

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

**MINUTES – May 7, 2008**

**Board Members Present:**

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

**Board Members Absent:**

David H. Nahai	General Manager
Eugene Canzano	Board Member
Forescee Hogan-Rowles	Commissioner

**Others Present:**

Sangeeta Bhatia	Retirement Plan Manager
Ramonette Carranceja	Assistant Retirement Plan Manager
Mary Higgins	Assistant Retirement Plan Manager
Jeremy Wolfson	Senior Investment Officer
Julie Escudero	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance (PCA)
Michael Wilkinson	Deputy City Attorney

President Romero called the meeting to order at 10:57 a.m. after the Pledge of Allegiance.

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

No Public Comments were received.

President Romero read into the record a note from Board Member Eugene Canzano which explained he (Mr. Canzano) was attending the last class for his certificate in Retirement Plans and was, therefore, unable to attend this meeting. Ms. Bhatia recognized representatives from Independent Fiduciary Services who were present in the audience.

**1. Approval of Minutes**

- a) Approval of Regular Meeting Minutes of February 20, 2008**
- b) Approval of Regular Meeting Minutes of March 25, 2008**
- c) Approval of Regular Meeting Minutes of April 2, 2008**

Mr. Moore moved that Item 1 be approved. The Motion was seconded by Ms. Coffin and carried unanimously after the following vote:

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

2. **Report on Management Change at HRJ Capital**
3. **Report on Management Change at Intech**
4. **Report on Management Change at Paradigm**
5. **Report on Management Change at Wells Capital**

In response to a question from Ms. Coffin regarding private equity investment manager HRJ Capital, Sarah Bernstein from PCA explained the management change did not affect the Private Equity Portfolio.

Mr. Moore moved that Items 2 through 5 be approved. The Motion was seconded by Ms. Coffin and carried unanimously after the following vote:

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

**6. Annual Performance Presentation for the period ending March 31, 2008 by Fred Alger**

President Romero recognized Mr. L. Charles "Duke" Maythaler and Dan C. Chung of Fred Alger Management, Inc.

Mr. Maythaler introduced Mr. Chung who presented an overview of the annual performance review.

In response to a question by Mr. Moore regarding the difference in the first quarter, Mr. Chung stated that in January the high yield stocks were hit hardest first then began to reverse in February. He explained this was classic behavior and expressed confidence in future positive returns.

President Romero asked whether the annualized standard deviation was based on an average of the last three years, and also asked whether summary value versus growth was affected during a depressed economy. Mr. Chung responded the deviation was based on an average of the last three years, and that growth had only outperformed in one year.

In response to a question from Mr. Wolfson regarding how Fred Alger ensured the best execution on its trades, Mr. Chung explained trades were performed either person-to-person or electronically and all possible sources were compared. Mr. Wolfson also asked about the higher commission costs, and Mr. Chung responded the style of investing affected trading cost and commissions.

**7. Annual Performance Presentation for the Period Ending March 31, 2008 by Intech**

President Romero recognized Mr. Russell Bjorkman of Intech.

Mr. Bjorkman noted the personnel changes at Intech and reviewed WPERP's annual performance and investment process.

Mr. Moore asked about the percentage of time for positive versus negative returns and the correlation of returns versus markets. Mr. Bjorkman responded the percentage of time was equally divided, the correlation to the market as a whole was high, and the risk was relative to the market.

**8. Discussion of, and Possible Action on, Issue Related to Securities Lending Under Wells Capital Investment Manager for Death and Disability Funds**

Mr. Wolfson detailed what occurred regarding the Wells Fargo securities lending issue and the delayed notification of unrealized losses in our Retirement Plan's Securities Lending collateral investments. He noted the losses had a negative impact on two small structured investment vehicles, and he expressed staff's concern with the lack of communication between the securities lending group of Wells Capital and the investment manager.

In response to a question from Mr. Moore, Sarah Bernstein of PCA explained it was the re-invested collateral that experienced the loss. She added the concerns of the bank and auditors have been addressed.

Ms. Bhatia reiterated staff's concern with the delayed notification and the accuracy of the report and added Wells Capital had promised this issue will not recur.

Ms. Sandra M. Willen from Wells Capital Management addressed the Board and conveyed that Wells Capital now adjusts the Net Asset Value daily and Wells Fargo has taken steps to limit the maturity of new investments to 30 days or less. She added they were working closely with Wells Fargo Bank to review and monitor all investments and will work to protect capital under the securities lending program.

**9. Discussion of, and Possible Action on, Request from City Attorney to Attend Training**

Mr. Vazquez moved that Item 9 be approved. The Motion was seconded by Mr. Moore and carried unanimously after the following vote:

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

**9a. Discussion of Recommendation of the Audit Committee in Connection with the Annual Actuarial Valuations of the Retirement, Death, and Disability Funds for the Fiscal Year Ending June 30, 2008, and Possible Action**

Ms. Bhatia reported the Audit Committee met on April 30, 2008, regarding concerns with the current actuary. The Committee recommended the Board terminate the contract with the current actuary and enter into a three-year contract with The Segal Company.

Mr. Romero reiterated his previous concern regarding the actuary being the consulting actuary for the Department and the Plan but understood the need to proceed in this case.

Mr. Vazquez moved to adopt the recommendation of the Audit Committee. The motion was seconded by Mr. Moore and carried unanimously after the following vote:

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

**10. Reports for Reference – No discussion**

**11. Retirement Plan Manager’s Comments**

Ms. Bhatia recognized representatives from Independent Fiduciary Services who were hired by the Controller’s Office to conduct a management audit. She explained the City Charter requires an audit be conducted every five years for each of the City’s three pension plans. She noted that the auditors would be conducting interviews with Retirement Plan staff and Board Members in this connection.

Ms. Bhatia reported the first release of the new computer system was expected May 16, 2008, and would be the Active Membership module. Ms. Carranceja added the programming was finished, and the first of the two deliverables was expected May 16, with the second expected in June. She also stated the process was proceeding according to schedule.

**12. Future Agenda Items**

No future agenda items were requested.

The Board meeting was adjourned at 12:35 p.m.

  
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JAVIER ROMERO  
President

  
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SANGEETA BHATIA  
Retirement Plan Manager

  
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JULIE ESCUDERO  
Recording Secretary