the surplus.

Ms. Coffin stated she prefers not to wait until the last minute to take action. She stated she would like to at least have the funds transferred. Ms. Coffin expressed she would prefer not to wait too long and be forced to take immediate action.

Mr. Moore inquired if Mr. Vazquez was comfortable with Mr. Canzano's preference of reaching the target reserve in two years and setting the Department's monthly contribution rate at $1.55 per $100 of covered payroll. Mr. Vazquez stated his preference would be to reach the target reserve in four years and setting the Department's monthly contribution rate at $1.45 per $100 of covered payroll. He stated he would go along with any motion that is made. Mr. Vazquez stated he would like the Board to address the issue of the surplus in the Permanent Disability Fund before the next actuarial report. He stated the surplus is very large and does not seem as if it will ever be called upon.

Mr. Canzano moved to approve the acturial report along with the option of reaching the target reserve in two years setting the Department's monthly contribution rate of $1.55 per $100 of covered payroll. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

Mr. Moore requested Staff provide the Board with information as to why there is an increase of $0.36 due to higher recent claims. He stated as a Board he believes it is something that should be reviewed. Ms. Bhatia stated the increase was reported by the actuary at the last Board meeting. She noted $0.36 was due to higher claim rates and $0.45 was due to a decrease in the general reserve. Mr. Moore stated he can understand a decrease in the general reserve, however, he would like better information on the increased claims.

15. Discussion of Audit report pertaining to the applicability of GASB 43/45 for the Death and Disability funds **15.1 – 15.2**

Mr. David J. Livingston, Senior Manager and Mr. James V. Godsey, Partner, both of Macias, Gini & O'Connell approached the Board table. President Romero recognized Mr. Livingston and Mr. Godsey.

Ms. Bhatia stated the Audit report was discussed with the Audit Committee members last month and is being brought before the Board at the request of the Audit Committee members. She noted there was a question regarding the applicability of GASB 43 & 45 to the Death and Disability funds. Ms. Bhatia stated Mr. Livingston and Mr. Godsey are present to speak to the issue. She stated Staff has provided information indicating GASB 43 & 45 are not applicable to the Disability fund because they are not post-employment benefits. Ms. Bhatia explained a post-employment death benefit is available, however, the amount is finite.

Ms. Bhatia requested the representatives of Macia, Gini & O'Connell explain to the Board the results of their research and if this is an issue to be concerned about. Mr. Godsey stated traditionally the financial statements for the Plan have been presented in three parts: the pension, the disability and the death benefit. He stated the pension section has always been prepared in accordance with GASB 25. Mr. Godsey explained the disabilitly and death benefit were prepared more as a traditional insurance company, where there was a desired level of reserve and the actuaries were doing a study to attain those reserve levels. He stated new standards would become effective for 2007-2008 dealing with Other Post-Employment Benefits (OPEB). Mr. Godsey stated, based upon discussions with Attorney Wilkinson, it has been determined there is no Post-Employment disability benefit, therefore, no additional requirements. He explained the death benefit does qualify as OPEB and would require an actuarial study to determine the employer's share and determine the Plan's unfunded liability. He stated only the Death benefit would be subject to GASB 43 &45. Mr. Godsey stated GASB 43 would be effective for fiscal year ending June 30, 2007 and require the financial statements for the Plan. He indicated GASB 45 would become effective in Fiscal year 2007-2008.

Mr. Canzano indicated the statements that have already been prepared are not for the Death benefit and need to be brought into compliance with GASB 45. He stated he did not believe an actuarial study had been conducted for the death benefit, and inquired if the funds appear to be in order. Mr. Godsey responded the financial statements would not change dramatically but GASB 45 would require disclosure of any unfunded liability.

President Romero inquired if the actuarial studies recently completed take the disability fund into account. Mr. Moore explained Mr. Godsey is referring only to benefits for retirees. He stated disability is a benefit for active members and does not apply to retirees. Mr. Moore explained the death benefit is being discussed because there is a death benefit for retirees. Ms. Bhatia stated the death benefit for retirees is 14 times the retirement allowance up to a maximum of $20,000. Mr. Godsey stated the real difference in the standard is the employer will be forced to recognize the expense upfront as opposed to waiting until the actual benefits are paid out. He stated it will bring the death benefit more in line with what has traditionally been done with the pension benefit.

President Romero inquired if this item is before the Board because the Audit Committee is recommending going forward with the actuarial study. Mr. Moore stated he does not believe the matter is before the Board for the reason President Romero mentioned. Ms. Bhatia explained Staff has an actuarial study performed on the Death Benefit Fund and the Disability Fund every two years. She stated there would be an actuarial study conducted on the Death Benefit Fund next year. Ms. Bhatia stated she believed Mr. Godsey was referring to the requirement of the Department as the Plan Sponsor to show the liability. She stated the matter would need to be reviewed further as she was uncertain of how it would impact the Plan. Mr. Godsey stated he believed the primary purpose of this matter being brought before the Board is to establish whether the Death and Disability funds qualify as OPEB or not. He stated it has been concluded the Death benefit does qualify as OPEB and the next step would be to discuss with the actuary their timing and ability to come through. Mr. Godsey stated normally the study would be required for the 2007 fiscal period.

Mr. Moore commented he believed this probably would not be required for the actuarial study for the Retirement Plan, but would be required for the Department's financial statement. Mr. Godsey clarified for the Death Benefit it would be reflected in the Plan's financial statements for the fiscal year ending June 2007 and the same type of disclosures would be required of the Department beginning fiscal year 2007-2008.

Ms. Bhatia inquired if Mr. Godsey has had an opportunity to speak with the actuary, Mr. Paul Angelo. Mr. Godsey responded he has not spoken with Mr. Angelo, however, he left a message informing him the audit report has been concluded.

President Romero inquired if the Plan can wait for the Death Benefit actuarial report or does the Department need to do one sooner. Ms. Bhatia stated the matter would need to be discussed with the Financial Services Organization. Mr. Vazquez stated he does not believe it is necessary for the Board to take action. He stated he believes this item was more for informational purposes about what needs to be done going forward. Mr. Godsey concurred with Mr. Vazquez. Attorney Wilkinson noted Staff should be directed to pass the information on The Segal Company. Mr. Godsey stated generally it would be the Plan's actuary who would do this study.

Mr. Canzano inquired barring the new GASB requirements when would the next scheduled Death Benefit Fund actuarial study be completed. Ms. Bhatia stated the actuarial valuation where contributions are addressed would normally be conducted for the two years ended June 30, 2007. She stated Mr. Godsey is referring to disclosure requirements the Plan must comply with.

Mr. Canzano inquired, because the actuarial study was to be completed next year anyway, should the schedule be pushed up to have it completed before the end of the current fiscal year. Mr. Godsey explained the actuarial study is not required to be completed before the end of the fiscal year; however, the study is needed before the June 30, 2007 audit can be completed. Mr. Canzano inquired if it would be beneficial to reschedule the date of the actuarial study. He stated he was unsure if it would require Board action to move up the date of the actuarial study. Ms. Bhatia stated the item was more for information and no resolution was included however the Board could still take action.

Ms. Bhatia reminded the Board a Request for Proposal for an actuary is going to be conducted as the contract with The Segal Company will be ending.

President Romero thanked Ms. Bhatia for the information and stated the Board will rethink the matter and discuss it at the next Board meeting. Ms. Bhatia stated Staff would obtain further information from the actuary in order to provide the Board with a better understanding.

Mr. Godsey and Mr. Livingston left the Board meeting.

16. Discussion of report from the Governance Committee - letters to be sent to Investment Managers and Companies regarding their holdings in Sudan **16.1 – 16.6**

Ms. June Kim, Retirement Plan Office Investment Officer approached the Board table. President Romero recognized Ms. Kim.

Ms. Bhatia explained at the November 8, 2006 Governance Committee meeting Staff presented proposed letters to be sent to companies and investment managers with possible business operations in Sudan. She stated the Committee recommended changes to the draft letters. Ms. Bhatia explained the letters, with the revisions as recommended by the Governance Committee, are being brought before the Board for discussion and approval so Staff may proceed with sending out the letters.

President Romero inquired if the Board were to approve the letters, would the letters then come back before the Governance Committee. Ms. Bhatia responded in the negative, explaining if the letters are approved, then Staff would proceed with sending the letters to the appropriate investment managers.

Mr. Moore commended Staff on the letters. He stated Royal Dutch and Seimans are not listed with the other companies noted on page 16.4 of the Board package as having business operations in Sudan. He stated the two companies were on another list and inquired were there other lists, which might have been used. Ms. Kim explained the other lists were put out by KLD which specializes in Sudan research and had a broad list. She stated ISS had conducted specialized research and Royal Dutch and Seimans did not appear on their list.

Mr. Canzano moved to approve the letters to be sent to Investment Managers and Companies regarding their holdings in Sudan. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

Mr. Canzano commended Staff on the content of the letters. Ms. Bhatia stated the credit belongs to Ms. Kim who prepared the letters.

07-33 17. Resolution to Place Fred Alger Management, Inc. (Large Cap Growth) Portfolio Manager on Watch Status for Failing to Meet Short Term Investment Performance Criteria **17.1 – 17.7**

Mr. Charles “Duke” Meythaler, Executive Vice-President, and Mr. William Rechter, Senior Vice-President both of Fred Alger Management, Inc. approached the Board table. Ms. Bernstein also approached the Board table. President Romero recognized the representatives of Fred Alger Management, Inc. and Ms. Bernstein.

Mr. Meythaler stated Fred Alger Management has been made aware of the criteria for which managers are put on watch status. He stated it has been approximately three years since the Board voted to hire Fred Alger Management. Mr. Meythaler commented Fred Alger Management appreciates the opportunity to work with the Plan and noted the Plan is a very important client. He stated Fred Alger Management is probably more unhappy than is the Board with their recent performance. Mr. Meythaler stated since the contract began, Fred Alger Management has outperformed the benchmark on a 2-year and inception basis, net of fees. He stated Fred Alger Management has earned the Plan approximately $48 million since inception on an initial investment of $243 million. Mr. Meythaler stated he believes the silver lining is Fred Alger Management has actually produced a positive return over the length of service and outperformed the benchmark.

Mr. Rechter stated since Fred Alger Management was founded 42 years ago, they have consistently applied an investment philosophy that has stood the test of time. He stated Fred Alger Management maintains an intense research process and has a passionate and committed analytical team. Mr. Rechter stated Fred Alger Management invests in companies that are undergoing positive dynamic change. He stated they are looking for companies that are creating new services and developing new products that enable their earnings to grow very rapidly. Mr. Rechter stated Fred Alger Management invests in the bio-tech, wireless communications, and internet industries. He stated Fred Alger Management analysts undertake significant research to identify these rapidly growing areas. Mr. Rechter stated historically Fred Alger Management has been very successful in identifying these areas early and noted the risk they face is investing in those sectors too early. He stated investing too early in the rapidly growing sectors is the primary reason for the current underperformance. He reminded the Board, even though in one period the return in accordance with the Plan's guideline was in the negative, there has never been a rolling 12-month period where Fred Alger Management was negative. He stated the Plan is one of Fred Alger Management's most important clients.

Ms. Coffin inquired what makes Mr. Meythaler believe XM Satellite Radio will grow. Mr. Meythaler responded, relative to the size of the whole commercial radio industry, XM Satellite Radio represents much less than 1%. He stated in a few years both XM Satellite Radio and Sirius Radio have a combined total of approximately 14 million subscribers. Mr. Meythaler stated both companies are adding subscribers at a rapid rate. He commented XM Satellite Radio would be cash flow positive in the 4th quarter of 2006. Mr. Meythaler stated the chairman of Sirius Radio has stated he believes his company and XM Satellite Radio should work together. He explained if the two companies stop competing against each other there would be no more market share battles and the inherent operating leverage with the two companies working together would be very strong. Mr. Meythaler noted the shares had declined very sharply, however, they have recovered more than 50%. He stated Fred Alger Management still feels very confident about XM Satellite Radio.

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Ms. Bernstein requested the representatives address to the Board some of the organizational changes the company has undergone, including the retirement of the founder, Mr. Fred Alger in October 2006. Mr. Meythaler explained this is the second time Mr. Alger has retired. He stated effective February 15, 2007 Mr. Alger would be relinquishing all ownership of the firm to his three daughters. He explained Mr. Alger retired in 1995 and turned over the firm to his brother. Mr. Meythaler stated Mr. Alger came out of retirement due to the death of his brother during the September 11, 2001 World Trade Center attacks. He stated upon return Mr. Alger has been working with Dan Chun, the Chief Executive Officer of Fred Alger Management, to rebuild the firm. Mr. Meythaler stated the transition of ownership from Mr. Meythaler to his daughters has been well drafted by a team of lawyers specializing in estate tax. He stated Mr. Alger did not want the company to have to be sold to pay the estate taxes. Mr. Meythaler stated two senior employees left the firm to start working in the hedge fund industry. Since the departures, Fred Alger Management has hired new employees who have good experience.

The representatives of Fred Alger Management left the Board meeting.
Ms. Coffin moved approval of Resolution 07-33. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

18. PCA's Quarterly Performance Review as of September 30, 2006 18.1

President Romero stated item 18 will be deferred until the December 20, 2006 Regular Board meeting.

07-34 19. Resolution to amend Pension Consulting Alliance's (PCA) contract and fee schedule in connection with the transfer of OPEB assets to the Retirement Plan 19.1 – 19.13

Ms. Bhatia noted the Resolution on page 19.13 was erroneously included.

Mr. Moore moved approval of Resolution 07-34. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

07-35 20. Resolution to amend Mellon Financial's contract and fee schedule in connection with the transfer of OPEB assets to Retirement Plan 20.1 – 20.7

President Romero inquired if Mellon has already been selected to transfer the assets. Ms. Bhatia responded Mellon is the Plan's custodian bank. She noted Resolution 07-35 amends the existing Mellon custodial contract to include the custody of the new assets. Ms. Bhatia stated an estimate of the increase in fees as provided by Mellon has been included in the Board package.

Ms. Bhatia informed the Board the OPEB cash would be received on December 15, 2006 and requested direction as to the investment structure to be used. She outlined two options: 1) Invest funds in a cash account for a period of 15 days and until all the

OPEB assets are available for transfer on January 2, 2007 (current annualized interest rate is 5.25%) or 2) Invest the cash received in the existing asset classes-Domestic Equity, International Equity, Fixed Income (Note: PCA does not recommend OPEB assets be invested in Real Estate/Alternative Assets pending an asset liability study.) Ms. Bhatia stated there is no formal recommendation from PCA; however, at one time a 60% equity 40% fixed income investment structure was discussed. She stated Staff could follow the 60/40 investment structure in January once all of the funds are received and requested authorization to initially invest the cash in liquid accounts once it is received in December.

President Romero inquired if Ms. Bernstein has an opinion. Ms. Bernstein commented she was in agreement with the initial cash being invested in liquid accounts and stated in January 2007 PCA would provide the Board with a formal recommendation.

President Romero inquired if there would be a fee to invest the money in an index fund. Ms. Bhatia explained there would be a fee because the assets would have to be liquidated unless the funds are left in the index fund. She stated the option of investing the funds in an index fund could be explored. Ms. Bhatia mentioned originally the plan was to employ a transition manager and provide them with the cash received in December along with the securities coming the first week of January.

President Romero inquired as to the proposed return on cash investments. Ms. Bhatia stated the proposed return for the cash is 5.25% annualized. Ms. Kim added if the cash were put in an index fund on January 2, 2007 and it was decided not to stay with the index fund, it would have to be sold.

Mr. Canzano inquired if there would be market risk associated with an index fund. Ms. Kim clarified there would be market exposure for the $200 million for a period of two-weeks. She stated if the market rallies or declines then the funds would participate in the activity.

Mr. Moore moved to authorize Staff to invest the OPEB funds on a short-term basis in liquid accounts. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

Mr. Moore moved approval of Resolution 07-35. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

Ms. Kim and Ms. Bernstein returned to the audience.

21. Discussion of contract with LRS and possible action 21.1 – 21.9

Mr. Tom Harrington, Retirement Plan Office Consultant and Mr. Mark Townsend, Assistant Director of Information Systems approached the Board table. President

Romero recognized Mr. Townsend.

President Romero stated he had discussed the issue of LRS backing out of the contract negotiations with Ms. Bhatia when it originally happened. He stated he is very disappointed with the whole process. President Romero commented he believed it was extremely important to the Board for the computerization project to move forward. He added LRS dropping out of the project was a surprise and requested Ms. Bhatia fill everyone in on the details. Ms. Bhatia conveyed Staff has put in a great deal of work and was also very disappointed when LRS decided to withdraw itself from the negotiations. She emphasized there was no indication LRS was going to pull out of the process. Ms. Bhatia stated Staff was attempting to clarify certain points in the contract before it was signed. She stated Staff had been gearing up with the space and personnel for the project. Ms. Bhatia noted Mr. Townsend was recently assigned on a fulltime basis to assist Staff with the computerization project and Mr. Harrington was assisting Staff with the project and with reviewing RFP's. She reiterated there was no indication LRS was going to withdraw from the project.

Mr. Townsend stated he joined the process approximately one month earlier and noted he was not present at the initial negotiations. He stated when he became involved there were still issues needing to be resolved. Mr. Townsend stated there was concern regarding the contract time line of 10 months, which LRS had verbally agreed to extend to 22 months. He stated when Staff inquired as to projects of similar size and scope which had been completed in 10-months, LRS could not supply any. Mr. Townsend stated there was also a fee of $15,000 per month if the project could not be completed in 10 months. He noted there was a series of 15 questions Staff had requested LRS complete. Mr. Townsend stated LRS had indicated they would answer the questions after the contract was signed. He stated many of the questions were attempting to clarify responsibilities of work within the project. Mr. Townsend stated he was also surprised when LRS walked away from the project.

President Romero stated what concerns him the most, is LRS has done computerization projects hundreds of times yet during negotiations with the Plan, backed out. He wondered if the situation is similar to situations they have experienced with money managers because of stringent requirements. President Romero stated this is unacceptable to him and inquired if too much is being asked for. Ms. Bhatia responded during their conversation President Romero was provided with the list of the questions asked of LRS. She stated the questions were basically clarifying responsibilities. Ms. Bhatia stated it is very critical for a contract's terms to be properly spelled out. She added it is better to know up front what you are up against. Ms. Bhatia stated throughout this process she has reported to the Board on the challenges regarding the contract. She stated the last issue was the contract time. Ms. Bhatia stated LRS had verbally agreed to extend the implementation time frame to 22 months without time delay fees. She explained if it was mutually determined the project could be completed in 16 months; however if the implementation time went over the sixteen months, an additional $15,000 per month would be charged. Ms. Bhatia stated she did not believe LRS's actions indicated good faith contracting.

Mr. Harrington stated after the last Board meeting Staff had received direction from the Board to pay the additional insurance cost for the term extension and to agree to the additional $15,000 per month for time overages past the twenty-two months. Mr. Harrington stated LRS presented contract language that misstated the agreed upon terms. He noted at the end of the last conference call there were very few issues remaining. Mr. Harrington stated the issues were all resolvable and he expected LRS to come back and either accept, compromise, or indicate the offer was their final offer.

President Romero inquired who was involved in the conference call. Mr. Harrington stated in addition to himself, Mr. Townsend, Ms. Monette Carranceja and Mr. Avery Neaman were present. Ms. Bhatia stated the last conference call was regarding clarification of issues. She stated the LRS letter of withdrawal was received via mail. Ms. Bhatia stated she spoke with Mr. Dan Jordan of LRS and he indicated to her that LRS representatives felt the issues were being renegotiated as opposed to being clarified. Ms. Bhatia stated Staff received no indication there was a problem asking LRS staff questions.

President Romero requested Ms. Bhatia provide recommendations for going forward. Ms. Bhatia recommended Staff re-look at the RFI responses and conduct due diligence on the two finalists, Tier and JEA. She stated Mr. Harrington had already gone back and reviewed all of his work on the RFIs. Ms. Bhatia requested Mr. Harrington provide the Board with a brief comparison of the firms. Mr. Harrington stated Tier, JEA and LRS were the top three firms. He noted JEA and Tier had identical scores. He stated JEA is a Canadian firm but has a partnership with a well-respected local firm, Linea. Mr. Harrington stated Tier is a much larger firm than JEA. He indicated the pension plan business is only a small part of their business. Mr. Harrington noted Tier bought into the pension business in 2004 when they took over another firm. Mr. Harrington stated in the case of Tier all of the client references were actually clients of the other firm. Ms. Bhatia added one of the concerns with Tier was Staff had not seen an implemented system demonstrated and would like the opportunity to do so in order to determine the viability of the system. She stated Staff would like to ask a few additional questions of both JEA and Tier before presenting to the Board with a recommendation. Ms. Bhatia stated Tier was eliminated from the final round due to the nature of their presentation.

In response to President Romero, Ms. Bhatia stated Staff would attempt to complete the due diligence in December of 2006 and present the Board with a recommendation in January 2007.

Mr. Townsend stated JEA is a small company so the contract would represent a large portion of their revenue. He stated JEA would be motivated to perform but it is also a higher risk in terms of financial failure of the company. Mr. Townsend stated Tier is much larger than JEA with $127 million in revenue, however, their pension product was almost $2 million which is nearly double the rate of JEA.

Mr. Canzano inquired if Tier and JEA are comparable to LRS in commitment and dedication to their product so the users are not receiving a lesser product. Mr. Harrington responded Tier has almost as many clients as LRS, however, they are a large firm that provides many different services. He stated JEA is a smaller company and pension plan computerization projects is all they do.

Mr. Canzano stated with LRS when the tax regulations change they are very motivated to update their software because the company has a large number of American clients. Mr. Canzano inquired would the Plan be JEA's only American client. Mr. Harrington responded in the affirmative. Mr. Canzano stated he wants to ensure the Plan participants are not going to suffer because JEA does not keep pace with the changing U.S. regulations. Mr. Harrington stated the tax situation is not a major issue because Staff needs to keep track of tax law changes and makes the company aware of these changes. He stated JEA mentions in its proposal they are in the middle of Americanizing their system. Mr. Harrington added there has not been a significant change in tax law status in several years.

Mr. Moore stated not just tax laws but other laws may change which could require the system to be changed. He stated he was concerned in the future JEA may decide to no longer service American clients. Mr. Harrington responded before signing a contract with JEA, Staff would have to be very comfortable. Mr. Townsend added one way to protect against that is to have language included in the contract that maintains if the company pulls out of the market, the source code would be given to the Plan. He stated there would still be the challenge of learning how to maintain the code. Ms. Bhatia indicated she had discussed this issue with JEA and their response was they have an actuary who advises United States clients and therefore they feel confident they can easily provide this service. She stated more information was needed on this issue.

Mr. Moore commented at the last Board meeting he was upset with LRS because they appeared to be reneging on their original agreements made to the Board. He stated LRS did not give any indication that too many requirements were being placed on them. Mr. Moore stated he believed that some of the positions LRS took were unreasonable. Mr. Moore stated LRS walking away after a negotiating session does not necessarily indicate too many requirements were placed on them. He stated LRS appeared to be quite difficult to work with.

Attorney Wilkinson stated he was very pleased to work with Staff during this contract negotiation. He commented he has negotiated billion dollar contracts for the City of Los Angeles pension plans, however, the negotiations with LRS was by far the most difficult. Attorney Wilkinson stated he does not believe Staff created the problem that ended up with LRS withdrawing from the process.

President Romero inquired if the Board was comfortable with Staff conducting due diligence on the remaining two finalists. Mr. Canzano inquired if Staff was going to perform on site due-diligence. Ms. Bhatia stated Staff would likely perform on-site visits as well as asking a lot of preliminary questions. She stated Staff would be bringing this information back to the Board in early 2007.

Mr. Harrington and Mr. Townsend returned to the audience.

22. Request from City Attorney Michael R. Wilkinson to attend the 2007 Winter Section Meeting of the National Association of Public Pension Attorneys in Washington D.C. in February 2006 **22.1**

Mr. Vazquez moved approval of City Attorney Michael R. Wilkinson to attend the 2007 Winter Section Meeting of the National Association of Public Pension Attorneys.

Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore and Vazquez
Nays: None

23. Retirement Plan Manager's Comments

a) Plan Newsletter for Retirees (December 1, 2006)
b) **DWP Plan Newsletter for Retirees (January 1, 2007)**
c) General Items

Ms. Bhatia stated Deloitte & Touche has completed the operational audit of the investments. She stated a meeting is planned with them to discuss their draft report and Staff will bring the report back to the Audit Committee. She stated a copy of the annual audit report conducted by Macias, Gini & O'Connell was provided timely to the City Controller's office. Ms. Bhatia stated the report has been pulled back at Macias, Gini & O'Connell's request as they needed to make changes.

Ms. Bhatia noted, although negotiations have been stalled with LRS, Staff is proceeding with hiring the personnel for the computerization project. She noted interviews have been completed for two Sr. Systems Analyst positions and interviews are expected to be completed for Programmer Analyst in the near future. Ms. Bhatia stated the office space for the new staff has been set up, and it is anticipated the new staff would be able to move into the office within the first couple of months in 2007.

Ms. Bhatia noted the Annual Employee Booklets were distributed today. She stated employees should receive a copy through payroll. Ms. Bhatia indicated the booklets were mailed to the individual work locations.

Mr. Canzano inquired if the newly hired IT support personnel are Department employees, City employees, or off of a list. Ms. Bhatia explained it is a transfer position open to Department and other City department employees. Mr. Canzano inquired as to the response to the transfer opportunity. Ms. Bhatia commented the response was excellent for the Sr. Systems Analyst. She stated 16 candidates were interviewed. She added more than 16 responses were received; however, a screening criteria was used to limit the number of candidates to be interviewed to qualified candidates.

24. Future agenda items

Ms. Bernstein approached the podium. President Romero recognized Ms. Bernstein.

Ms. Bernstein stated with the next performance report PCA will be utilizing a new format. She noted the new format might be thinner and easier to go through, but still as useful as past versions.

Ms. Bernstein stated PCA would present an outlook of major issues and key items scheduled for 2007 at the January 17, 2007 Regular Board meeting.

The Board meeting was adjourned at 3:01pm.

JAVIER ROMERO President	SANGEETA BHATIA Secretary

IRENE COLÓN-GONZALEZ
Recording Secretary