

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

**MINUTES**

**July 16, 2008**

**Board Members Present:**

Javier Romero, President  
H. David Nahai, General Manager  
Eugene Canzano, Board Member  
Michael Moore, Retiree Member

**Board Members Absent:**

Forescee Hogan-Rowles, Commissioner  
Cindy Coffin, Board Member  
Ronald Vazquez, Chief Financial Officer

**Others Present:**

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

President Romero called the meeting to order at 9:40 a.m. after the Pledge of Allegiance.

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

There were no public comments.

**10. Recommendation to Approve Proposed Plan Amendment (Out of Order)**

In response to a question from Mr. Canzano regarding the survivor option and whether it was a monthly annuity or a formula pension, Ms. Higgins answered it was a formula pension, and the controlling language was in the Plan Amendment which had been reviewed by the City Attorney.

Mr. Canzano moved approval of the above item. Seconded by Mr. Nahai and carried unanimously after the following vote:

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

**7. Resolution to Remove Wells Capital Core Fixed Income Account from Watch Status – Discussion and Possible Action (Out of Order)**

Mr. Moore moved approval of Item 7. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

**8. Resolution to Extend Wells High Yield Fixed Income Account Watch Status – Discussion and Possible Action (Out of Order)**

Mr. Moore moved approval of the above item. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

**9. Memo for Transition Summarizing and Ratifying the Board's Decisions (Out of Order)**

Mr. Moore moved approval of the above item. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

**1. Termination from Monthly Rolls as of July 2008 (Out of Order)  
Retirement Resolutions for July 2008**

**Resolution Terminating Beatrice M. Emery from the June 2008 Survivorship Roll as a Result of Her Death**

**Resolution Terminating Phyllis R. White from the June 2008 Survivorship Roll as a Result of Her Death**

Mr. Canzano moved approval of the above item. Seconded by Mr. Moore and carried unanimously after the following vote:

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

- 2. Report of Payment Authorizations for June 2008**
- 3. Notice of Deaths for June 2008**
- 4. Report on Status of Insurance as of June 30, 2008**
- 5. Summary Investment Returns as of June 30, 2008**
  - a) Market Value of Investment by Fund and Month as of June 30, 2008**
  - b) Market Value of the Retirement, Death and Disability Funds and Retiree Health Care Fund as of June 30, 2008**
  - c) Investment Returns as of June 30, 2008**
- 6. Recent Hire of new analyst to Paradigm's Investment Team**

Mr. Canzano moved approval of the above items. Seconded by Mr. Moore and carried unanimously after the following vote:

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

**7. - 10. (Considered earlier in the meeting.)****11. Retirement Plan Manager's Comments**

Mr. Nahai excused himself from the remainder of the meeting.

Mr. Wilkinson advised the Board they could continue with discussions as long as no actions were taken.

Ms. Bhatia reported that testing was progressing for the new system, and staff was incurring considerable overtime to concurrently maintain service levels.

With respect to the implementation of the transition plan and changes to the asset allocation structure, Ms. Bhatia noted staff had begun setting up new accounts with the current custodian bank and investment managers; however, some investment managers indicated they might not be able to provide the same investment product. Ms. Bhatia explained this affected the commingled funds strategies, and some investment managers indicated the assets for the Health Plans could not be commingled with the existing investment vehicle because the Health Plans were classified as a separate type of trust at the IRS. She added staff had requested a determination letter from the IRS, and if a different investment vehicle was required, it would be brought back to the Board.

Mr. Wolfson updated the Board regarding the current Fannie Mae and Freddie Mac situation and reported most of the Plan's exposure was with the fixed income mandates. He indicated the Plan's only exposure from an equity perspective was the T. Rowe price account. He also stated the bond exposure for the two core mandates, Wells Fargo and ING respectively, was slightly higher than the benchmark (Wells only) based on their active strategies, and staff was monitoring the situation. He pointed out the allocation to fixed, from a return perspective, actually increased, and the Plan beat its policy benchmark by approximately 50 basis points.

In response to Mr. Moore's inquiry as to the major reason for ING's underperformance this past year, Mr. Wolfson responded a key cause was ING's exposure to private label mortgages. Mr. Tom Neukranz from ING explained their underperformance was predominantly due to security selection. He indicated they decided to have less exposure to agencies and to take a more active role to more fully understand the individual mortgages they own. He stated they would be better off in the long run owning private labels than owning agencies.

Ms. Bhatia commented that she planned to schedule a Governance Committee Meeting on August 20, 2008, to provide an update on the exposure to investments and companies doing business in Sudan and also to provide the report Ms. Hogan-Rowles requested with respect to policies and exposure to minority service providers.

In response to a question by Mr. Canzano regarding issues with the current systems, Ms. Higgins responded that staff was making progress, and the major problems were fixed.

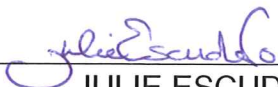
**12. Future Agenda Items**

No future items were requested.

The Board meeting was adjourned at 9:57 a.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