

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

MINUTES – August 15, 2007

Present:

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

Absent:

Ronald Deaton	General Manager
Forescee Hogan-Rowles	Commissioner

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Jeremy Wolfson	Investment Officer
Irene Colón Gonzalez	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance
Mike Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 9:52 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

There were no public comments.

- 1. Termination from Monthly Rolls as of August 2007:
Retirement Resolution for August 2007
Termination of Esther C. Castro from the August 2007 Permanent Total
Disability Roll (deceased)**

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

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

- 2. Report of Payment Authorizations as of July 2007**

3. **Notice of Deaths for July 2007**
4. **Summary Investment Returns as of July 31, 2007**
 - a) **Market Value of Investment by Fund and Month as of July 31, 2007**
 - b) **Market Value of the Retirement, Death & Disability Funds and Retiree Health Care Fund as of July 31, 2007**
 - c) **Investment Returns as of July 31, 2007**

5. PCA's report regarding ING Investment Management Americas' recent changes

Mr. Moore moved the above items 2 through 5 be received and filed. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

6. Discussion with Aetos, Hedge Fund Manager, regarding recent losses and possible action

Anne Casscells, Managing Director of Aetos Capital and Sarah Bernstein (PCA) approached the Board table. President Romero recognized Ms. Casscells and Ms. Bernstein.

Ms. Bhatia indicated the Board members were informed at the last meeting that WPERP's investment with Aetos was subjected to a loss on July 2007, when Sowood Capital, a well-known credit based hedge fund, realized significant losses in its portfolio. Sowood was valued at approximately \$3 billion dollars prior to their realized loss which resulted in a reduction of approximately 50% to 60% of its value.

Ms. Casscells reported that the WPERP portfolio invested in Aetos' fund of funds on February 1, 2007, in the balanced portfolio. From February 1 through July 31 the portfolio DWP invested in was up 2.67% year to date, which is inclusive of a loss of 1.95% in July. She stated Aetos' portfolios were up approximately 1.4% in January, therefore if one invested on January 1, the year-to-date return through July would be in excess of approximately 4%.

Ms. Casscells explained the loss by stating that the Aetos "Balanced Portfolio" has an allocation of about 45% to arbitrage strategies through the firm's multi-strategy portion of the portfolio. Sowood Capital was a part of the "Balanced Portfolio" and as of June 30, WPERP had a 4.29% exposure to Sowood Capital in its portfolio with Aetos. In dollar terms, the Plan's exposure was approximately \$1.49 million dollars. Ms. Casscells added that Sowood Capital had some extreme losses in July and fearing the possibility of having the portfolio seized and sold off, they elected to take a proactive approach by soliciting a bid for the portfolio from Citadel. The result of Citadel's bid was that the total portfolio's value would experience a 60% loss in value. After the sale to Citadel, WPERP's loss was estimated at approximately \$865,000.00 or 2.75% of our allocation to Aetos. On a year-to-date basis the Aetos portfolio returned a positive 2.67%.

Ms. Casscells reported, in terms of due diligence, Aetos is talking with all of the hedge funds they invest with about trying to better integrate their stress test with the triggers they have with their counterparties and re-underwriting that particular type of risk.

More Board discussion ensued.

Ms. Casscells left the Board meeting.

7. Resolution granting consent to NorthPointe Capital LLC for assignment of existing Contract No. 161 in connection with the buyback of ownership from Nationwide Emerging Managers, LLC

There was no Board discussion.

Mr. Vazquez moved the approval of Resolution 08-09. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

8. Resolution to approve the annual transfer of funds from the Reserve for Investment Gains and Losses Account to the General Reserve Account.

There was no Board discussion.

Mr. Canzano moved the approval of Resolution 08-10. Seconded by Ms. Coffin and carried unanimously after the following vote:

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

9. Discussion of PCA's recommendation regarding recent organizational changes at The Boston Company and possible action

Ms. Bernstein reported that The Boston Company has had a number of fairly significant organizational and personnel changes. She stated the firm's Chief Operating Officer departed from the firm and they also lost one of their 12 portfolio management teams for another opportunity. Ms. Bernstein informed the Board that that particular management team does not directly affect the DWP pension fund value portfolio. However, PCA feels that it is enough organizational upheaval to recommend the Board place the firm on watch status as PCA continues to monitor them.

Mr. Vazquez moved that The Boston Company be placed on watch status. Seconded by Mr. Moore and carried unanimously after the following vote:

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

10. Reports for Board Reference

- a) Report on status of insurance as of July 24, 2007**
- b) Summary Investment Returns as of June 30, 2007**

There was no Board discussion.

11. Retirement Plan Manager's Comments

a) General Items

Ms. Bhatia announced that the new actuary, Buck Consultants, was on board and has been working with the previous actuary, The Segal Company, in connection with the transitioning of files and data. She indicated there would probably be some costs involved in connection with the transfer of those files.

Ms. Bhatia reported that work is progressing on the implementation of the new computer system. There has been regular conferencing with JEA, as well as various employees in the IT Group. Ms. Bhatia stated the active module is expected to be implemented next year in April or May and the second Module, which is the retiree's payroll, will be implemented in October of next year. She stated that after implementation is complete the web access will be worked on the following year. Ms. Bhatia explained that staff would be able to start using the system to maintain records, but as far as membership access on the web, it would not be available until 2009.

Ms. Bhatia informed the Board members that educational sessions concerning the asset liability study are being scheduled for the month of October.

12. Future agenda items

The Board meeting was adjourned at 10:44 a.m.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLON GONZALEZ
Recording Secretary