

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

**MINUTES**

**March 4, 2009**

**Board Members Present:**

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

**Board Members Absent:**

Forescee Hogan-Rowles, Commissioner  
Jeff Peltola, Acting Chief Financial Officer

**Staff Present:**

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

**Others Present:**

Michael Wilkinson, Deputy City Attorney  
Neil Rue, Pension Consulting Alliance

President Romero called the meeting to order at 10:09 a.m. following the Pledge of Allegiance.

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

There were no public comments.

**1. Approval of February 4, 2009, Regular Meeting Minutes**

Mr. Moore requested that the second line of the first paragraph under Item 14 read, "...and consider discussing the possibility of extending the smoothing period **beyond** five years" and not "**out** five years." Mr. Romero noted the change as presented.

**2. Re-submittal of January 7, 2009, Regular Meeting Minutes for Formal Approval**

Mr. Moore moved for approval of Items 1 and 2; seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Moore, and Coffin

Nays: None

**3. Report on Personnel Changes at Landmark Equity Partners**

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

Ayes: Romero, Canzano, Moore, and Coffin

Nays: None

**4. Presentation by The Boston Company Emerging Markets - Annual Performance Review as of December 31, 2008**

Mr. Romero acknowledged John D. Havens, Senior Relationship Manager, and William J. Adams, Portfolio Strategist, from The Boston Company (TBC).

Mr. Havens stated that at the end of December 2008, TBC outperformed the market by a little over 800 basis points. He compared their performance against that of their peers and noted they were the top performer in their peer group for the quarter and fifth for the year.

Mr. Nahai joined the Board meeting at 10.12 a.m.

Mr. Adams reviewed the annual performance relative to investment returns, peer rankings and future allocations. He noted their strategy, on average, delivered a little over 100 basis points of excess return for each quarter. He presented analysis of the emerging markets value equity portfolio based on performance, country, and sector attribution, and cited stock selection as a key driver of performance.

Mr. Nahai left the meeting at 10:29 a.m.

#### **5. Presentation by T. Rowe Price Emerging Markets - Annual Performance Review as of December 31, 2008**

Mr. Romero acknowledged John Plowright, Client Service Executive, and Todd J. Henry, Portfolio Specialist, from T. Rowe Price.

Mr. Plowright explained that the Plan's total assets as of December 31, 2008, were just under \$44 million, slightly less than the initial inception amount in 2005 and down from its peak of \$111.6 million in 2007. Mr. Plowright also provided an organizational update and indicated that T. Rowe Price has \$2.5 billion in equity and \$1.1 billion in excess reserves with no outstanding debt. He added the company has no planned layoffs or changes in personnel servicing the Plan's portfolio.

Mr. Henry reviewed their emerging market equity and investment approach. He stated that emerging market Gross Domestic Product (GDP) growth was slowing; thus earnings were still being revised down. He added the asset class was down 53% in 2008 and the portfolio underperformed by a little more than 700 basis points. He explained the underperformance was primarily due to exposure in the EMEA region (Europe, the Middle East and Africa) in addition to being overweight in Russia and underweight in South Africa. He reported that to improve the portfolio performance, they have reduced the Russian exposure and increased the weight in Latin America and China, and have increased their exposure to higher conviction stocks.

At the request of Mr. Canzano, Mr. Henry agreed to use the same scale when comparing risk versus return in the future.

#### **6. Discussion of Wells Capital High Yield Investment Performance**

Mr. Wolfson explained that this item was brought before the Board to request removal of Wells Capital High Yield fixed income mandate from watch status after successfully meeting the short-term investment performance criteria for the quarter ending December 31, 2008.

Mr. Canzano moved for approval of Resolution No. 09-78 to remove Wells Capital High Yield Manager from watch status; seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Moore, and Coffin

Nays: None

## **7. Discussion of NorthPointe Transition**

Ms. Bhatia stated that at the last meeting, the Board approved the termination of the contract with NorthPointe, and both Staff and PCA were asked to produce various options for transitioning the account. She reported Staff considered the various options and was recommending option one which would use the transition manager to completely liquidate the account and transfer the cash to the Plan's custodian.

Mr. Wolfson added that this option was the most conservative approach, and it provided a short-term solution. He reviewed the four options as described in Staff's memo.

In response to Mr. Moore's question regarding the length of the transition process, Mr. Wolfson and Ms. Bhatia responded that it may take three to six months.

After discussion of the advantages and disadvantages of each option, the Board agreed on selecting option one.

Mr. Moore moved for approval of Resolution No. 09-79 to transition funds from NorthPointe Capital; seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Canzano, Moore, and Coffin

Nays: None

Mr. Rue addressed the procedural requirements and vague definitions which limit the use of other more creative options.

Mr. Moore asked the City Attorney if the contracts for transition managers and the custodian bank could be amended or re-bid, and Mr. Wilkinson replied it depended on the details of each contract. Ms. Bhatia added that the transition managers' contracts currently in place were short-term and very specific to one particular transaction.

Staff agreed to work with the City Attorney and PCA and report back on the pros and cons of amending the transition manager contracts to address the current constraints.

## **8. Discussion of Insurance Requirements for Simpson & Simpson and Possible Action**

Mr. Romero stated this Item would be considered at a future Board meeting per the request of Simpson & Simpson.

## **9. Consideration of Designation of Trustee for Incompetent**

Ms. Higgins stated Teresita Ferraren has requested the Board designate her as trustee on behalf of her sister, Nellie P. Barroga, who has become incapacitated and unable to manage her financial affairs. Ms. Higgins indicated Ms. Ferraren has presented supporting documentation to justify her request and all of Ms. Barroga's siblings in the U.S. support Ms. Ferraren. Ms. Higgins added, if approved, the designation would not exceed six months.

Mr. Canzano moved for approval of Resolution 09-81 to designate Teresita B. Ferraren as Trustee for her sister, Nellie P. Barroga; seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Moore, and Coffin

Nays: None

- 10. a) Summary of Investment Returns as of January 31, 2009
- b) Market Value of Investments by Fund and Month as of January 31, 2009
- c) Market Value of the Retirement, Death, and Disability Funds and Retiree Health Care Fund as of January 31, 2009

Item 10 was included for reference only.

**11. Retirement Board Newsletter - March 1, 2009**

Item 11 was included for reference only.

**12. Retirement Plan Manager's Comments**

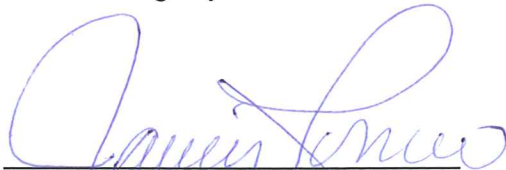
Ms. Bhatia stated the bulletins for the upcoming election for the Retirement Board active employee members were mailed to DWP employees' home and work addresses. She indicated testing of the Penfax system was proceeding well, and staff has been working overtime to meet the deadlines. She added staff was working with ITS regarding security functions of the system. She further added staff was close to selecting the scanning equipment. Ms. Bhatia also reported lack of available office space continues to be an issue.

Mr. Romero asked if Ms. Bhatia had heard about a petition rumored to be circulated for the November ballot regarding re-negotiating public pension plans. Ms. Bhatia responded she had not but had heard of employees' concerns about the funding level of DWP's pension plan; however, she was unable to verify that information. At the request of Mr. Romero, Ms. Bhatia stated staff would contact the City's other two pension plans for any information they had.

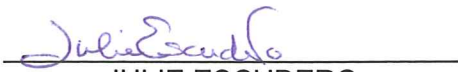
**13. Future Agenda Items**

Ms. Bhatia stated that following items would be scheduled for the April 1, 2009, Board Meeting: (a) review of the previously discussed transition plan, (b) report from Courtland regarding direct investments, (c) the insurance requirement for Simpson & Simpson; and (4) smoothing report.

The Board meeting adjourned at 11:35 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