

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

MINUTES

February 4, 2009

Board Members Present:

Javier Romero, President
Eugene K. Canzano, Vice President
Jeff Peltola, Acting Chief Financial Officer
Michael Moore, Retiree Member

Board Members Absent:

H. David Nahai, General Manager
Forescee Hogan-Rowles, Commissioner
Cindy Coffin, Board Member

Staff Present:

Monette Carranceja, Asst. Retirement Plan Manager
Mary Higgins, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Utility Executive Secretary

Others Present:

Mary Jo Curwen, Deputy City Attorney
Neil Rue, Pension Consulting Alliance

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

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

Public Comments

Mr. John Hill, DWP Utility Accountant, expressed his gratitude to the Board and Staff for the progress made regarding additional contributions.

Mr. Tom Neukranz, ING Investment Management, thanked the Board for its long standing support. He also referenced an agenda item to be considered later in the meeting. He spoke about the personnel changes in ING's management structure and invited Staff to conduct a full due diligence at ING's office in Atlanta.

Mr. Romero then read a card from DWP retiree William Standifer who conveyed his appreciation to the Board for its hard work toward the betterment of the retirees' life.

1. Approval of Minutes for the Regular Meeting of January 7, 2009
(Resubmitted at March 4, 2009, meeting for formal approval.)

Mr. Moore requested that a minor change be made to the last paragraph on the second page to read, "...minus the research cost..." instead of, "...minus their research cost..."

(Additional) Public Comment – Out of Order

Mr. Romero reopened Public Comments and welcomed Jeff Peltola, the Department's Acting Chief Financial Officer. Mr. Peltola has been appointed to the Board and will be attending the Retirement Board Meetings as scheduled.

Mr. Romero called for comments on the following Agenda Items 2 and 3.

2. Report on Personnel Changes at Fred Alger Management, Inc.

3. Report on Personnel Changes at Pyramis

Mr. Canzano moved for approval that Items 2 and 3 be received and filed. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Peltola, Canzano, and Moore

Nays: None

4. Consideration of ING Personnel Changes

Mr. Wolfson gave an overview of the significant changes to the ING investment team. Neil Rue of Pension Consulting Alliance, Inc. (PCA), added that because the Plan's investment exposure with ING was large, a Request for Proposal (RFP) for a new investment manager was recommended. Mr. Wolfson also indicated that ING would be allowed to participate.

Mr. Moore moved for approval of Resolution No. 09-62 to conduct an RFP for an active fixed income manager. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Peltola, Canzano, and Moore

Nays: None

5. Consideration of The Boston Company Personnel Changes

Mr. Wolfson reported that The Boston Company (TBC) consolidated its client service personnel which could impact the level of service provided to the Plan's account. He explained that, as a result, Staff was recommending Resolution 09-63 to place TBC's Emerging Markets Manager on watch status and Resolution 09-67 to reaffirm that TBC's International Developed Equity Manager remained on watch status.

In response to Mr. Romero's question regarding Robert Harkins, TBC's former Vice President, Mr. Wolfson replied that Mr. Harkins was transitioning out of the firm.

Mr. Moore moved for approval of Resolution Nos. 09-63 and 09-67. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Peltola, Canzano, and Moore

Nays: None

6. Consideration to Place AETOS on Watch Status

Mr. Wolfson stated that for the quarter ending December 31, 2008, AETOS failed to meet the Plan's short-term performance criteria for hedge fund of funds approved by the Board on January 21, 2009, and that qualified them to be placed on watch status.

Mr. Moore moved for approval of Resolution No. 09-64 to place AETOS on watch. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

In response to a question from Mr. Moore, Mr. Rue indicated PCA was in the process of creating a peer comparison report which they will provide quarterly.

7. Consideration to Place PAAMCO on Watch Status

Mr. Wolfson reported PAAMCO failed to meet the Plan's new short-term performance criteria for the quarter ending December 31, 2008, which qualified them to be placed on watch.

Mr. Canzano moved for approval of Resolution No. 09-65 to place PAAMCO on watch. Seconded by Mr. Moore and carried unanimously after the following vote:

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

8. Consideration to Remove INVESCO from Watch Status

Mr. Wolfson indicated that INVESCO was placed on watch status in February 2008 for performance-related reasons, but after outperforming their benchmark since September of 2008, they no longer qualified to be on watch. Mr. Romero asked if INVESCO had any recent personnel turnover wherein Mr. Rue responded they had experienced a high level reorganization of the global investment team but that would not impact the Plan's international investment team based in Atlanta. He added that watch status was based on performance, so non-investment related personnel changes normally have limited to no impact on the Plan's portfolio.

In response to a question from Mr. Peltola regarding monitoring the investments, Mr. Wolfson explained that Staff monitors the investment activity of the active managers and performs due diligence regularly. He added that Staff also has access to systems that allow a third party check on compliance related issues.

Mr. Canzano moved for approval of Resolution No. 09-66 to remove INVESCO from watch. Seconded by Mr. Moore and carried unanimously after the following vote:

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

9. Proposed 2009 Manager Presentation Schedule

Mr. Wolfson stated that the introduction of PCA's proposed Manager Presentation Schedule was a normal contractual annual obligation.

Mr. Moore moved for approval of the 2009 Manager Presentation Schedule. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

10. Consideration of Annual Cost of Living Adjustment (COLA) for Eligible Recipients, Effective July 1, 2009

Mr. Romero asked the City Attorney if Mr. Moore, as the appointed retiree member, had to recuse himself from the discussion of this item, which would result in loss of quorum. Ms. Curwen explained since this was a mandatory action item involving a non-discretionary COLA, Mr. Moore was not required to recuse himself.

Mr. Canzano moved for approval of Resolution No. 09-68 to approve the annual COLA. Seconded by Mr. Peltola and carried unanimously after the following vote:

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

11. Consideration of Designation of Trustees for Incompetents

Ms. Higgins provided background on the Plan's provision that allows the Board to designate a trustee for a retiree incapable of administering his/her own affairs. In the case of Mary Bennett, Ms. Higgins stated that Mary Bennett's daughter, Bette Bennett Lee, had presented written documentation from two doctors and other qualified individuals to certify that Mary Bennett was no longer capable of making decisions for herself. Ms. Higgins further stated that all of Ms. Bennett's other children have supported Ms. Lee's request; therefore, Staff was requesting the Board designate Bette Bennett Lee as trustee for her mother for a period of six months, after which time the matter would be brought back to the Board for further consideration. Ms. Higgins added that since this was a seldom-used provision, no set policy was in place to process these requests; therefore, Staff would come back to the Board in six months with a policy recommendation and procedure.

In response to a question from Mr. Romero, Ms. Higgins emphasized that Staff validated the documentation submitted prior to presenting this recommendation. She added that Staff had original signatures from all of Ms. Bennett's children and had spoken to most of them.

Mr. Canzano requested clarification of the process that would take place during the six-month period to which Ms. Higgins responded that Staff would research other plans and their reporting requirements.

Mr. Moore moved for approval of Resolution No. 09-69 to designate Bette Bennett Lee as Trustee for Mary Bennett for a six-month period. Seconded by Mr. Canzano and carried unanimously after the following vote:

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

12.
 - a) **Summary of Investment Returns as of December 31, 2008**
 - b) **Market Value of Investment by Fund and Month as of December 31, 2008**
 - c) **Market Value of the Retirement, Death and Disability Funds and Retiree Health Care Fund as of December 31, 2008**

Item 12 was included for reference only.

13. Retirement Plan Manager's Comments

Assistant Plan Manager Monette Carranceja thanked staff for coordinating the timely mailing of the 1099s on Friday, January 30, 2009. Mr. Romero also extended his appreciation on behalf of the Board.

Ms. Carranceja added testing for the Integrated Pension System was finished, and Staff was reviewing the specifications for the next module.

Ms. Carranceja also reported that on February 3, the Board of Water and Power Commissioners approved the resolution to adopt the rules and regulations governing the active members' election for 2009. She added that Ms. Bhatia had already met with City Clerk staff and would provide an election calendar as soon as it was available.

14. Future Agenda Items

Mr. Moore requested Staff report on the current smoothing policy employed by the Plan and consider discussing the possibility of extending the smoothing period ~~out~~ **beyond** five years.

Mr. Romero added that he would also like to hear from PCA when the smoothing item is presented to the Board.

The Board met in closed session at 10:18 a.m. to confer with counsel and staff on the following item:

15. **Closed Session pursuant to Government Code Section 54956.9 (b)**, to confer with Legal Counsel regarding a matter in which, based on existing facts and circumstances, there is a significant exposure to litigation against the Board, and pursuant to Government Code Section 54956.9(c), to confer with Counsel in considering whether to initiate litigation in that matter.

The Board met back in open session at 11:35 a.m. and decided not to take the lead plaintiff role on the case as discussed in closed session.


The Board meeting was adjourned at 11:38 a.m.



JAVIER ROMERO
President



SANGEETA BHATIA
Retirement Plan Manager



JULIE ESCUDERO
Utility Executive Secretary