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

MINUTES – MARCH 25, 2003

Present:

Javier Romero	President
Dan Mirisola	Vice-President
Lilly Calvache	Board Member
Norma Bertrand	Board Member
Ron Vazquez	Chief Financial Officer

Absent:

Anne E. Cho	Commissioner
David H. Wiggs	General Manager

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Silvia Tesseneer	Recording Secretary
Mary Jo Curwen	Deputy City Attorney
Allan Emkin	Pension Consulting Alliance
Neil Rue	Pension Consulting Alliance

President Romero called the meeting to order at 10:12 am after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Vellon indicated there is quorum of the Board present.

PUBLIC COMMENTS

President Romero inquired if there were any public comments and there were none.

1. **Interviews and possible selection of an Investment Management Firm or Firms (From those responding to the Plan's Request for Proposal – Large Growth).**

Mr. Emkin, of PCA, explained the Board will be interviewing active managers for the large growth fund, which is a big step in the implementation after last week's approval of a passive manager for the domestic equity fund. He urged the Board to make notations on items that stand out for each management firm, good or bad, to distinguish among the 10 firms being interviewed. Mr. Emkin encouraged the Board members to use this method, to not only listen to the presentations, but to learn more about the asset management business.

Mr. Emkin indicated PCA has opinions regarding each manager, which they would gladly share with the Board, but emphasized they are just opinions. He stated during the course of the presentations, PCA will ask questions, particularly on any sensitive issue which the

Board needs to be aware of, otherwise they will be relatively passive in their opinions. President Romero stated he appreciated any input.

Mr. Mirisola referred to the research booklet provided by PCA, and requested Mr. Emkin explain their biases towards employee ownership and retention structures advantages and disadvantages. Mr. Emkin responded by giving a brief history of how the investment management business started out wherein large financial institutions owned all of the business. He stated, in the 60s and 70s, and prior, the only people who really had large investment firms and controlled investment management, were banks and insurance companies. Mr. Emkin reported, after the passage of ERISA in 1974, a growing number of people left these large institutions and created boutiques and the mutual fund industry began to grow dramatically, subsequently creating a bifurcation between mutual fund environments and large financial institutions. He stated there were frequent conflicts between keeping talented staff, who were paid ridiculous amounts of money, versus the senior management of those financial institutions who did make a lot of money.

Mr. Emkin explained the compensation disparity created a variety of issues. He expressed this does not mean there are not great investment management firms that are a part of large financial institutions, but as a bias, PCA believes the alignment of interest when people own the company, or a piece of it, gives a higher level of allegiance to the client, because their interest and the client's interest are on the same page. Mr. Emkin reiterated PCA wants the Board to know where they stand, adding, on average, if everything was the same and one firm was employee owned and the other a large financial institution, they would prefer the employee owned firm.

Mr. Mirisola inquired, with regards to PCA's scoring of investment philosophy, where DWP's score was rated under qualitative factors in transition management, how did PCA determined those numbers, and how are they represented in the scoring. Mr. Emkin clarified the numbers are qualitative and not quantitative. The numbers are derived from looking at the experience of the organizations on those issues. Mr. Mirisola inquired if it was factored into the scoring and Mr. Emkin responded in the negative.

Mr. Vazquez inquired about the statement, "PCA has their opinions," and asked if those opinions would differ from their rankings. Mr. Emkin responded it was important for the Board to remember they are just opinions and others could look at the same information and reach different conclusions.

Mr. Vellon reminded Board members, of the five firms being interviewed today, the top two do not have insurance requirement issues but the last three do.

Messrs. James Tilton, Managing Director, Glen E. Bickerstaff, Group Managing Director, and Stephen McDonald, Managing Director, TCW Asset Management approached the table.

a. TCW Asset Management Company

President Romero recognized the representatives from TCW.

Mr. Tilton thanked the Board for the opportunity to service DWP for the last 28 years, stating the numbers have been good the last three years and he wishes the Board the best as the Board moves into a different asset allocation and strategy.

Mr. McDonald summarized TCW's background information stating it was founded in 1971, is based in Los Angeles and a year ago they began a subsidiary of Société Générale, S.A., which they now own 51%. Mr. McDonald reported TCW manages $79 billion, and of this, Mr. Bickerstaff manages $12.5 billion. He stated there were 40 strategies of all asset classes, independent strategies run by themselves, and staff of over 325 professionals.

Mr. McDonald indicated TCW has had a proactive MBE/WBE program for a long time. He reported 5% of the trading is designated to minority brokers, they have a joint venture with a Spanish American firm to invest in Latin America and Hispanic enterprises (with $200 million already invested), spent $3.2 million buying supplies from minority vendors and 49% of the professional staff and above are women and/or minorities. Mr. McDonald stated they have had immense community involvement to help the underprivileged through schools and other programs.

Mr. McDonald stated they have more assets under management now than in 1999, when the market broke. He then referred to an equity chart pointing out TCW has 57 investment professionals, 18 portfolio managers, 32 research analysts and covered the waterfront (growth, value, small and large) on the equity side. He stated Mr. Bickerstaff came to TCW in 1998 from Transamerica and his style is very consistent and he has outperformed the Russell growth index 13 of the last 15 years. He reported his average return was 17% a year, versus a little less than 12% for the index, which they feel is strong. He added 70% of the time Mr. Bickerstaff outperforms the market.

Mr. Vazquez inquired if the 5% trades designated to MBE/WBE firms is at a cost to the client. Mr. McDonald responded TCW does not feel it is, stating one can determine how good a firm is after a few trades. He also explained "a step out" process, stating a client will request so much be given to a certain firm and if TCW does not think they are capable enough, but the client really wants to do it, they can do it through "step out", which means someone else would do the trade (with credit to the brokerage firm directed by the client). Mr. McDonald added some of the minority brokers are very good and they have sent the Board a list of all the brokers they have dealt with in the past, and these are not measured through a trial and error method, but by a system developed by Plexus (a brokerage consulting firm).

Mr. Vazquez inquired what TCW's concentrated core was, versus the concentrated core depicted in the booklet provided. Mr. McDonald explained, when Mr. Bickerstaff came in and took over, the firm kept the name so clients would not be confused, but no matter how it is measured it is a large cap growth strategy, which is what is being discussed today.

Mr. Bickerstaff gave a brief working history stating he managed equity portfolios at Transamerica for 10 years and currently manages the concentrated core at TCW. He reported the characteristic of this product is a large cap strategy. He explained, the characteristics of the companies owned, typically growth oriented companies.

Mr. Bickerstaff described TCW's philosophy of believing very strongly in investing assets in the portfolios on a long-term basis. He explained TCW targets individual companies having differentiated themselves from their competitors, and this has given them the capability to outperform their competitors in the marketplace. Mr. Bickerstaff emphasized their key philosophy is finding and identifying those companies and making long-term investments in them. Their client's portfolios will subsequently participate in the success of those businesses, over a period of many years, because those businesses tend to compound their advantage over time.

Mr. Bickerstaff explained how TCW applies their philosophy to their specific investment approach by targeting the above-mentioned companies and businesses, consistently benefiting from a major secular change. He stated they stay fully invested and do not try to time the market nor try to guess which sectors of the market are likely to be popular or unpopular with investors, but instead focus specifically on the quality of the businesses they research and subsequently own. Mr. Bickerstaff added, if TCW gets this part right, over time the market will value these businesses properly giving extraordinary returns. He reported TCW does not over diversify, which means they hold about 30 stocks in the portfolio at any given time and they are conviction weighted. The holding is based on the degree of confidence they have in the business. He stated TCW believes in long-term investment horizons, which has produced a low turnover averaging 30% a year.

Mr. Bickerstaff conveyed what differentiates TCW from other firms is the fact they are 100% targeted on identifying great businesses and do not try to employ other strategies. He stated other managers the Board may have talked to in the past, move their strategy around to try to accommodate what is happening in the marketplace but TCW believes strongly the market will appropriately price great businesses.

Mr. Bickerstaff elaborated on the process TCW goes through in deciding which businesses qualify to be in the portfolio by looking at them in three different layers: business model analysis, financial model analysis, and valuation. He stated the portfolio decisions made are discussed as a group collectively, but the ultimate trading decisions are made by himself or Mr. Lee Crawford.

Mr. Bickerstaff indicated their ideal holding period is forever and the only three reasons they would ever sell a stock is: 1) it goes up so much in price it reflects or captures all the potential advantage they see the business getting over time and they either reduce the position or eliminate it from the portfolio, 2) because they are fully invested, and if they find a new opportunity to invest in, they typically reduce or sell other positions. He stated they think of this as an optimization strategy because it forces them to say which company in the portfolio is the weakest link in the chain, and 3) they were wrong and the analysis was flawed.

Mr. Vazquez inquired if TCW managed 98 portfolios. Mr. Bickerstaff responded there were about that many clients, but more portfolios. He explained many clients have multiple portfolios, therefore creating hundreds of portfolios. Mr. Vellon inquired how many portfolios TCW actually has. Mr. Bickerstaff responded approximately 250 portfolios under the core product. Mr. Vazquez noted TCW's booklet indicates they have 98 portfolios. Mr. Bickerstaff explained 98 is the number of portfolios in their composite, but many of the portfolios are very small and do not qualify to be in the composite. Mr. Vazquez inquired if they were all separate portfolios and Mr. Bickerstaff responded they were, but a client may have more than one portfolio.

Mr. Vazquez inquired if there was diversity in the stockholders among the portfolios. Mr. Bickerstaff responded in the negative, stating TCW thinks of it as managing one portfolio because they are all managed off a single model (the individual holdings and appropriate weightings). Mr. Vazquez stated if the holdings in those portfolios were a matter of public record. Mr. Bickerstaff indicated the easiest way is to view them under the mutual fund, but they can provide the Board with a list of their holdings. Mr. Vazquez inquired why these were separate accounts as opposed to commingled. Mr. Bickerstaff responded TCW has commingled products, mutual funds and several commingled trusts, but typically clients with large portfolios like to see their assets held in separate accounts. He added the mutual fund fee structure is somewhat higher than is offered for separate accounts at a rough average fee of about 75 basis points for individual investors.

Mr. Vazquez commented TCW's fee is on the high end. Mr. Bickerstaff responded TCW feels they have successfully developed a premium product and suggested the Board look at the returns generated on an after fee basis. President Romero inquired if their fee was negotiable. Mr. Bickerstaff responded they were not. Mr. Bickerstaff indicated there was a performance fee wherein the base fee may be quite low, but then there is the opportunity for them to do better, based on their performance over a period of time.

Mr. Mirisola inquired if they had any idea if DWP's current portfolio had the same equities. Mr. Tilton responded the fund has about half. Mr. Vellon inquired if it was approximately 15 securities and Mr. Tilton responded in the affirmative. President Romero requested a copy of what TCW currently provides under this strategy and Mr. Tilton indicated it would be sent to Mr. Vellon today.

Mr. Vellon noted TCW has 250 accounts within the strategy and have selected 97 for the composites, which is less than half, and inquired why, and how, did they determine which 97. Mr. Bickerstaff responded those that qualify for the composite are typically those that have guidelines, but there were individual clients who often alter the specific guidelines to tailor their needs. He stated any deviations from what TCW calls "standard guidelines" would exclude a client from the composite. Mr. Bickerstaff also stated clients below $5 million portfolio size would also be excluded.

Mr. Vellon inquired why size would make a difference if they have exactly the same securities. Mr. Bickerstaff responded it would not really make a difference but it is significant in any individual account. Mr. Vellon commented they cannot be significant because it is exactly the same securities, whether one has an account of $700 million or one of $300 million. He noted these have exactly the same securities, so when one excludes one account it should not affect the outcome. Mr. Bickerstaff agreed with Mr. Vellon, adding the only portfolio differences seen relate to guidelines by a client. He stated clients sometimes provide direction on the taxable portfolios and that would make the portfolio uniquely different.

Mr. Vellon inquired if TCW implied their mutual fund would have the same 30 securities. Mr. Bickerstaff responded what TCW is proposing is a separate account, but they do have a mutual fund having the same securities. Mr. Vellon inquired if a mutual fund was more expensive than a separate account and Mr. Bickerstaff responded in the affirmative, because of the significant accounting endeavor involved in managing a mutual fund and because it has thousands of individual investors and TCW has to have the accounting infrastructure to have individual accounting for every investor in the fund. Mr. Vellon inquired if the mutual funds are represented by units of participation, but have specific securities associated with these. Mr. Bickerstaff responded they do have units of participation and own shares in the mutual fund. Mr. Vellon inquired why it would be easier to account for a separate account with 30 securities and the recording that goes with it, versus just having a line item in their mutual fund. Mr. Bickerstaff responded this was because it only has to be done once for a separate account, but for a mutual fund they have to do thousands of reports for each individual investor.

Mr. Vellon noted when Mr. Bickerstaff discussed the portfolio turnover, he quoted a number of 25% or 30% and inquired what was their typical investment horizon when investing in securities. Mr. Bickerstaff responded TCW's horizon for relevance of what a business can do is two years.

Mr. Vazquez noted Mr. Bickerstaff has been with TCW for four years and inquired if he had ever looked at DWP's portfolio anytime before today's presentation. Mr. Bickerstaff responded he had never looked at the portfolio in total. Mr. Vellon then inquired if he knew how many securities were in DWP's portfolio. Mr. Bickerstaff stated he did not know.

Mr. Tilton indicated there were seven stocks they own in DWP's portfolio currently. Mr. Vellon inquired how many securities DWP owned altogether and Mr. Tilton responded 87. Mr. Vellon inquired, if DWP has 87 securities, how would Mr. Bickerstaff plan to trim this down to 30 in order to meet the separate account situation. Mr. Bickerstaff responded the portfolio would be managed exactly the same way as all the other portfolios in his strategy. He added anything not in their portfolio would be sold and the proceeds would be used to acquire those held in the same proportion currently in the portfolio. Mr. Vellon inquired how long Mr. Bickerstaff envisioned the positioning of these securities would take. Mr. Bickerstaff responded it would depend on the size of the portfolio and gave an example of $1billion coming into the strategy being re-invested in a week. He added this was not typical, but the liquidity of the businesses they transact typically is very large and trade a lot of shares on a daily basis.

Mr. Vellon noted one of the characteristics of the portfolio DWP currently has with TCW and the investment style they have brought to the table has put them in the situation of owning securities which have not work out, but these were not disposed of at the same time as other TCW accounts. He indicated TCW has explained one of the reasons they sell a portfolio is when they are wrong, but this has not been DWP's experience in the current portfolio. Mr. Vellon then inquired how TCW intends to protect the DWP portfolio from benefiting from the intelligence they have, as portfolio managers, when they identify a deteriorating situation. Mr. Bickerstaff responded, if it is a portfolio he manages, they are traded all the same and when it is time to eliminate a holding from one portfolio, it is eliminated from them all in a big block trade. He stated if the portfolio remains at TCW, yet outside his purview, there can be a difference of opinion on whether or not the stock should be sold. Mr. Vellon inquired if this meant the managers under the product do not have the latitude to own a different security. Mr. Bickerstaff they absolutely do not have such latitude.

Mr. Vazquez inquired if the recent corporate scandals had impacted TCW's holdings and what had they done to change their research and analysis. Mr. Bickerstaff responded TCW has had in-depth analysis to try to understand businesses very deeply. He expressed the biggest significant change in the process resulting from the corporate scandals, is accounting firms are being held accountable, consequently there is a different degree of scrutiny on financial statements and an increased level of disclosure by businesses, which is a tremendous benefit for investors.

Mr. Emkin clarified, in terms of performance reporting, one of the things PCA looks at is if the company complies with the AIMR (Association of Investment Management and Research) requirements, the industry standard. He stated as to the second issue of dealing with discretion, the managers currently have limited discretion due to the guidelines in the transition transpiring over the last 16 or 18 months. Mr. Emkin expressed the new mandate for all managers gives them complete discretion to control all security selection, portfolio composition, trading etc., and there would be no variance. He emphasized he wanted this to be clear, so the Board understands why this is different from what has been done in the past.

President Romero thanked TCW for their presentation. The representatives of TCW thanked the Board and left.

Messrs. Theodore J. Deutz, Director of Public & Union Plans, Andrew J. Massie, Jr., Managing Director, and Ms. Joanne L. Howard, CFA, from Dresdner RCM Global Investors LLC approached the table.

b. Dresdner RCM Global Investors LLC

President Romero recognized the representatives from Dresdner RCM.

Mr. Deutz provided a brief background of the representatives, stating the firm was based in San Francisco, where he ran the client service group for the public funds team. He indicated Ms. Howard was the co-chief investment officer of the U.S. large cap growth team, and Mr. Massie was the chief equity strategist for the large cap team and former head of research. He explained the firm was founded on the two principles of a team-oriented approach and consistency in style.

Mr. Massie described Dresdner's growth equity philosophy stating quality was something the firm focused on heavily. He stated what differentiates Dresdner from other companies is the breadth and depth of their research effort, in not only looking at companies that have been able to show growth attributes in the past, but also for the future. Mr. Massie noted their ability to choose high quality growth companies at a reasonable price is key in difficult market environments.

Mr. Massie described Dresdner's research strategy as two entities their fundamental research team (73 analysts in 6 teams) and "grass roots". He explained "grass roots" as a very large surveying capability around the globe, to assist Dresdner in getting more information more rapidly than other firms, giving them the ability to respond to changes taking place in the real world before others do. Mr. Massie reported Dresdner was fully global, having 40,000 industry contacts around the world to assist them in acquiring answers to their investment questions. He then summarized Dresdner's research capabilities.

Ms. Howard reviewed the background of Dresdner's team members and noted they perform a year-end evaluation in terms of their total compensation. She highlighted Dresdner's voting definition and policy and explained how they manage information flow and risk. She added they know the companies well, following them closely, focusing on the quality and the price paid and managing the percent put into the portfolio from an individual stock weighting, as well as relative to its appropriate benchmark. Ms. Howard noted the firm's portfolio was moderately defensive and cautious for a growth manager, which has been their point of view since early 2000.

Mr. Deutz reviewed Dresdner's performance, noting their 5-year performance of 523 basis points (or 5.23%) on average over the benchmark. He reported Dresdner since 1986, (in 132 periods of 5 year numbers), has beaten the benchmark 90% of the time, showing very consistent performance over multiple market cycles. Mr. Deutz noted Dresdner's consistency of style, stating they sit right under the Russell 1,000 growth and are right on with their consistency approach as a U.S. large cap growth manager. Mr. Vazquez inquired what Mr. Deutz means by "consistency of approach". Mr. Deutz responded if they build a portfolio of managers, each playing a role (value, core and growth), their clients want them to be consistent in maintaining high quality growth stocks by buying them and selling them at the right prices.

President Romero requested Dresdner provide the Board with a copy of the 66 companies in their current portfolio. Ms. Howard noted it was located in the booklet provided. President Romero then inquired about Dresdner's turnover. Ms. Howard responded it had recently been around 40%, historically as high as 70% and as low as 35%. President Romero inquired if they felt this was attributed to the change in the economy. Ms. Howard responded Dresdner would love to have the vision the economy could really start to recover. President Romero inquired if the economy improved could the Board expect to see 65% or better. Ms. Howard responded in the affirmative. Mr. Massie added Dresdner would make significant number of changes, whereas they have not in the last couple of years, due to an unchanged outlook.

President Romero inquired if Dresdner's fee schedule was negotiable and Mr. Deutz responded they would try to be flexible.

Mr. Vazquez inquired about the total amount Dresdner had under management for large growth. Mr. Deutz responded approximately $20 billion evenly split between clients that have given them the S & P 500 benchmark and the Russell 1000 growth benchmark. Mr. Vazquez inquired why do they hold 66 stocks as opposed to 30 or 120. Ms. Howard responded Dresdner has had somewhere between 50 and 80 stocks the entire time. She added when the firm reaches higher confidence in their holdings they will have fewer names and when there is less certainty about the environment they will have more names. Ms. Howard commented there should be enough concentration to be able to have performance, but enough diversification to manage risk.

Mr. Vazquez commented Dresdner made a separate submittal with regards to inclusion and requested they address the issue, inquiring if the amounts in the volume traded through Dresdner in 2002 were actual numbers. Mr. Massie responded they were real live numbers, stating the most accurate way to describe their practices of working with clients and including different types of firms is by sitting down with clients to understand their goals and objectives. He indicated Dresdner was very involved in the City of San Francisco, CALPERS, and the Texas permit school fund relationship (which have very specific inclusionary polices). Mr. Vazquez inquired if the volumes were traded, designated or competitively bidded. Mr. Massie responded a lot of it is in the form of a "step out" because their trading practice is in block trading form. He explained how Dresdner aggregates multiple client accounts into one block, searches for the best liquidity and seeks the best price for the trade. Mr. Massie added the firm uses a "step out" by designating a part of the trade for brokers that have been designated by specific clients.

Mr. Emkin requested Mr. Deutz address the turnover in the firm. Mr. Deutz responded Mary Bursoe, (Sr. Portfolio manager), came to Dresdner in 1999 from McMorgan & Co. and went back there in January 2003, to help the company fix problems they were having, but she is still available to talk to clients. He then explained, two or three years ago, Dresdner had significant turnover from the analyst team, and suggested those employees who were not providing value for the clients found another career opportunity.

Mr. Vazquez inquired who would be team managing DWP's portfolio. Mr. Deutz responded the representatives here today would be the team providing the service relationship and Ms. Howard was the primary portfolio manager, Mr. Reicher served as back up, Mr. Massie would assist and he himself would be available from the client-service point of view. Ms. Howard indicated the six people (indicated in the team chart) were all part of the voting process and all have their own portfolios. Mr. Massie added this was part of a very large team, because it is the largest product within the firm with the most resources.

Mr. Vazquez inquired if the portfolios were all the same. Ms. Howard responded the portfolios were not all the same, but very similar. Mr. Massie commented, if the guidelines were the same, then the portfolios would be basically the same.

Ms. Calvache inquired if all the large growth managers will have a vote in the process. Mr. Howard clarified the managers had a vote to basically create the strategy model. She stated she could not go out and buy the next great idea but needed to first examine it with the analysts and other members of the team, to make sure she has not overlooked anything. Ms. Howard explained once the team has the voting process and it passes, then she can add it to the portfolio.

Mr. Vellon inquired how many securities does Dresdner typically have for the managers to select from. Ms. Howard responded as many as 1,500 companies might be qualified as large and mid-cap, the growth companies narrows it down to 500 and screening for quality narrows it down to 350. Mr. Vellon inquired what was the bottom line number. Ms. Howard responded there were approximately 200 companies passing all the screens. Mr. Vellon inquired, out of those 200, do the managers always select the same or select different ones from the quality companies. Ms. Howard responded, in terms of the six managers, they probably own 75 names across all of the portfolios of which this one portfolio had 66 names. She stated there were probably another 9 or 10 in someone else's portfolio. Mr. Vellon inquired if this would create a possibility of dispersion of returns. Ms. Howard responded this is why Dresdner has all the controls and the various meetings. She explained there was a balance between getting and taking responsibility for a new idea, versus dispersion. Mr. Vellon inquired if this created a potential for discrepancy within full discretion accounts. Ms. Howard responded there could be modest differences from time to time, but over time these offset.

Mr. Vellon noted Dresdner's turnover was characterized in the area of 40% currently, but it could be as high as 70% and as low as 35%. He inquired how they move from one level of turnover to the other and within what period of time. Ms. Howard responded it is not a formula to say "now is the time to turn our portfolio over". She stated, since the managers know the different things they are looking for, when ready, a portfolio could turnover by 25% in a week, but this will be once in a five-year period. Ms. Howard added the managers might be extremely satisfied with how the portfolio was structured for the next two or three years, but in any year it could be a big number. Mr. Vellon inquired if it could go from 40% today to 70% three months from today, and what triggers this change. Ms. Howard responded in the case of the world price of oil, consumer confidence and corporate balance sheets, it's the macro-view that will incline them to initiate such a dramatic change. Mr. Vellon inquired if Dresdner had economists actually dictating this. Ms. Howard responded in the affirmative.

Mr. Vellon inquired if Dresdner offered a mutual fund product exactly the same as the one presented today. Mr. Deutz responded there is a mutual fund vehicle, but it is benchmarked against the S & P 500 and not the Russell 1000 growth. He indicated Dresdner did have a Russell 1000 growth commingled fund for institutional investors. Mr. Vellon inquired whether the mutual fund or a separate account, was cheaper to manage. Mr. Deutz responded it was the same cost to the firm. Mr. Vellon inquired if Dresdner would charge the same fee for both. Mr. Deutz responded the fee schedule was substantially the same. He then clarified, for a larger account a separate account is much cheaper because their fee schedule declines as asset grow and mutual funds are a flat number.

Mr. Vellon noted, in the materials Dresdner provided, it was indicated they expect to outperform the index by 300 to 600 basis points. Ms. Howard clarified the RFP submitted stated 200 to 300. Mr. Rue clarified the 300 to 600 represented the tracking error. Mr. Vellon inquired how the firm attributed this tracking differential. Ms. Howard responded it was a blend of stock selection, identifying growth companies and holding them, having the correct macro-view and having cash. She added in portfolios such as DWP's size, it was usually a fully invested mandate and cash is not relevant.

Mr. Vellon noted when Dresdner was addressing the inclusion issue they indicated the concept of "step out" conditions and inquired how this works. Mr. Deutz explained the process.

President Romero thanked Dresdner for their presentation. The representatives of Dresdner thanked the Board and left.

Mssrs. Deutz and Massie and Ms. Howard left.

Mr. Emkin (PCA) left the Board meeting.

Mr. Rue (PCA) approached the table.

Messrs Gregory H. Ekizian, Managing Director, Andrew F. Pyne, Managing Director, and Tom Straw of Goldman Sachs & Company approached the table.

c) Goldman Sachs & Company

President Romero recognized the representatives from Goldman Sachs.

Mr. Straw indicated he was in the client service and marketing section of Goldman Sachs and would be the primary contact if hired. He provided a review of the assets under management by the firm at an estimated $310 billion, $20 billion of this being the growth equity product.

Mr. Straw explained how Goldman Sachs supports the community and minority owned businesses within those communities. He reported last year the firm instituted a minority brokerage program and currently has 14 broker dealers. Mr. Straw stated their goal is to help minority owned broker-dealers, with competitive services, compete with longer established majority-owned firms. Mr. Straw described a firm-wide program called the "supplier diversity program" from which they contracted for over $84 million in goods and services with minority and women owned businesses in 2001. Mr. Straw added their community outreach program recruits and awards scholarships at universities and colleges having a high minority enrollment. Mr. Vazquez inquired if the volume traded, with one broker, listed at $125,000 in 2002, represents actual dollar amounts. Mr. Straw responded this amount was the gross commission flow.

Mr. Pyne provided an overview of Goldman Sachs growth strategy, emphasizing the efforts of the investment team, the way they deliver their performance and philosophy of process.

He elaborated on the firm's 22-year track record, indicating they outperformed the index by 475 basis points on an annualized basis. Mr. Pyne emphasized all their performance was driven by stock selection.

Mr. Ekizian described Goldman Sach's philosophy and strategy. He indicated their strategy is broken down into three points: 1) buying the business, 2) buying high quality growth businesses and 3) buying an attractive evaluation. Mr. Ekizian elaborated on the key factors of buying businesses, which are strong business franchises, favorable long-term prospects and excellent management. He stated the firm performs rigorous valuation analysis based on discounted cash flow, private market values and multiples of earnings and cash flow.

Mr. Ekizian explained Goldman Sach's continuous investment process. Mr. Pyne added, as long-term investors, their average turnover is only 12%, and they hold companies approximately 8 years on average.

Mr. Ekizian reviewed Goldman Sachs growth investment team, indicating the firm was unique in the fact the team is structured by industries, every member is a portfolio or research analyst, and they meet three times a week to discuss their holdings and the portfolios. He stated they have never lost a single employee to a competing investment firm in 22 years.

Mr. Pyne reiterated the sector weightings were driven by the "bottom-up" stock selection. He stated they have overweighted (and underweighted) in the same sectors for 22 years, because they buy businesses having specific criteria. Mr. Pyne indicated Goldman Sachs owns very high quality businesses that have been able to gain market share over the past few years.

President Romero noted the firm states their turnover is 12%. Mr. Pyne clarified the 12% represented turnover in holdings, but the total statistical turnover was approximately 30%. President Romero noted they have not lost any employees in several years and inquired if the firm has lost any accounts in the last several years. Mr. Pyne responded just the opposite has occurred and they have gained additional accounts. President Romero inquired about the number of companies within Goldman Sach's portfolio and Mr. Pyne responded 54 companies. President Romero inquired if their firm's fees were negotiable. Mr. Pyne responded in the affirmative.

President Romero stated the Board had a concern regarding Goldman Sach's reservations towards the insurance requirements. Mr. Straw indicated the insurance requirements had already been discussed with their attorneys and there was no longer an issue with any of them. Mr. Rue commented there is a summary with some creative ideas in terms of fees, wherein they will take a big fee discount of $100,000 a year if the Board wanted to reduce some insurance limits, but if not, they are willing to abide by the minimum insurance requirements.

Mr. Vazquez inquired if the number of stocks in the portfolio changes very much. Mr. Pyne responded on average, over the last 20 years, the firm has had approximately 60 holdings in their portfolio. Mr. Vazquez noted the firm had approximately 400 accounts. Mr. Pyne responded this number includes private client accounts, but in terms of institutional accounts, they have 150.

Mr. Vellon inquired, if Goldman Sachs was also a brokerage company, how did they manage to avoid potential conflicts between the broker and the investment side. Mr. Pyne responded they do not trade with Goldman Sachs and there was a major Chinese wall. He stated from a compliance standpoint, all of these kind of walls are in place, but in addition they have the resources to do their own research.

Mr. Vellon inquired if Goldman Sachs offers this product as a mutual fund. Mr. Pyne responded in the affirmative, stating it was created as a mutual fund in May of 1999 and was also called "strategic growth". He added if it was actually looked up, it does not have a 22-year track record, but is a clone of their institutional strategy. Mr. Vellon inquired if there was any reason a client, with no restrictions or guidelines, would prefer a separate account if their firm offers a mutual fund. Mr. Pyne responded the fees are lower with a separate account, because mutual funds are priced differently and they cannot offer different fees to different clients within a mutual fund.

Mr. Vellon noted, in terms of the holding, some securities are held for as long as eight years, he then inquired what Goldman Sach's investment horizon was when identifying an investment idea. Mr. Ekizian responded the firm has owned some stock for more than eight years, but the typical horizon was forever if a company continues to grow at a double-digit rate of return. Mr. Pyne commented, when his firm does their analysis, in terms of projecting growth and cash flow, it is typically over a three to five year time-period.

Mr. Vellon noted the firm reported they have 54 securities in the portfolio and inquired how large was the universe for the investment managers to select from, once their analysis was completed. Mr. Pyne responded Goldman Sachs does not run quantitative screens to narrow down the universe, but instead buy high-quality growth businesses using the list of criteria previously explained. Mr. Vellon noted in their original proposal the firm indicated they use a quantitative and fundamental, and inquired what the percentage was. Mr. Pyne responded it was almost all fundamental, adding the evaluation analysis they perform is what they mean by quantitative, as opposed to screening.

Mr. Vellon noted the firm indicated they have outperformed their bogie and inquired if this was for all clients or do they use a composite. Mr. Pyne responded it was their composite, which includes all clients within the strategy. Mr. Vellon inquired how many accounts were in the composite. Mr. Pyne responded, including all of the firm's smaller high net worth accounts, it totals approximately 450. Mr. Vellon inquired, if for the 450 accounts, they have outperformed 80% of the time. Mr. Pyne responded not necessarily so. He stated it depended on when the client funded, because each client has their own individual track record.

President Romero inquired if Goldman Sachs had lost accounts, because their number of accounts went down between 2001 and 2002. Mr. Pyne clarified this is altered by their private client business. He explained these were small million dollar accounts and meaningless to their cash flow.

Mr. Vazquez requested a list of the 54 stocks they currently own.

President Romero thanked Goldman Sachs for their presentation. The representatives of Goldman Sachs thanked the Board and left.

Mssrs. Pyne, Ekizian and Straw left.

President Romero called for a recess at 12:45 p.m.

[Recess]

The meeting reconvened at 1:15 p.m.

Messrs. Andrew Shilling, Partner, Kent M. Stahl, Director of US Equity Product Management, and Ms. Laurie E. Deaton, Director of Business Development, from Wellington Management Company, LLP approached the table.

d. Wellington Management Company, LLP

President Romero recognized the representatives from Wellington Management.

Ms. Deaton introduced herself, indicating she was from the West coast office in San Francisco and works with the large public funds. She emphasized Wellington had a consistent growth product, designed to capture 300-500 basis points of outperformance over a market cycle, by looking for tremendous upside potential in addition to managing their downside risk. Ms. Deaton explained the firm accomplishes this by drawing on their dramatically deep and strong research team. She reported Wellington had 283 investment professionals (157 of whom are dedicated to research) and the growth portfolio consisted of 5 portfolio managers, 3 dedicated analysts, and 41 global industry analysts.

Ms. Deaton reported Wellington manages $300 billion throughout the U.S. and globally, creating stability and a diversified client base and product line, allowing them to continue to invest in, and build their firm and team, even in volatile, economic and market environments. She reviewed the firm's client list, indicating Wellington works with approximately 100 public funds and 29 state Plans, familiarizing managers with pertinent issues in regards to public funds. Ms. Deaton stated the firm has frequently been called upon to educate Board members and present trustee education seminars.

Mr. Shilling introduced himself and emphasized Wellington's business structure and ownership model. He stated the managers have put together returns that have beaten their index for the last six years, incorporating the very strong markets in the late 90s, as well as the weaker markets of the last three years.

Mr. Shilling described Wellington's investment objective and approach, as searching for companies with sustainable growth. He outlined the firm's investment process in various steps: 1) identifying companies with high above average sustained rates of growth, 2) market leadership, 3) valuation discipline, and 4) risk control. He then referred to the firm's top ten holdings as of December 31, 2002.

Mr. Vazquez inquired what was the most recent stock placed in the portfolio. Mr. Shilling responded the most recent was Omnicom, the leading advertisement company in the world. Mr. Vazquez then inquired which stock was the longest held. Mr. Shilling stated Pharmacia and First Data. He also reported on the firm's sector weights and noted an overweight in healthcare and listed the industries underweighted. Mr. Vazquez inquired what exactly did healthcare consist of. Mr. Shilling explained it was a mixture of pharmaceutical companies, biotech companies and services and medical device businesses. He stated the firm owns in all four of those areas, including HCA, a hospital.

Mr. Stahl briefly commented on the financial characteristics in the portfolio and growth index and described the firm's pure growth approach. He stated, in regards to performance, the managers have added 3% to 5% annually. Mr. Stahl stated in every one of the major sectors, within the growth index, their managers have added value through stock selection. He stated their strategy has a fairly low tracking risk, because of their pure growth management and in the end their risk level tends to be lower than the average manager. Mr. Shilling commented their risk profile places them among the 10% of managers taking the lowest levels of risk.

Mr. Vazquez requested the representatives explain the information ratio. Mr. Stahl explained the information ratio takes how much value was added and divides it by how much risk was taken. Mr. Shilling added, if one takes a lot of risk and outperforms the benchmark, there will be high absolute returns, but if one takes a lot of risk to get there, the information ratio takes account of this, and is consequently risk adjusted.

Ms. Deaton concluded the presentation by pointing out three major competitive advantages distinguishing Wellington from other firms: 1) a consistent pure growth approach which manages downside as well as seeks to achieve competitive returns, 2) their product builds on the strength and depth of an investment team with decades of experience and 3) their business model of being committed to attracting, retaining and building onto their team.

President. Romero inquired how many stocks were in their portfolio. Mr. Shilling responded 56. President Romero inquired what their turnover was. Mr. Stahl responded it was generally between 75% to 125%. He added this might seem high if one is focusing on sustainable growth companies, but the market has tended to move around a lot more than the fundamentals of the companies have suggested in the past couple of years. He indicated, they have opportunistically, taken advantage of this. Mr. Stahl stated when stocks hit their price target, mangers were very disciplined about selling, and, at the same time, the market volatility created a lot of opportunities. Mr. Shilling commented this was about average for a growth manager.

President Romero inquired if Wellington's fees were negotiable. Mr. Stahl responded they were willing to discuss the fees as the Board finalizes how many managers and the amount of assets to be assigned.

President Romero noted in the RFP submitted, there were issues regarding the insurance requirements. Ms. Deaton clarified the insurance requirements had been discussed and were no longer an issue. President Romero then inquired if the firm had recently lost any accounts. Mr. Stahl responded they have not lost any accounts, and have actually been adding approximately two or three a year. He stated the firm does not grow for growth's sake, but instead tries to manage their growth rate at a product level, and a reasonable level, in order to prevent undue strain on the portfolio management team.

Mr. Vazquez noted the turnover seemed high, based on what the Board has seen so far and indicated the Board needed to get some direction from PCA on what this means. He then expressed Wellington did not submit enough information in terms of statistics regarding their inclusion policy and requested the firm give the total volume done with MBE/WBE firms in 2002. Ms. Deaton indicated Wellington makes it a practice to keep this information confidential, but she would supply the Board with the total number for the last three years. Mr. Vellon inquired why they could not provide specifics. Ms. Deaton responded this information is kept confidential. Mr. Vellon inquired if it was also kept confidential for public Plans. Ms. Deaton responded in the affirmative, adding this has not been an issue for any of their other public fund clients, but providing the total amount was common.

Mr. Vazquez noted it was indicated the Board could choose either a separate or commingled account structure and Wellington has eight accounts using this growth product. He inquired if they were all separate or commingled and what were the advantages and disadvantages of both. Mr. Stahl responded the firm has eight accounts, but there were actually more clients, because the commingled vehicles are counted as one account and there are a number of clients within those accounts. He stated depending on the size the Board is contemplating, they could choose either a separate account or it could be part of their commingled vehicle. Mr. Stahl indicated the fees were the same, but the benefit of the commingled vehicle is Wellington picks up all the custody and administration costs. He stated from the Board's standpoint, there are benefits in having a separate account, such as having a trustee who provides information to them daily, making it is easier to get access to this information. Mr. Shilling added most clients of DWP's size choose a separate account.

Mr. Vazquez inquired about the number of clients Wellington has within the large growth strategy. Mr. Stahl responded there were 12 clients within the large growth and added they also have a "companion strategy" with 12 clients that is almost identical to their opportunistic growth. He stated the only difference was the "companion strategy" did not have a minimum market capitalization requirement and in the large growth strategy all of the stocks have to be greater than $4 billion. Mr. Stahl added, in total, there were 20 accounts. Mr. Vazquez inquired if they were all similar. Mr. Stahl responded the firm manages all of their fully discretionary accounts together as clones unless there were client guidelines prohibiting the managers from buying a certain security.

Mr. Vellon inquired why the fee would be the same for a separate or commingled account. Mr. Stahl explained Wellington tries to provide an incentive for clients to go into the commingled vehicles, because it creates internal savings for the firm, in terms of systems and recordkeeping costs, as Wellington automatically picks up the custody and administration costs.

President Romero thanked Wellington Management representatives for their presentation. The representatives of Wellington Management thanked the Board.

Mssrs. Stahl, Shilling and Ms. Deaton left.

Messrs. Christopher W. Dyer, Vice President of U.S. Institutional Sales, Larry J. Puglia, Managing Director and Thomas J. Huber, Vice President from T. Rowe Price Group approached the table.

e. T. Rowe Price Group

President Romero acknowledged T. Rowe Price Representatives.

Mr. Dyer introduced himself and the representatives, giving a brief history of their experience. He stated Ms. Deborah Veverka, who was not present, would be handling DWP's client service if the firm were awarded the assignment.

Mr. Dyer outlined T. Rowe's key competitive advantages. He stated the most important of these was the firm's stable investment team, a deep global research resource, a proven and consistently applied investment process, the ability to generate outstanding return with less risk than most of their competitors, the benchmark, and a financially strong and stable organization. Mr. Dyer then briefly reviewed their client list. Mr. Vazquez inquired which companies on the list were growth clients. Mr. Puglia responded there were seven large growth clients, varying in terms of objectives. He stated the total institutional large cap growth assets of $4 billion is roughly one-third of the total large cap assets T. Rowe manages. Mr. Vazquez noted the firm has five accounts. Mr. Rue clarified T. Rowe has five clients in their growth composite. Mr. Dyer added, the firm, broadly, has $45 billion in institutional separate account mandates.

Mr. Puglia indicated T. Rowe's U.S. equity assets total $76 billion, of which $12.7 billion represent large cap growth. He then pointed out the strengths of the large cap growth management team, stating the firm's approach focused on looking for attractive business models in growth industries through fundamental research. Mr. Puglia stated risk is managed in three ways: 1) avoid overpaying for growth, 2) broadly diversifying, and 3) buying business models with durable sustainable growth. Mr. Puglia summarized the firm's growth strategy as: industry assessment, company assessment, valuation and portfolio construction. He elaborated on their buying criteria and portfolio construction, indicating the firm has 75 to 100 stocks and were committed to not exceeding this number. Mr. Puglia stated T. Rowe's active position sizes typically range +/- 1.00% to 3.00% relative to the S&P, but they also consider the Russell growth benchmark in the construction of their portfolios. He indicated they have been overweighted in the financials, but would never allow this to exceed 150%.

Mr. Huber discussed the purchasing and sales examples sharing some of the specific portfolio characteristics. He gave an example of Citigroup, as embodying what T. Rowe looks for in any investment held in their portfolio. Mr. Huber expressed the company was a share gainer, very strong cash flow generator, a durable franchise and possessed product and market diversity. Mr. Vazquez inquired when Citigroup was acquired. Mr. Huber responded Citigroup has been a holding since inception. He then used Ace Limited, (from Uni-base Property and Casualty Insurance Company), as a sell example. Mr. Huber explained the reason for the sale of this stock was T. Rowe did not feel entirely comfortable with their management, their assessment of the asbestos liability, or the way they seeded risk. Mr. Vazquez inquired when the Ace Limited stock was sold. Mr. Huber responded in the second half of 2002.

Mr. Huber explained T. Rowe's sector diversification, indicating, while they were benchmark conscious, this did not drive any of the weights in the portfolio. He reiterated T. Rowe was currently overwieghted, which they feel is the right decision at this time. Mr. Vazquez inquired what the reserves meant and Mr. Huber responded it was cash. Mr. Puglia commented the firm typically runs fully invested and it would take extenuating circumstances for them to carry more than 10% cash. Mr. Huber added this may be a guideline issue, depending on the client. He then outlined T. Rowe's 10 largest holdings, indicating most had been owned since inception.

Mr. Puglia reviewed the firm's total return performance, stating, over time, they have produced a consistency of performance. He indicated 1999 was the only period the firm has underperformed the Russell 1000. He then referred to a chart reflecting T. Rowe's strategy has produced much higher return than the Russell growth, with much lower risk.

Mr. Dyer concluded by stating T. Rowe represents a relatively safe and conservative choice for this assignment. He reiterated the firm has a very stable investment management team, consistent investment returns with minimum risk and a complete team to serve the Board's needs.

President Romero inquired what the turnover was. Mr. Puglia responded turnover averaged 35%, but over the past 5 years it has been as high as the mid 40s. Mr. Huber added this strategy, by nature, should produce a lower turnover because they look for high quality durable businesses.

President Romero inquired if the firm had recently lost any accounts. Mr. Puglia responded the only account they have lost in the last three years was a relatively small account with assets under management about $20 million. He indicated it was a municipality and the underlying reason for being let go was neither performance nor service related.

President Romero noted on T. Rowe's RFP, they indicated problems with the insurance requirements and inquired if this was still an issue. Mr. Dyer responded, as far as he knew, there were no issues on insurance.

President Romero requested the representatives of T. Rowe briefly describe their inclusion policy. Mr. Dyer indicated there were a number of levels by which their organization follows the policy of inclusion. He stated the primary way is through brokerage commissions. President Romero inquired what they do as a company as far as best execution. Mr. Dyer responded, as a fiduciary, this is their number one objective, and what they try to achieve when trading the portfolios. He stated when talking about large cap stocks, which are relatively efficient, the firm can direct these to organizations the client lists, or trade through the major wire houses and ask them to "step out" commissions to the minority firms. Mr. Dyer added mangers report to clients what they have done on a quarterly basis.

Mr. Vazquez requested the representatives supply the Board with a list of all their stocks. Mr. Puglia responded there were 99 currently in the portfolio. Mr. Vazquez inquired where T. Rowe stood fee wise. Mr. Dyer responded the fees were provided in the presentation book and the fee schedule indicated is the lowest. President Romero inquired if the fees were negotiable. Mr. Dyer stated the fees were not negotiable because the firm gives all clients the same fee. Mr. Puglia commented the fee schedule reflects the client gets a break when they exceed $200 million in assets, and a further break above $250 million. Mr. Dyer added DWP's portfolio comes in at around $211 million, which would be at a 35 basis points fee on all assets, and indicated this is the best fee for this product.

Mr. Vazquez inquired if T. Rowe offered commingled accounts. Mr. Dyer responded the firm does offer commingled accounts, but DWP's would definitely be a separate account unless otherwise desired. Mr. Vazquez inquired if this was because of DWP's guidelines or because it would work out better in regards to the fee basis. Mr. Dyer indicated it would work out better on a fee basis, but also with portfolios of DWP's size, it is automatically assumed to be a separate account. He added there are institutions who, by statute, cannot have a separate account, so the firm created a commingled fund for them. Mr. Vellon inquired if T. Rowe charged more for a commingled fund. Mr. Dyer responded it would be the same fee. Mr. Vazquez inquired if there was an advantage to having a commingled fund and Mr. Dyer responded in the negative.

President Romero again requested a copy of the equities in T. Rowe's current portfolio be submitted to the Board. Mr. Dyer clarified he had one in his briefcase. Mr. Mirisola expressed the Board wanted to see how much equity crossover there was.

Mr. Vazquez inquired if T. Rowe had changed anything in their research process, since the recent corporate scandals. Mr. Puglia responded T. Rowe has always been diligent in research, and he has found all the problems he has seen, to a certain extent were due to the CEO having undue influence with the CFO. He indicated the firm looks for companies that have CFOs who are very independent and rigorous.

Mr. Vellon inquired how many institutional clients T. Rowe had. Mr. Puglia indicated there were eight. Mr. Vellon inquired if they all had exactly the same securities and number, with no variation between those clients. Mr. Puglia responded there were none. He added the managers obtain tracking error reports, which confirm there is diminimus tracking error between the accounts, because they want them all to perform in a similar way. Mr. Puglia explained, in the interest of full disclosure, in their retail fund there are separate accounts, which are all managed in the same style, but they have one relationship with a utility (in Washington D.C.) who (for a number of years has insisted on a specific benchmark, and everything going into the S & P 500, is designated a growth name or a value name).

Mr. Vellon inquired if T. Rowe typically has between 75 and 100 stocks, and, when buying a security, what is the time horizon for this security to achieve the value they anticipate. Mr. Puglia responded there is a two-part answer to this question. He stated for the top 20 stocks they own, some similar percentage had been held for five years. Mr. Puglia also expressed the firm ideally likes to purchase companies which they think can compound wealth over the long term. He indicated the managers generally want to buy stock with an 18-month time horizon, with the idea they will own them in 3 to 5 years. He added anything shorter than 18 months created too much pressure on the process and the analyst.

President Romero thanked T. Rowe Price for their presentation. The representatives of T. Rowe Price thanked the Board.

Mssrs. Puglia, Dyer and Huber left.

Mr. Vellon stated the continuation of the interview process was tomorrow and hopefully a selection could be made. Mr. Vazquez indicated he would have to leave tomorrow's meeting by 1:00 p.m. to catch a flight.

2. **Consideration of portfolio transition program services for the DWP Plan.**

Mr. Vellon presented the issue of portfolio transition program, which was discussed at a prior Board meeting. He stated the concept of transition has been raised continuously through the process and there are a lot of competitive aspects to it. Mr. Vellon reported DWP's own custodian bank, Bank of New York (BONY), performs this transition. He stated the mangers selected for the passive index have transition capabilities and it is being brought to the table for possible Board's discussion and direction.

Mr. Dave Malecek (Senior Vice President of Bank of New York) approached the podium.

President Romero recognized Mr. Malecek.

Mr. Malecek indicated his staff prepared a memo containing recommendations (submitted to the Retirement Plan Office late yesterday) but the Retirement Board has not had a chance to review it. Mr. Vellon requested Mr. Malecek summarize the memo for the Board.

Mr. Malecek noted the Board was currently in negotiations with the two passive managers selected, which should be completed in the next few weeks. He stated BONY will be in the position to begin providing them with assets, based on a schedule staff has prepared. He also explained the initial set of assets comes from the TCW equity, and asked if this equity is like the equity they are going to end up managing. Mr. Malcek responded himself that it probably is not, the characteristics are a little bit different, so they have to trade from that type of equity into the S & P type of equity.

Mr. Malecek indicated the Board had a proposal submitted by BONY which he has not seen. He stated the vendors DWP currently has, all have capabilities to adjust the portfolios appropriately. Mr. Malecek expressed BONY does not feel the Board needs to issue a global RFP, because they already possess the necessary expertise. He proposed the Board allow Merrill Lynch and Northern Trust to transition those portfolios themselves, into their appropriate indexes. He also suggested the Board should get some kind of Plan from these two firms or a pre-trade analysis, stating what will it take, how much it will cost and also have them develop a monitoring plan. Mr. Malecek stated it should move fairly quickly, because there are relatively core equities in TCW to be moved to larger core equities in the Russell 1000 type of product. He indicated it was not necessary for the Retirement Plan office staff to monitor this daily, but it would be useful to have someone in the office reporting to the Board of the transition progress, if it is going to take two to three weeks. Mr. Malecek stated once the transition is complete, a post trade report should be submitted to the Board to allow them to compare the pre-trade with their post-trade. He stated for the other mandates it is a different issue, because the Board would be moving, for example, some of the Boston company equity into the large growth mandate. Mr. Malecek explained this was moving midcap value assets into growth-oriented assets. He stated the schedule implies to move some of the Boston Company Assets into small growth and small value, where adjustments may be a little more pronounced. He indicated it was BONY'S recommendation the Board have the existing three vendors take a look at those portfolios and compete for this business.

Mr. Vazquez inquired if there was a way the Board could salvage what they can out of the Boston Company and the Trust Company, in making this transition, into the index fund in order to make it as cost free as possible. Mr. Vellon commented this was a good point, and staff already have contacted the managers to see if, for the passive fund, they can identify securities that can be moved at no cost, in terms of commission or market impact. He indicated Ms. Bhatia was to have made those calls. Ms Bhatia clarified she was asked to prepare a draft and she had. Mr. Vellon indicated staff would be looking into the possibilities of minimizing the cost impact and will report back to the Board. President Romero expressed he would like to see what Merrill Lynch, Northern Trust and BONY can do to see who works out the best. He agreed an RFP may not have to be issued because there appear to be enough players within the system to make a good decision.

Mr. Vazquez inquired what was going to be done. Mr. Vellon noted, for the passive managers already selected for an allocation of $1.4 billion, staff will have these managers look at all the portfolios. He added Ms. Bhatia would eventually contact the Board members to report if it would make sense to consider the whole plan portfolio (for in-kind transfers). Ms. Bhatia indicated she had already contacted the Board through the memo. Mr. Malecek agreed it was a wise decision to take all the equities and see if they can be easily transitioned. He commented the remainder of the portfolio would look very strange after this is done.

Mr. Vellon inquired of Mr. Rue, if there was intrinsic value in the transition program, because the Board members and himself had been bombarded with professionals wanting to do the transition at various commission costs, no cost, or a combination. He inquired if there is some value the Board should be looking at to see who would do the transition at the most efficient and competitive price. Mr. Rue responded some of it could be gauged through a pre-trade analysis. Mr. Vellon noted he was aware of a pretrade and postrade analysis to figure out if one sells at the lowest or highest possible price. He then inquired, if, in terms of a generic question, Mr. Rue, as consultant, thought there was intrinsic value the Board needs to be concerned with in order to be more analytical in terms of the proposals that are submitted, even if from Merrill, Northern Trust or BONY. Mr. Rue responded, in terms of transition, the Board needed to look out for market impact costs, which are very difficult to measure. He stated there is value in seeing how the other vendors are going to analyze those market impact costs and manage them. He also informed the Board they should decide if they want to delegate the transition function to staff to execute. Mr. Vellon indicated he did not favor this alternative. He then suggested maybe getting a proposal from the three companies, as discussed today, would be the best and then the Board can take it from there; unless the Board wanted BONY to briefly discuss this in general right now.

Mr. Malecek indicated Mr. Lou Mastro (BONY) could not attend today's meeting and had spoken to the Board, at the February 26th Board meeting, regarding the custody costs. He added Mr. Mastro would attend tomorrow's meeting. President Romero inquired if custody was an agenda item for tomorrow's Board meeting. Mr. Malecek responded it was not on the agenda, but Mr. Mastro asked him to give the Board a brief summary of the proposal BONY submitted. He indicated BONY has spent millions of dollars in analytics, and looking at the TCW portfolio, there are 79 positions BONY can trade in a day and also duplicate the Russell 1000 over the dollar amount and buy this in a day. Mr. Malecek stated it also shows the amount of transfers in-kind crossing they can use. He reported BONY did 337 transitions last year, totaling $114 billion, and 165 in equities totaling $38.8 billion. He stated they were agency only brokers and conflict free. President Romero indicated the Board would review the three proposals and make a decision.

Mr. Vellon requested Mr. Malecek define the word "transition" and explain why it is important. Mr. Malecek responded transition, if done internally, is a consultative approach where the old portfolio is taken and a new portfolio is created at the lowest cost of commissions and the lowest market impact cost, thereby lifting the burden form the staff by handling all the transfers and detailed work to be given to the new money manager. President Romero inquired if DWP's custody fees would be raised by BONY. Mr. Malecek responded according to Mr. Mastro's notes from the February 26 meeting, the fees would not be raised.

The meeting was adjourned at 2:58 pm.

JAVIER ROMERO
President

DUAMEL VELLON
Secretary

Silvia Tesseneer
Recording Secretary