

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

MINUTES – September 19, 2007

Present:

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

Absent:

Ronald Deaton	General Manager
Forescee Hogan-Rowles	Commissioner
Eugene K. Canzano	Board Member

Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Monette Carranceja	Assistant Retirement Plan Manager
Mary Higgins	Assistant Retirement Plan Manager
Paul Palmer	Chief Investment Officer
Irene Colón Gonzalez	Recording Secretary
Neil Rue	Pension Consulting Alliance
Sarah Bernstein	Pension Consulting Alliance
Paul Mouchakkaa	Pension Consulting Alliance
Alan Manning	Assistant City Attorney

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

[Pledge of Allegiance]

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

President Romero called for a moment of silence for a lineman who died in the line of duty.

PUBLIC COMMENTS

There were no public comments.

- 1. Termination from Monthly Rolls as of September 2007:
Amended Retirement Resolution for August 2007
Retirement Resolution for September 2007
Resolution terminating Cris Robertson from the September 2007 Family Death
Benefit Roll (deceased 8/24/07)**

Resolution terminating Clark Bolitho, Fredeliza Reyes, and Dakota A. Ensminger from the October Family Death Benefit Roll (attained 18 years of age)

Mr. Moore 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 Vazquez

Nays: None

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

Mr. Moore moved that the above items 2 through 4 be received and filed. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Vazquez, and Moore

Nays: None

- 5. Recommendations by PCA Real Estate Advisors to commit \$20 million in CB Richard Ellis Strategic Partners U.S. Value 5, L.P. and possible action**

Mr. Mouchakkaa of PCA, and Mr. Vance Maddocks and Ms. Nicole Bise of CB Richard Ellis Investors (CBR), LLC approached the Board table. President Romero recognized Mr. Mouchakkaa and the CBR representatives.

The CBR representatives discussed their Value 5 fund, which is a value added private equity real estate fund.

Mr. Moore moved the approval of Resolution 08-17 to authorize investment in real estate manager, CB Richard Ellis Strategic Partners U.S. Value 5, L.P. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Moore, and Vazquez

Nays: None

Mr. Mouchakkaa and the CBR representatives left the Board meeting.

- 6. Review of Watch Status of Boston Company Emerging Markets Account by Pension Consulting Alliance (PCA) and possible action**

Ms. Bernstein and Mr. Rue approached the Board table. President Romero recognized the PCA representatives.

Ms. Bernstein indicated that PCA feels the watch status period should be extended for Boston Company until after the asset liability analysis. Mr. Rue stated that placing Boston Company on watch status is a difficult decision to make, but the firm has been disappointing versus the benchmark, their returns have been poor, and they have lagged modestly even on a risk adjusted basis. He stated that one key component of their underperformance versus a broad market benchmark is their style. Consequently, a substantial amount of their underperformance is due to them having a value orientation versus the emerging markets benchmark. Mr. Rue explained that another issue is that an emerging markets program was put together consisting of two managers (The Boston Company and T. Rowe Price) with complementary styles. He stated T. Rowe Price is a growth oriented manager and has done very well, which completely offsets the lagging results of The Boston Company. He added that, in net, the emerging markets program, over recent periods, is adding value.

Mr. Rue identified the three major reasons for keeping the Boston Company is that the firm is complementary to T. Rowe Price, their team is stable, and there has been very low turnover on the value team.

Mr. Rue pointed out a concern regarding the participation in a commingled fund in one of the largest emerging market investment products in a marketplace even though Boston Company has had major business success with this product. He stated that PCA would argue that when products get big they might suffer from their size.

Mr. Rue stated that, overall, The Boston Company asset management has recently experienced significant organizational changes and it is unknown what is going on in the heart of the company. But when a senior officer leaves a larger company one would be concerned. He expressed that this has not affected the value team; however, PCA will continue to watch them.

Mr. Rue's final recommendation to the Board was that The Boston Company continues to be placed on watch and PCA will come back before the Board with a formal opinion in six months.

Mr. Vazquez asked if the Board were not going through an asset allocation study would PCA's recommendation be the same. Mr. Rue responded that the recommendation would be the same but it would differ if there was not a complementary manager in place. He stated when looking at the overall emerging markets program and its bottom line, it has done well recently. Consequently, why alter it and incur significant transaction costs that may threaten the success of the program. Mr. Vazquez inquired if the benchmark being used is appropriate. Mr. Rue responded there are currently no style oriented benchmarks in the emerging markets category but they are presently being developed. He added that right now the best benchmark possible is being used to measure against.

Mr. Moore moved the approval of Resolution 08-18 to extend The Boston Company emerging markets on watch status to February 14, 2008. Seconded by Ms. Coffin and

carried unanimously after the following vote:

Ayes: Romero, Coffin, Vazquez, and Moore

Nays: None

7. Review of Watch Status of Pyramis International Growth Equity Account by Pension Consulting Alliance (PCA) and possible action (color copies attached)

Mr. Rue indicated that Pyramis (previously Fidelity) has a short track record with the Plan and PCA wants to watch them a little bit longer. He added that the ongoing asset liability study also factors into PCA's decision to keep Pyramis on watch status. Mr. Rue reminded the Board that Pyramis has been on watch for a long time for organizational reasons. The firm was placed on watch due to a trading scandal at Fidelity along with some organizational turnover subsequent to the scandal. He added there were also senior employees who left the account. Mr. Rue reported that Pyramis has hired new senior professionals from Putnam Investments, who PCA has met with and are confident in. He explained that Fidelity has experienced a difficult time over the past 15 months but has come out of it with its new team. Over the last 6 months, the new team has added about 100 basis points of value in their portfolio. Since inception, the account has added value and since probation has added value against its benchmark. Mr. Rue reiterated to the Board that for these reasons PCA would like to keep Pyramis on watch status for a little bit longer to see if the new team can continue to add value to their accounts. He indicated that PCA and staff have had discussions regarding this and there has been a little bit of vagueness on how Pyramis's benchmark is labeled in the investment policy. He stated staff will come back with a recommendation in a month with regards to revising the benchmark to make it more focused and consistent with Pyramis's mandate.

Mr. Vazquez moved the approval of Resolution 08-19 to continue the watch status for Pyramis Global Advisors Trust Company for a period of six months. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Coffin, Vazquez, and Moore

Nays: None

8. Discussion of recommendation by the Governance Committee of letter to companies identified by the Sudan Divestment Task Force as Category Two Offenders and possible action

Ms. Bhatia indicated this item was discussed at the Governance Committee meeting. She stated that the Governance Committee recommended that the letter with the amended changes be sent out and Board action was needed to adopt the recommendation.

Mr. Moore moved the adoption of the amended letter to companies identified by the Sudan Divestment Task Force as Category Two Offenders. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

9. Discussion of recommendation by the Audit Committee regarding issues concerning the annual audit of the Retiree Health Benefits Fund and possible action

Ms. Bhatia indicated that Item 9 was a recommendation from the Audit Committee with respect to the fees for the audit of the Retiree Health Benefits Fund and a motion by the Retirement Board was needed to adopt the recommendation.

Mr. Moore moved the approval of the recommendation by the Audit Committee regarding issues concerning the annual audit of the Retiree Health Benefits Fund. Seconded by Mr. Vazquez and carried unanimously after the following vote:

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

10. Retirement Plan Manager's Comments

a) DWP Retiree Newsletter (September 1, 2007)

b) General Items

Ms. Bhatia informed the Board members that interviews had been completed to fill two vacancies for the Investment Officer position within the Retirement Office. She stated Mr. Scott Vargas was hired from Fire and Police Pensions and would be starting on October 1, 2007. Ms. Grace Adajar, who currently works in the Investment Section of the Retirement Office overseeing accounts pertaining to international and private equity, was promoted to Investment Officer.

Ms. Bhatia noted that asset liability sessions were scheduled in the afternoon after the two meetings in October.

Ms. Carranceja reported that staff received an "off the shelf" version of JEA's system. She explained that this allows staff to check on the interfaces with the existing systems, such as payroll and human resources. Ms. Carranceja stated that staff met with the Controller's Office and the Account's Payable section and they are very happy with the fact that some of the payments they process will be taken over by the new system.

Ms. Bhatia requested a future agenda item concerning the death benefits. She indicated that in the past the provisions were reviewed and compared with the provisions of LACERS and changes were made after receiving cost estimates. She stated that some of the items or the lack of provisions have been pointed out with respect to cases that have occurred recently and small Plan design changes may be needed. President Romero inquired if Ms. Bhatia was referring to death benefits with respect to active employees. Mr. Bhatia responded in the affirmative. President Romero agreed that this should be a future agenda item. He expressed that he has been troubled that DWP is a very big Plan and the men and women of DWP do very dangerous work and when they lose their lives working out in the field it strikes him very hard that families are left with

just 14 times their monthly salary and a basic benefit. He indicated he would be going to Police and Fire Pensions to look into their provisions that are in place for their sworn members.

The Board meeting was adjourned at 10:45 a.m.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

IRENE COLON GONZALEZ
Recording Secretary