

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

**MINUTES**

**July 2, 2008**

**Board Members Present:**

Javier Romero, President  
Cindy Coffin, Board Member  
Eugene K. Canzano, Board Member  
Michael Moore, Retiree Member

**Board Members Absent:**

H. David Nahai, General Manager  
Ron Vazquez, Chief Financial Officer  
Forescee Hogan-Rowles, Commissioner

**Others Present:**

Sangeeta Bhatia, Retirement Plan Manager  
Mary Higgins, Assistant Retirement Plan Manager  
Monette Carranceja, Assistant Retirement Plan Manager  
Jeremy Wolfson, Investment Officer II  
Julie Escudero, Utility Executive Secretary  
Michael Wilkinson, Deputy City Attorney  
Michael Moy, Pension Consulting Alliance  
Sarah Bernstein, Pension Consulting Alliance

Mr. Romero called the meeting to order at 9:39 a.m. after the Pledge of Allegiance.

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

No public comments were received from the general public.

Mr. Romero stated he received an email invitation from the organizers of the 2008 Pension Bridge Alternatives conference in Pasadena, California, which included complimentary attendance for all Board Members. He offered to forward the email to any interested Board members.

**1. Approval of Regular Meeting Minutes of May 7, 2008**

Mr. Moore moved approval of Item 1. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano and Moore

Nays: None

**2. Report from City Attorney Pertaining to Attendance at CALAPRS Attorney's Roundtable in Oakland**

Mr. Canzano expressed his appreciation for Mr. Wilkinson's report, and he requested Mr. Wilkinson provide an update regarding the Lexin matter. Mr. Wilkinson conveyed that the Supreme Court was considering the matter, and various public retirement plans throughout

the state had filed briefs. He stated the outcome remained optimistic, and he hoped for an opinion and direction after the first of the year.

Mr. Canzano thanked Mr. Wilkinson for his participation, as well as the Board for its support.

**3. Report on Change to HRJ Capital's Organizational Structure**

**4. Report on Change to Pyramis Global Advisors' Organizational Structure**

Mr. Canzano moved approval of Items 2 through 4. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

**5. Presentation by Courtland Partners**

Ms. Bhatia reported the Courtland Partners contract was effective May 22, 2008, and Staff met with the representatives soon thereafter to discuss the Plan's current allocation to real estate. The purpose of this presentation was to reintroduce the Courtland representatives and receive their perspective, discuss the current market and economic conditions, discuss Courtland's approach to the Plan's allocation, and review the next steps and Board recommendations.

Mr. Romero recognized Ms. Lourdes Canlas, Ms. Jacinta de Rivera and Mr. Benjamin Blakney of Courtland Partners.

Mr. Blakney provided the Board with an overview of the current market. He stated that during the past four years the real estate market had enjoyed unprecedented returns that were unsustainable.

Ms. de Rivera provided an overview of the Plan's current portfolio, noting that the Board had made the following investments:

PRISA - A core fund with \$50 million committed in December 2006; the entire amount had been contributed, with the current equity valued at \$57.3 million.

PRISA II - A value fund with \$21.5 million committed in June 2007; \$10.8 million had been contributed, and \$10.6 million remained to be contributed.

JP Morgan – A core fund; \$50 million had been committed; all had been contributed with the current equity valued at \$51.9 million.

CBRE strategic partners - US Value V - \$20 million had been committed which had not yet been contributed.

Mr. Moore inquired how the portfolio's risk compared with that of other Courtland clients. Ms. de Rivera replied the Plan's portfolio was conservative and stable compared to other clients.

Mr. Moore inquired if the investments were expected to decrease in value. Ms. Canlas responded in the negative and stated the portfolio had performed very well despite its very conservative strategy. She stated Courtland recommended the Plan assume slightly more risk and move into the Core Plus strategy.

Mr. Romero remarked that he felt it prudent for the Plan to take on a little more risk considering the portfolio's current position and the economic conditions, and he asked what steps were necessary. Ms. Canlas explained Courtland would model the portfolio and formulate projections for the next three to five years and then make recommendations.

Mr. Moore inquired if Courtland planned to guide the Board on how the level of leverage should be changed. Ms. Canlas stated the Plan's policy provides for a maximum of 50% overall leverage, and Courtland will monitor the portfolio to ensure the overall portfolio does not become non-compliant with target policy.

Mr. Romero requested an in-depth educational meeting be conducted to explain how a green portfolio might fit within the Plan's real estate portfolio.

- 6. Summary Investment Returns as of May 31, 2008**
  - a) Market Value of Investment by Fund and Month as of May 31, 2008**
  - b) Market Value of the Retirement, Death and Disability Funds and Retiree Health Care Fund as of May 31, 2008**
  - c) Investment Returns as of May 31, 2008**

Item 6 was provided for reference purposes only.

## **7. Plan Manager's Comments**

Ms. Bhatia reported the Plan amendment regarding the Wickey case was expected to be presented to the Board of Commissioners; however, she had been informed the provisions were being revised. She stated the new target date was July 16, 2008.

She reported an Audit Committee meeting was scheduled for July 16, 2008. She further reported Staff was progressing with user testing on the new computer system.

She stated the City Attorney was still reviewing the meet and confer issue of the additional annuity program.

She also reported the Deferred Compensation Board's composition had been changed to now include the Plan managers of the City's three pension plans, and the first meeting was scheduled for July 15, 2008, which she planned to attend.


## 8. Future Agenda Items

President Romero requested an agenda item addressing securities monitoring be included in an upcoming meeting.

Mr. Canzano inquired if the DWP Board of Commissioners needed to approve the Plan amendment related to the Wickey case before it goes before the Retirement Board. Ms. Bhatia explained if the amendment had been defined and had received the necessary union review and approvals, the next steps would be to: 1) recommend approval of the amendment to the Board of Commissioners, 2) receive approval by the Board of Commissioners, 3) receive approval from City Council, as applicable, and 4) adopt the amendment by the Retirement Board and incorporate the amendment into the Plan.

Mr. Moore requested the meeting be adjourned in memory of Mr. Bob Phillips, former General Manager of the Department of Water and Power.

The Board meeting was adjourned at 11:00 a.m.



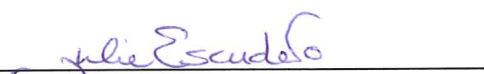
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JAVIER ROMERO  
President



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SANGEETA BHATIA  
Retirement Plan Manager



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JULIE ESCUDERO  
Utility Executive Secretary