

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

MINUTES – May 2, 2007

Present:

Javier Romero	President
Eugene K. Canzano	Board Member
Cindy Coffin	Board Member
Michael Moore	Retiree Member
Forescee Hogan-Rowles	Commissioner
Ron Vazquez	Chief Financial Officer

Absent:

Ronald Deaton	General Manager
Sangeeta Bhatia	Retirement Plan Manager

Others Present:

Monette Carranceja	Assistant Retirement Plan Manager
Mark Blunk	Assistant Retirement Plan Manager
Irene Colón	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Neil Rue	Pension Consulting Alliance
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:30 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Blunk indicated a quorum of the Board was present.

PUBLIC COMMENTS

President Romero inquired if there were any public comments.

Mr. John Hill (DWP employee) approached the podium. President Romero recognized Mr. Hill.

Mr. Hill requested the Board accept a petition he has circulated to Department employees. He stated the petition is requesting that the Department's Additional Contributions program make available the same options of lump sum refund, roll-over or combination offered by the City of Los Angeles' Additional Annuity program. Mr. Hill thanked Staff and Board members for the assistance he has received.

Mr. Hill presented the petition to the Board.

Mr. Canzano inquired if this subject was going to be agendized in an upcoming Board meeting. President Romero responded in the affirmative.
Mr. Hill left the Board meeting.

President Romero introduced and welcomed new Staff member Demetria Villa.

- 1. Notice on status of insurance as of April 10, 2007**
- 2. Summary Investment Returns as of March, 2007**
 - a) Market Value of Investment by Fund and Month as of March 31, 2007**
 - b) Market Value of the Retirement, Death & Disability Funds as of March 31, 2007**
 - c) Investment Returns as of March 31, 2007**
- 3. Review of personnel changes at Glass Lewis by PCA**

Commissioner Hogan-Rowles noted the insurance had expired for Wells Capital and inquired if Staff was working on that. Ms. Carranceja responded in the affirmative.

Mr. Canzano moved the above items 1-3 be received and filed. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

- 4. Annual Performance Review Presentations as of March 31, 2007 for Domestic Equity – Large Cap Growth**
 - a) Fred Alger**

Mr. Charles Meythaler, Executive Vice-President/Head of Institutional Sales and Mr.

William Rechter, Senior Vice-President for Fred Alger Management, Inc. (Fred Alger) approached the Board table. President Romero recognized the representatives of Fred Alger.

Mr. Meythaler and Mr. Rechter provided the annual performance review of Fred Alger Domestic Equity Large Cap Growth.

Ms. Coffin requested the representatives address the performance in the industrials sector. Mr. Rechter stated they had underperformed the benchmark in the industrial sector due to stock selection. He stated the Plan was underweighted in industrials and their stock selection caused this underperformance. Mr. Rechter stated the net impact of the performance in the industrials sector was a 22 basis point deduction for the quarter.

Mr. Vazquez inquired when did Fred Alger buy Amgen Inc. (Amgen) and what is anticipated for that particular stock going forward. Mr. Rechter stated during the first quarter Amgen declined by 18.6%. He stated it was the second worst performing stock

during the quarter. Mr. Rechter commented Fred Alger believes Amgen is one of the top biotechnology companies. He added Amgen has multi-billion dollar products and will be one of the leading biotechnology companies. Mr. Rechter noted Amgen is a very large, well-managed company.

Mr. Vazquez inquired about Diamond Offshore Drilling, Inc. (Diamond) and Whole Foods Market, Inc. (Whole Foods). Mr. Rechter stated Diamond is one of two major companies in the deepwater offshore drilling industry. He stated there is a shortage of rigs that do deepwater drilling and the day rates Diamond is able to charge have been steadily increasing. Mr. Rechter stated Whole Foods is a nationwide food retailer specializing in organic and healthy food. He stated their margins have been extremely strong and earnings are growing rapidly. Mr. Rechter stated two quarters ago Whole Foods missed the Wall Street earnings estimate by one or two cents and the stock's price came down a slightly. He stated Fred Alger added more stock when the price fell, noting Fred Alger has a very favorable long-term view of Whole Foods. Mr. Rechter added Whole Foods has just acquired one of their competitors and he does not believe any of the Whole Foods competitors will come in and take more market share.

Mr. Vazquez asked what has the portfolio turnover has been in the past year and what triggers the decision to buy or sell any particular stock. Mr. Rechter responded turnover during the last year has been approximately 200%. He stated when a stock is initially selected for the portfolio, price targets are established. Mr. Rechter explained as the stock approaches the price target it may be sold if there is no justification for having it go higher.

Mr. Moore requested Fred Alger to include more of the attribution analysis in future presentations. The representatives agreed to comply with the request. The representatives left the Board meeting.

b) Intech

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

Mr. Bjorkman provided the annual performance review of the Intech Domestic Equity Large Cap Growth.

Mr. Vazquez inquired as to the difference between the Large Cap Growth Strategy and the Broad Large Cap Growth Strategy. Mr. Bjorkman explained "Large" refers to the Standard & Poor's benchmark series and Broad refers to the Russell series.

President Romero requested in the future Intech provide performance data on a net-of-fees basis. Mr. Bjorkman agreed to comply with President Romero's request.

Mr. Moore noted in the past Mr. Bjorkman spoke to the decline in stock volatility as being an explanatory factor in Intech's relative performance and inquired if that was still the case. Mr. Bjorkman stated there is no clear statistical conclusion that levels of relative volatility and the Intech process will impact the performance. He noted intuitively higher levels of relative volatility make it easier. Mr. Bjorkman stated Intech has looked

in depth at whether they are selecting stocks that have higher levels of relative volatility. He stated if Intech was using all or most of the relative volatility in the market to achieve the 3.5% excess gain, the affect of the volatility would be much more critical. Mr. Bjorkman stated Intech only uses a small amount of the actual relative volatility. He stated as the relative volatility increases or decreases the degree of the overweights and underweights changes over time.

Ms. Coffin, referring to page 18 of the Intech presentation package, noted there is only one woman on the client services team and inquired if Mr. Bjorkman anticipates the hiring of other females. Discussion ensued.
Mr. Bjorkman left the Board meeting.

5. Discussion of proposed timeline for asset liability project by PCA/EFI and possible action

Mr. Neil Rue and Ms. Sarah Bernstein of Pension Consulting Alliance (PCA) approached the Board table. President Romero recognized the representatives of PCA. Mr. Rue presented the Board with a tentative timeline for the asset liability study. The Board, Staff, Mr. Rue and Ms. Bernstein discussed scheduling options for the asset liability project.

6. Discussion to place Wells Capital Management (Active) High Yield Fixed Income Portfolio Manager on watch status and possible action

President Romero introduced item 6 and inquired if there was any discussion. Mr. Moore commented Wells is losing two Sr. Analysts and the lead portfolio manager. He stated that Wells has taken a big hit on the research side. Mr. Moore inquired if the Wells Capital representatives present would like to speak to the issue.

Mr. Stephen Scharre, Senior Relationship Manager for Wells Capital, approached the podium. President Romero recognized Mr. Scharre.

Mr. Scharre stated Wells Capital is disappointed by the departures from the team. He stated they are working very hard at replacing the Sr. Analysts and are well into the process of interviewing candidates. He stated Wells is very confident that there is coverage at the analyst level to cover all of the industries lost with the departures. He stated Wells Capital believes they are capable of performing the job they were hired to do.

Mr. Moore inquired if the departed employees all went separate ways. Mr. Scharre stated the former Wells staff members have all joined the same firm. He stated the team believes the three are the only ones leaving, but could not make a guarantee.

Mr. Moore inquired if PCA had a comment. Ms. Bernstein stated she has spoken with both the former team members and the current team. She stated this is clearly troubling and noted that is why PCA is recommending Wells Capital be put on watch status. Ms. Carranceja added Staff will be monitoring Wells Capital for the next nine to fifteen months.

Mr. Scharre returned to the audience.

Mr. Vazquez moved approval of Resolution 07-68. Seconded by Commissioner Hogan-Rowles and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

7. Discussion to extend Contract No. 146 with ING Investment Management to June 30, 2010 and possible action

President Romero introduced item 7 and inquired if there was any discussion.

Mr. Canzano noted he has been very pleased with ING's performance and he fully supports extending the contract.

Mr. Vazquez moved approval of Resolution 07-68. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

8. Discussion to extend Contract No. 147 with Wells Capital Management to June 30, 2010 and possible action

President Romero introduced item 8 and inquired if there was any discussion.

Mr. Canzano moved approval of Resolution 07-68. Seconded by Commissioner Hogan-Rowles and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, Hogan-Rowles, Vazquez and Canzano
Nays: None

Mr. Rue and Ms. Bernstein returned to the audience.

9. Retirement Plan Manager's Comments
a) General Items

Ms. Carranceja explained that Staff was proceeding according to schedule with James Evans and Associates (JEA) on the computerization project. She informed the Board that all of the Retirement Plan office staff members are included in the process as the employees are the subject matter experts. Ms. Carranceja explained Staff has met with the Department's ITS division and JEA to discuss security as it is a primary concern due to the web application feature. She stated three employees have been hired to assist with the data conversion.

President Romero inquired if any document scanning has already begun. Ms. Carranceja responded approximately 3000 beneficiary forms have been scanned.

Commissioner Hogan-Rowles inquired if the Retirement Plan office is currently fully staffed. Ms. Carranceja stated there are still vacancies that Staff is working on filling.

Mr. Canzano inquired if the additional contribution item had been calendared for any particular meeting. Mr. Blunk stated Staff had not yet completed the analysis but stated it could be tentatively targeted for inclusion in the June 20, 2007 Regular Board meeting.

The Board meeting was adjourned at 10:52 am.

JAVIER ROMERO
President

RAMONETTE CARANCEJA
Secretary

IRENE COLON
Recording Secretary