

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

MINUTES

October 1, 2008

Board Members Present:

Javier Romero, President
Eugene Canzano, Vice President
Cindy Coffin, Board Member
Forescee Hogan-Rowles, Commissioner

Board Members Absent:

H. David Nahai, General Manager
Ronald Vazquez, Chief Financial Officer
Michael Moore, Retiree Member

Others Present:

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

President Romero called the meeting to order at 9:33 a.m. following the Pledge of Allegiance.

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

Ms. Bhatia acknowledged the day as the 70th anniversary of the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan. She gave a brief presentation of the Plan's history and achievements.

President Romero welcomed new employee Theresa Lopez to the Retirement Office.

Public Comments

Mr. Romero recognized Mr. John Hill from the Department's Accounting Office. Mr. Hill requested a future report in response to a petition submitted last year regarding additional contributions options, i.e., settlement options, lump sums, rollovers, and annuities.

1. **Approval of Minutes:**
Regular Meeting of July 16, 2008
Governance Committee Meeting of September 3, 2008

2. **Retirement Resolutions for September 2008**
Termination from Monthly Rolls as of September 1, 2008

Resolution to Terminate Eric Pfefferle, Robert Gutierrez and Joanne Gutierrez from the October Family Death Benefit Roll – Attained Legal Age

Resolution to Terminate Mary K. Esser from the September 2008 Survivorship - Roll as a Result of Her Death

Resolution to Terminate Ola Mae Jasper from the September 2008 Survivorship Roll as a Result of Her Death

Resolution to Terminate Katherine E. Powers from the September 2008 Survivorship Roll as a Result of Her Death

Resolution to Terminate Geraldine M. Van Gieson from the September 2008 Survivorship Roll as a Result of Her Death

Ms. Coffin moved approval of Items 1 through 2. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Hogan-Rowles
Nays: None

Mr. Romero called for comments on the following Items 3 through 10.

3. **Report of Payment Authorizations for August 2008**
4. **Notice of Deaths for August 2008**
5. **Summary Investment Returns as of August 31, 2008**
 - a) **Market Value of Investment by Fund and Month as of August 31, 2008**
 - b) **Market Value of the Retirement, Death and Disability Funds and Retiree Health Care Fund as of August 31, 2008**
 - c) **Investment Returns as of August 31, 2008**
6. **Report on Status of Insurance as of August 31, 2008**
7. **Report on Change to HRJ Capital's Organizational Structure**
8. **Report on T. Rowe Price Organizational Change**
9. **Update from City Attorney on Lexin Case**

Mr. Romero requested an update to which Alan Manning provided background on the case and clarified the law in terms of what Board Members can do with regard to contracts to avoid potential conflicts of interest.

Mr. Wolfson reviewed the Staff memo which described the recent events that led up to the current financial market situation.

10. Updates:

- a) Update from Staff on Financial Markets**
- b) Update from PCA on Cardinal Americas**

In response to Ms. Hogan Rowles' concern regarding the impact, if any, on the portfolio due to the recent market events, Mr. Wolfson responded that the portfolio was in line with the market and fluctuated daily.

Mr. Canzano moved approval of Items 3 through 10. Seconded by Ms. Hogan-Rowles and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Hogan-Rowles
Nays: None

President Romero stated that the agenda items would be taken out of order in anticipation of Ms. Hogan-Rowles' noon departure resulting in the loss of a quorum.

17. Benchmark Change for International Development Managers to MSCI World ex US IMI (Out of Order)

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

Ayes: Romero, Canzano, Coffin, Hogan-Rowles
Nays: None

18. Recommendation to Adopt Plan Amendment Relative to Death Benefits (Out of Order)

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

Ayes: Romero, Canzano, Coffin, Hogan-Rowles
Nays: None

Mr. Romero thanked Brian D'Arcy, Staff and all involved for making this happen.

11. Annual Performance Presentation by The Boston Company

Mr. Romero recognized Messrs. Robert Harkins, Lawrence Ivey, and Bill Adams of The Boston Company.

Mr. Harkins informed the Board that year-to-date, the portfolio was ahead of the benchmark by more than two hundred basis points and had been placed at the top quartile performance for the year.

In response to Mr. Romero's inquiry regarding any recent opportunities to purchase and sell stocks, Mr. Adams explained they have trimmed the portfolio in areas that were overweight and cautiously added to areas that had been underweight to become more equally weighted.

Commissioner Hogan-Rowles stepped out of the meeting at 10:40 a.m. and the quorum was lost. Mr. Romero called for a brief recess.

The meeting reconvened at 10:52 a.m. with Commissioner Hogan-Rowles back in attendance.

12. Annual Performance Presentation by Pyramis Global Advisors

Mr. Romero recognized Mr. Brian Hoesly of Pyramis Global Advisors.

Mr. Hoesly introduced Pyramis as Fidelity's stand-alone institutional investment manager with over \$165 billion in assets under management. He stated Pyramis' goal was to achieve excess returns relative to the MSCI EAFE Index over a full market cycle, and the firm had achieved this purpose since inception. He reported the preliminary numbers, as of September 30, 2008, indicated the portfolio to date was ahead of the benchmark by over 100 basis points.

In response to Mr. Romero's inquiry regarding possible strategy changes due to the recent market conditions, Mr. Hoesly stated the strategy would remain unchanged and they would continue to focus on the fundamentals of the company.

13. Annual Performance Presentation by Invesco Global Asset Management

Mr. Romero recognized Messrs. Michael Bowman, Erik Granade, and Kirk Holland of Invesco.

Messrs. Holland and Granade presented background on the firm and its philosophy and investment process.

Mr. Granade stated the portfolio was down 14.8% at the end of the third quarter compared to a 20.7% decline for the benchmark on a gross-of-fee basis.

Mr. Canzano requested an update on the utility sector which was underweighted. Mr. Granade replied that utilities are generally very stable; however, some are non-regulated, and the firm was being extra cautious. He added that merger and acquisition activity had resulted in increased prices for many of the quoted companies.

Ms. Hogan-Rowles asked, if alternative energy sources would become a part of future investments, to which Mr. Granade replied that components of alternative energy techniques could be factored in to their investments.

14. Presentation by Courtland Partners- Real Estate Performance for Period Ending June 30, 2008

Mr. Romero recognized Ms. Lourdes Canlas, Mr. Sanjiv Kala, and Ms. Jacinta de Rivera of Courtland Partners, the Plan's real estate consultant.

Ms. Canlas presented the real estate performance portfolio for the second quarter ending June 30, 2008, and noted the current portfolio market value was approximately \$124 million, and the real estate allocation made up 1.6% of the total pension assets valued at \$7.7 billion. She reported for the one-year gross returns, the Plan underperformed with an 8.9% return on the total portfolio, compared to the NCREIF total of 9.2%. She noted separate benchmarks for core and non-core for a fairer comparison. She indicated the core exceeded the benchmark with a 9.5% return versus the non-core which underperformed with a 4.1% return. She further indicated the value add funds did not perform well as a result of the cap rates; but overall the portfolio was doing well.

Commissioner Hogan-Rowles left the meeting at 11:40 a.m. and Mr. Romero adjourned the meeting due to the loss of quorum.

The remaining members continued to hear the balance of the agenda which consisted of non-action items only.

15. Pension Consulting Alliance, Inc. – Quarterly Performance Review for Period Ending June 30, 2008

Mr. Romero recognized Mr. Neil Rue of Pension Consulting Alliance.

Mr. Rue distributed and reviewed a brief perspective of the recent market environment, noting that historically the market has recovered substantially after a crisis.

In response to Ms. Coffin's inquiry regarding the possibility of re-evaluation of strategic modifications to the portfolio, Mr. Wolfson responded it was critical at this time to not make tactical moves but to focus on the long-term strategic goals and objectives which may still go through multiple economic cycles but should continue to be addressed through diversification.

Mr. Rue continued noting the portfolio was down 4.3%, the median fund was down 4.4%, and the policy benchmark had underperformed by approximately 150 basis points.

PUBLIC COMMENTS - Mr. Romero re-opened Public Comments and publicly acknowledged Reggie Brewer, the Department's Audio Visual Technician, for his assistance throughout the year.

16. Pension Consulting Alliance, Inc. – Private Equity Performance Review for Period Ending June 30, 2008

Mr. Romero recognized Mr. Tad Fergusson and Mr. Mike Moy of Pension Consulting Alliance.

Mr. Fergusson clarified the report was for the quarter ending March 31, 2008, and because it included fund-of-funds, it lagged a quarter behind.

He reported the private market returns fared well versus the public markets and were holding up relatively well. He stated the buyout activity dropped dramatically due to the lack of available credit, and venture capital growth remained consistent and had not been as impacted by the lack of available credit; however, the exits of venture capital were impacted as a result of little activity, but overall the portfolio was performing well.

17. Considered earlier in the Meeting

18. Considered earlier in the Meeting

19. Retirement Plan Manager's Comments

Ms. Bhatia reported that due to recent concerns from both retirees and active members, a brief summary was posted on the Retirement website and in the retiree newsletter concerning the safety of the pension benefit.

Ms. Bhatia also informed Board members that the Benefit Specialist class had been adopted, and Staff was proceeding with the hiring process.

With respect to the transition plan and changes to the asset allocation structure, Ms. Bhatia noted that Neil Rue of PCA had recommended waiting for the markets to stabilize before proceeding with the transition. Mr. Rue also stated that Staff would be monitoring market volatility.

In addition, Ms. Bhatia stated that the annual actuarial evaluation as of June 30, 2008, had been completed and was scheduled for presentation at the next Board meeting. She also noted Segal provided notice of their intent to bid for Professional Consulting Services to Advise and Support LADWP Management and the Joint Labor Management Health Care Committee on Employee Health and Benefits Services, and she did not believe this would result in a conflict of interest. Mr. Romero requested this item be returned with a detailed scope further clarifying the RFP.

Lastly, Ms. Bhatia informed the Board that the Mayor's Office requested a review on the market's impact on the investment portfolio of the Retirement Plan and the steps taken to mitigate risk. She indicated Staff will prepare a report to be signed by the Retirement Board President. Mr. Romero requested that a copy be provided to the Board.


20. Future Agenda Items

No future items were requested.

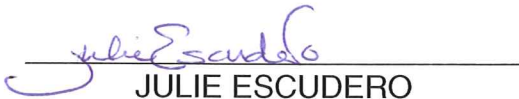
The Board meeting was adjourned at 12:29 p.m.



JAVIER ROMERO
President



SANGEETA BHATIA
Retirement Plan Manager



JULIE ESCUDERO
Utility Executive Secretary