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

MINUTES –MARCH 26, 2003

Present:

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

Absent:

David H. Wiggs	General Manager
Annie Cho	Commissioner

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Silvia Tesseneer	Recording Secretary
Mary Jo Curwen	Deputy City Attorney
Neil Rue	Pension Consulting Alliance
Allan Emkin	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 reported he received a fax from Mr. John Charlie (PCA) regarding the investment manager, MFS, who now indicated they will meet the minimum qualifications required by the Board, including insurance and they would like to be part of the interview process. President Romero noted this would put MFS in the fourth highest-ranking position according to PCA's ranking. Mr. Rue noted the Board has not started the Large Value reviews and suggested incorporating these facts before the Board decides which firms to interview. Mr. Vellon referred to a memo from PCA, dated February 26, suggesting MFS was responding to the Large Growth RFP. Discussion ensued as to whether MFS was expecting to be considered under the Large Growth search. Mr. Rue reported he did not think MFS was concerned about the Large Cap Growth, as they seem to be focusing on the Large Value RFP response. He stated he will be calling his office to verify MFS's situation and will report later in the meeting. President Romero and Ms. Calvache expressed they would be in favor of considering MFS, since they were listed by PCA pretty high on the list. [See continued discussion on page 8 of these minutes].

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

Mr. Rue stated from the firms today, INTECH would be the most different one the Board would hear.

Messrs. Johnnie Rogers, Director, Public Fund Marketing, Russell L. Bjorkman, Vice President, Product Specialist and Ms. Jennifer S. Winfield, Sr. Vice President, Client Relations approached the table.

a) INTECH

President Romero recognized the representatives from INTECH.
Mr. Rogers thanked the Board for the opportunity and introduced Mr. Bjorkman and Ms. Winfield.

Mr. Rogers stated Janus owns 50.1% of INTECH and the employees own the rest. He added INTECH operates as an independent subsidiary of Janus and Janus acts as a distributor primarily for the products. Mr. Rogers expressed his understanding the Large Growth Board mandate started out at $675 million, but it had dropped some according to some of the trade publications.

Mr. Bjorkman reviewed his company's Large Cap Growth product and as of the end of December they had approximately $2.3 billion in assets under management. He emphasized risk management was at the heart of the INTECH process. He stated, as a firm, INTECH has over $7.3 billion in assets as of the end of December 2002, and as of March 25, 2003; they have $8.1 billion under management. Mr. Bjorkman added the entire process at INTECH is one that employs capturing natural stock price movements in the construction and maintenance of the portfolio. He elaborated, in addition to the business people, they also have scientists whose PhD's are in mathematics, instead of economics or finance, and use a process which is based on a work done by Dr. Fernholdtz in the 70's, published in '82, about portfolio stochastics and this is the basis used to construct and manage portfolios. He then pointed out, since '91, there has been no professional staff turnover and no competition between the staff, which means it is a complete team approach through the mathematical strategy they employ. Mr. Bjorkman stated the philosophy is based on the foundation of the mathematical strategy, capturing natural stock price movements. He also expressed they are extremely style consistent and only use the securities from the Russell 1000 Growth Index. He reiterated risk management is at the absolute heart of the process and the characteristics come from within a band around the underlying index. Mr. Bjorkman elaborated on volatility capture, stating they do not predict or pick the direction of the stocks. He further noted the portfolios are very risk averse, in relation to the equity benchmark it is measured against, due to the bands INTECH puts, to which they are never far away from the underlying index. He explained value is added by INTECH through the mathematical discipline of capturing the stock price volatility.

Ms. Winfield started an in-depth explanation of the INTECH investment process. She noted, when their securities achieve their expected value, they sell and buy securities whose prices are declining.

President Romero then inquired what happens if they buy a stock going down in value and such value continues to fall. Ms. Winfield replied that would be the kind of situation INTECH tries to avoid, but if it happens it is recognized as a judgment error by INTECH.

After more discussion, Mr. Vazquez inquired as to how many stocks are within the Russell 1000 index INTECH typically uses. Mr. Bjorkman replied they use about 575 stocks from the Russell 1000 index. He added INTECH staff use a 6-day trading cycle and re-optimize weekly, with some calendar effects.

President Romero inquired what the turnover was. Ms. Winfield responded INTECH's turnover in 2002 was 70%, however the industry standard is between 50% and 100%. She then discussed the overall performance of INTECH.

President Romero inquired if there was a value tilt in INTECH. Mr. Rue clarified President Romero was referring to the style analysis provided by PCA. Ms. Winfield noted the natural outcome of their mathematical approach could put them at the fringes of the Large Growth style. President Romero also inquired about the cash position, Ms. Winfield replied they are 99.5% invested at all times and do not hold any cash as part of this process. President Romero asked if they had a small growth product and Ms. Winfield answered they do not. President Romero then inquired if INTECH had lost any accounts. Ms. Winfield replied 3 accounts had discontinued, one due to restructuring and the other 2 were lost on the basis of reallocation of assets with no attachment to performance. President Romero inquired if fees were negotiable based on the size of the allocation under consideration. Ms. Winfield responded in the affirmative. Mr. Vellon stated, for the record, this was a change from INTECH's original proposal, since they had stated the fees were not negotiable. Ms. Winfield reiterated the fees were negotiable at certain levels.

Ms. Calvache asked about INTECH's inclusion policy. Ms. Winfield replied they do use minority brokerage firms where these brokers meet INTECH's standards. She indicated Guzman & Co., a minority owned brokerage firm, out of Coral Gables, Florida, has been one of INTECH's largest trading partners since 1994. She added there has been a longstanding relationship with them and with other firms as well.

Mr. Vazquez asked who owned 50.1% of INTECH's stock. Ms. Winfield responded Janus Co. does. Mr. Vazquez also inquired why INTECH's trading costs were so low relative to their turnover. Ms Winfield responded they do not use any soft dollars to pay for research and therefore their only cost is execution. She added they also have tremendously strong broker relationships where they work very closely with firms who want their business. She added another thing they do is provide liquidity by trading against the direction of the market, which helps in terms of market impact.

After more discussion, President Romero requested INTECH provide the Board with a list of the stocks in their portfolio.

Mr. Vellon inquired how many securities do they hold now and Ms. Winfield responded 362. Mr. Vellon also inquired if the turnover was 144% and Ms. Winfield responded by saying 120% has been the highest (about 2 years ago). She noted there was then a significant amount of volatility, but it was never 144%. Mr. Vellon then inquired if they could address their rationale for their turnover moves from 129% to about 70%. Ms. Winfield replied volatility is the main driver of their trading levels. She added INTECH implemented a new optimization routine, starting in the middle of 2001 and instead of trading every quarter with one large trade, they trade every 6 days, on very smaller margins, and this has taken turnover down significantly.

After a brief discussion, President Romero thanked INTECH representatives for their time.

Ms. Winfield and Mssrs. Rogers and Bjorkman left.

b) ING/AELTUS

President Romero recognized the representatives from ING/AELTUS.

Mr. Joe Pickert, Senior Vice-President and Mr. Kenneth H. Bragdon, CFA, Equity Portfolio Manager approached the table.

Mr. Pickert and Mr. Bragdon introduced themselves and thanked the Board for the opportunity.

Mr. Pickert opened by saying he would go over the company profile and Mr. Bragdon would present the financial portfolio. He stated ING/AELTUS approximately runs $40 billion dollars in assets and has been in business for 30 years with 24 years dedicated to the Large Cap product, with approximately $2.5 billion worth of assets associated with this style. He emphasized people are the key in their business. He indicated the employee makeup at ING/AELTUS is approximately 50% women and minorities with PhD's, and CFA analysts all in abundance. He stressed it was the job of ING/AELTUS to provide access to the best money minds in the business. He stated great minds and great technology combine a product, which is disciplined, repeatable, and risk averse. Mr. Pickert also informed the Board risk was something they take very seriously and if they were to take risk then they make sure they get the gain for it, since this is not a wide-open growth account. Mr. Pickert then introduced Mr. Bragdon stating he has 33 years of experience and has worked with the fund since inception and has worked as the Senior Portfolio Manager for the last 10 years.

Mr. Bragdon stated the goal was to generate an excess return, at all times, relative to a benchmark. He then started discussing ING/AELTUS investment philosophy and stock performance drivers and how these are achieved in conjunction with each other. Mr. Bragdon indicated, by applying the same factors consistently, in a variety of situations, they bring objectivity and discipline to their approach, which adds value over time. He added this helps them achieve their overall goals with repeatable investment performance. He then discussed how quantitative evaluation and qualitative research and analysis, since the mid 1980's, brings the best of both worlds. He stated the stocks being used are in both the S & P 500 and the Russell Growth Index and the output of the model being used is run every two weeks. He explained this is the starting point of their fundamental research and the other aspect of the selection process is risk control, in which only the top 20% of stocks are focused on for the factors (drivers), which are being looked for. He added the factors concerning risk control are the disciplined application of the investment approach, bottom-up process and the broad sector application and security diversification. He noted their sell discipline is an integral part of the process and this happens when their analysis identifies deterioration in business fundamentals and the stock moves down in rank.

Mr. Vazquez inquired about ING/AELTUS inclusion trading practices. Mr. Pickert replied they want to be as inclusive as possible, however, the client is most important and the client losing money is really important. He explained there is a rigorous set of criteria the individual brokers have to meet to insure the best execution for the clients and always looking to expand the process to be more and more inclusive, however, there have been situations where there was a good 1% difference in return by a directed brokerage they were told to use. Mr. Pickert added there is a happy medium so as not to hurt the portfolio and ultimately hurt the participant. Mr. Vazquez clarified the Board would like for them to be inclusive but not at an additional cost.

President Romero inquired if they used a "step-up" program and Mr. Pickert replied in the affirmative. He added they were top tier on the proxy services and have been for several years.

Mr. Bragdon finished his part of the presentation by stating they own stocks, which are expected to grow in the next 12 months. He elaborated on his presentation handout.

President Romero questioned about the turnover rate. Mr. Bragdon replied the rate had risen over the past couple of years to about 150% or maybe a little higher, compared to 110% before then. President Romero inquired about the number of stocks. Mr. Bragdon responded they hold between 50 and 70 stocks and currently the number was 62. He added, several years ago, they held as low as 45 and as high as 70 stocks. President Romero inquired if their fee was negotiable and Mr. Bragdon responded fees were negotiable. President Romero then inquired if they had lost any accounts in the last couple of years. Mr. Bragdon elaborated they had, but the accounts lost were not of any significant size and involved mostly rebalancing. He added one account was lost due to performance and the concern was absolute performance as opposed to relative performance. He noted the finding of ING/AELTUS is, over the last couple of years, (with the poor performance of the market), most people are concerned with absolute performance as opposed to relative performance and growth has not done as well as other styles over the last couple of years. He added people have re-evaluated how much money they would like in the growth part of the business.

Mr. Vellon inquired about their proposal statement indicating they lost 9 accounts in 2001. Mr. Bragdon replied that was probably correct and they tend to get more turnover in the smaller accounts versus the larger institutional accounts. President Romero asked them if they had any problems meeting the Plan's insurance requirements and Mr. Bragdon responded they had no problem meeting the requirements.

Mr. Vellon noted the turnover reported for 2002 was 215%, as opposed to the turnover in 2001, which was 158%. He inquired what was the reason for such difference in turnover. Mr. Bragdon replied the difference was due to essentially market volatility. He added the turnover has stayed consistent with the market.

Mr. Vellon also inquired about the cash position and what it was currently. Mr. Bragdon responded they typically have a fully invested portfolio and try to keep the cash levels at around 2.5 to 3%, but like to stay within a band of 0 to 10%. Mr. Vellon inquired about the cash positions in 2001, 2000 and 1998, which were 6.5 percent, 4.6 percent and .97 respectively according the RFP. He also wanted to know what could trigger AELTUS' cash position. Mr. Bragdon responded those were random snapshot looks at the portfolio and they do not try to dress things up for year-end. He added those cash levels were the result of coincidence rather than plan.

President Romero thanked the representatives of ING/AELTUS for their participation. Mr. Pickert then made a few final comments where he touched on customer service and he thanked the Board for the opportunity to present their product.

Mssrs. Pickert and Bragdon left.

President Romero called for a brief recess at 11:42.

[Recess]

The meeting reconvened at 11:50. Mr. Allan Emkin from PCA approached the table.

c) Cadence Capital Management

President Romero recognized the representatives from Cadence Capital Management.

Mr. Steven Shaw, Principal and Ms. Katherine Burdon, CPA, CFA, Managing Director/Senior Portfolio Manager approached the table.

Mr. Shaw and Ms. Burdon introduced themselves and thanked the Board for the opportunity to present Cadence and its products.

Mr. Shaw stated Cadence was in its 15th year of business and expressed the company organization is essential to achieving their number one objective, which is the client's primary goal. He reported they manage $4.3 billion for over 90 institutional clients and a little over $2 billion of the funds are in the Large Cap Growth Equity Strategy. He added their only job is managing Growth Equity portfolios and he elaborated on Cadence's employee compensation incentives.

Mr. Shaw indicated their staff consists of 35 full time people, with 21 focusing on the portfolio on a daily basis (with an average 18 years of experience). He noted the makeup of the team is 3 portfolio managers, (with over 10 years at Cadence), 9 research analysts (with specific sector responsibilities), 3 full time traders, along with 6 customer service personnel whose sole responsibility is to communicate with the clients. He went over their client list highlighting several public plan clients such as City of Phoenix, Denver Employee Retirement Plan and the Orange County Employee Retirement System.

Mr. Vellon stated, for the record, he was in Phoenix when Cadence was brought onboard for management of the Phoenix retirement fund.

Ms. Burdon discussed how Cadence would manage the retirement plan funds. She focused on what makes a good stock, emphasizing 2 factors, which are improving earnings and attractive valuations. She elaborated on good companies with poor stock due to industry changes. Ms. Burdon stated the portfolio is built with upside appreciation, minimizing downside risk. She emphasized they use a team perspective when deciding on stocks, using her preferences and other team members choices, and even though they prefer a particular sector/industry, if the stock does not meet the criteria, it is not purchased. Ms. Burdon explained if a stock is added to the portfolio, then it is monitored for performance and valuation. She noted, as example, Forest Laboratories had potential when it was introduced to the portfolio by virtue of a new drug and now, 2 ½ years later, it has reached its full potential with this new product. Ms. Burdon indicated although the stock remains a good company and it has a new product on the horizon, but the p/e (price earnings ratio) of the stock does not reflect the future and therefore it was removed from the portfolio.

Ms. Burdon stated they keep roughly 80 stocks in the portfolio and the top 10 have never represented more than 20 – 25%. She added they are also mindful of the sector weightings and are never over 2 times (or 20 percent) weighted in any one sector. Ms. Burdon explained their using those 2 processes produces a portfolio where the earnings growth is considered to be at, or better, than the market and the p/e growth is not any more costly than market.

Mr. Vazquez inquired as to the number of stocks in the portfolio and the turnover rate. Ms. Burdon replied they hold 82 stocks and their five-year average turnover has been 75%, but turnover has been higher recently, due to market volatility.

Mr. Vellon inquired about the time horizon regarding purchasing a stock and the valuations used for their model. Ms. Burdon answered there was no set time horizon since different earnings and different earnings growth can vary, depending on industry, however, eighteen months is the average, but it is dependent on the industry.

Mr. Vazquez inquired if their expected tracking error was zero and if it was unique. Ms. Burdon stated this was something they would not monitor. Mr. Rue clarified Cadence had reported (in their RFP) they do not use tracking error as part of their investment strategy. Ms. Burdon added Cadence is mindful of the composition of the benchmark they are set to be judged against, and some tracking error is a good thing.

Mr. Mirisola questioned if they were trying to outperform the market, there would be some tracking error and Ms. Burdon agreed, but clarified they would not set a target number on it. Mr. Vazquez then inquired if the investment analytics have changed recently, due to the corporate scandals. Ms. Burdon stated they did not have to, since the analytical team did its research and figured out there was something wrong going on with those companies and they had never bought any of the stock involved in the scandals.

President Romero inquired about the standard deviation of returns reported by Cadence. Mr. Shaw indicated the numbers provided imply Cadence does not take as much risk as the benchmark and is still able to perform.

Mr. Vellon noted PCA's information (relative to Cadence's cash position) indicated a level of 4% to 5%, on average, for the last 5 fiscal years. He wanted to know if there was some kind of strategy to it or was it an incidental event. Ms. Burdon replied it was the fallout of buying and selling stocks and where they are in the process at any given point. She clarified there is no strategy to it as they try to stay fully invested.

Mr. Vazquez inquired how often they analyze the stocks regarding changes in portfolio positions. Ms. Burdon responded they go through the process everyday and rank the stocks weekly, paying attention to the quarterly reports, and they also converse with the companies regularly.

Mr. Vellon inquired if Cadence limited their analysis to the Russell 1000 in identifying new potential stock candidates. Ms. Burdon responded in the affirmative.

Mr. Vazquez inquired about their inclusion policy and what is done to avoid cost impact to the client. Mr. Shaw replied they are committed to using "best in breed" and are open to more names, since they are currently using 3 firms that fall into the category of minority women owned brokers.

Mr. Shaw thanked the Board for the opportunity and hoped to work with them in the future and he and his associate were excused.

Mr. Shaw and Ms. Burdon left.

President Romero called for a recess at 12:15.

[Recess]

The meeting reconvened at 12:37.

Mr. Rue reported the Board had inquired, at the beginning of this meeting, if MFS should be included in the Growth search as well as the Value search. He referred to an email received by one of his staff indicating the date of their dialogue with MFS was only with respect to just the Large Value mandate. They (PCA) went back to discuss it with the Investment Manager (MFS) this morning and they are not dealing with the Large Growth mandate, at this point but with the Large Value mandate. It was the consensus MFS need not to be considered for the Large Growth search, even though they recently reported they would meet the Board's insurance requirement.

d) Fred Alger Management, Inc.

President Romero recognized the representatives from Fred Alger Management.

Daniel C. Chung, CFA, Chief Investment Officer, Director of Research, Portfolio Manager and Lenore E. Thornton, Senior Vice President, approached the table.

Mr. Chung introduced himself and Ms. Thornton to the Board. Ms. Thornton thanked the Board for the opportunity to present their Large Cap management style. She explained her position and responsibilities and briefly went over Mr. Chung's position, responsibilities and history.

Mr. Chung asked the Board to focus on a time in their lives when they put all available resources into something very important to themselves and related Fred Alger dedicates itself to its clients in that manner, citing their investment and research into "Ebay" and the purchasing this stock. He stated for 40 years Fred Alger has focused on US equities and do not do bonds or international investing. He added they focus only on growth stocks, not value and quantitative or other kinds of styles. He explained all their investing is based on bottom-up research and they retain independence in terms of ownership structure, which is important in regards to long term in all aspects of the business. He explained this in detail, referring to the September 11 disaster in which they sadly lost a great deal of human resources and the people they had trained came back to the company, even leaving successful careers, and helped to rebuild the company. He re-emphasized Fred Alger is very focused on US equities, growth and research. He elaborated regarding the size of staff and number of analysts who do the research was most likely more intense than any other firm regarding US growth. He went over the philosophy, process of investing in regards to dynamic change and people (staffing) in regards to Fred Alger.

Mr. Chung explained Procter & Gamble, as an example on how, after years of trying to expand with new products, they decided to focus on just the brands (products) the consumer was familiar with and loved. He noted this shift regained ground for them and made the stock one of the top ranked companies again and Fred Alger was there, early, investing in the stock. Mr. Chung discussed how Fred Alger does their best to avoid "herd-type" thinking and exemplifies this in the training of their analysts who are very thorough in the research they do. He re-iterated some of his duties involve portfolio monitoring and risk control. Mr. Chung talked about controlling risk, passion and the commitment of Fred Alger.

President Romero inquired how many stocks were in the portfolio and Mr. Chung responded they hold about 56 stocks. President Romero inquired about turnover. Ms. Thornton replied, over the last 5 years, it has been 100 –125 percent. Mr. Chung went into a little detail regarding last year and how they repositioned the portfolio twice, due to the market volatility.

President Romero asked if the fees were negotiable. Ms. Thornton answered in the affirmative. He then inquired if they lost any accounts recently. Ms. Thornton stated they gained 8 institutional accounts and lost 3 in 2002, two being small accounts (fear of the equity market), and the third one consolidated its managers.

President Romero inquired as to the inclusion policy. Ms. Thornton stated they answered the question in the RFI and the head trader made a comment, in written form, stating he had no problem with women owned and minority firms. Ms. Thornton went on to say they were willing to work on the inclusion policy, following the guidelines set by the Board. Mr. Vazquez added the Board would like to pursue inclusion, but at no additional cost to the Plan. Ms. Thornton agreed to this. Mr. Chung added he liked working with smaller brokerage firms and went into some detail about this. Mr. Vazquez wanted to know about the involvement with utilities and telecom sector. Mr. Chung responded they had no involvement with the utility sector and as far as the telecom industry, the only current holdings were Motophone, which owns a large percent of Verizon.

Mr. Vellon inquired if the product was also available as a pool or mutual fund. Mr. Chung answered in the affirmative. Mr. Vellon asked which was cheaper for the plan. Ms. Thornton answered they have a collective trust for institutional clients and a mutual fund. She explained the collective trust is the cheaper vehicle, but a separate account would be the most effective given the size of the plan.

Mr. Vellon also wanted to know about the cash position. Mr. Chung explained the cash was an outcome of the buying and selling of the analysts. He added, more realistically, their cash in the single digit percentage range. Mr. Vellon inquired how this percentage got up to the 11 percent range at one point. Mr. Chung explained sometimes they have a lot of sells and it is tough to convince people to buy a stock when they think it is going to go down and their job is to be fully invested at all times. Mr. Vellon referred to a report by PCA showing dispersion of some 460 basis points in 1999 and if they could explain this. Mr. Chung indicated there was a large disparity in cash flows and the managers did not focus on the dispersion like they should have which has been corrected. Mr. Vellon then asked about the staffing levels since the 9/11 tragedy and if they were fully staffed now. Mr. Chang responded they actually have more people now than before 9/11 and are in the process of hiring more research associates. After more discussion, the Board thanked the representatives for the presentation.

Mr. Chung and Ms. Thornton left.

e) Turner Investment Partners

President Romero recognized the representatives from Turner Investment Partners.

Mr. Scott Eversole, Institutional Business Development Director and Mr. Robert Turner, CFA, Chairman/Chief Investment Officer approached the table.

President Romero pointed out two of the Board members may be leaving during the presentation due to other commitments.

Mr. Eversole introduced himself and Mr. Turner and thanked the Board for the opportunity to present their product. He briefly went into Mr. Turner's involvement and role in the company. He stated the two focus points would be on the management of growth portfolios and how the company is structured and organized for their clients' best interest.

Mr. Turner emphasized the company puts clients first, above all else.

Mr. Eversole indicated the partners are vested with the client, 100% and are paid according to work done for the clients. He stated the company is most probably the only one who closes products early. He explained his company did not want to be in a situation where they can't execute a trade/transaction within a reasonable amount of time. He added they monitor, on an ongoing basis, the trading volume and days in each portfolio and they will close the product when they believe they are approaching the limit on where they feel comfortable that they can execute transactions in an effective manner. Mr. Turner elaborated on the process and Mr. Vellon asked if they would not accept more clients at a certain point. Mr. Turner responded in the affirmative.

Mr. Eversole stated they take their legal responsibilities very seriously and no one in the firm can own individual stocks held by their portfolios. He noted almost all the partners have put personal savings into the firm because they have such a strong feeling regarding their investment capabilities. Mr. Eversole elaborated on customer service and explained the background of the head of their customer service. He went over their list of clients, identifying some local clients such as Southern California Edison, Los Angeles Fire/Police Unit, and Unocal. He noted some clients (40%) have hired them for more than one mandate.

President Romero corrected Mr. Eversole by stating he meant the Pasadena Fire/Police rather than the Los Angeles Fire/Police. Mr. Eversole agreed and pointed out, during the last two years, they have been able to attract new business in the amount of $4 billion in both new clients and existing clients who give more funds (or simply additional contributions).

Mr. Vazquez asked if they could go through the stock selection process. Mr. Turner explained they are pure growth managers focusing on companies with good earnings. He added they buy stock in those companies with good earnings, acknowledging, over time, those would be the best performing stocks in the market. He mentioned Amgen stock, which is up 25% this year, as opposed to Lilec, which continues to struggle, and is down 10%. He indicated part of their philosophy is to remain fully invested and the hallmark of the organization is the sector neutral approach, which is a key differentiation from most other growth managers. He explained the reason they do it is so they can control stock selection. He emphasized the reliability and stability of the staff and noted what is unique regarding the investment team is one person is in charge of each sector and these are the senior members. He reiterated the fact they are paid strictly on performance and he went on to discuss more about stock selection and the criteria used. He indicated they use a quantitative model, fundamental analysis (90% focus), and technical analysis. Mr. Turner went over their sell discipline briefly. He commented on performance, adding he believes they are poised for excellent performance when the market performs well again.

Mr. Vazquez inquired as to where they are located. Mr. Turner replied Berwyn, Pennsylvania.

President Romero asked as to how many stocks were in the portfolio. Mr. Turner replied it was between 80 and 100 stocks. President Romero also inquired about their turnover rate. Mr. Turner answered historically it has averaged about 200%, and the last few years it has been higher due to market volatility. Mr. Vellon noted more recently it has been reported in the 300% area and Mr. Turner agreed.

Mr. Ron Vazquez left the meeting at 1:45 pm.

President Romero inquired if the fees were negotiable. Mr. Turner said they were. President Romero asked if they lost any accounts. Mr. Turner answered less than 5. President Romero then asked Mr. Turner to touch on their inclusion policy.

Mr. Turner stated they were very proactive in regards to inclusion. President Romero inquired regarding emerging brokers. Mr. Turner indicated they have a team specially set up for trading and they work closely together, to ensure the best trade possible at the best price. Mr. Vellon inquired about performance dispersion and accounts lost due to performance. Mr. Turner answered their relative performance has been predictable, but the absolute performance has been tough and there are those clients who look to make a change when performance is down 25%. Mr. Vellon inquired if they ran this product as a pool fund as well. Mr. Turner answered in the affirmative. Mr. Vellon asked which product is cheaper to run, since they are the same product. Mr. Turner answered a separate product is more economical.

Mr. Vellon inquired about the range of fee. Mr. Eversole replied the stated fee is 75 basis points (or .75%) on the first 25 million then it drops to 50 basis points over and above 25 million. Mr. Vellon asked about the cash position and how does it compare to prior years. Mr. Turner answered since they are fully vested and bring cash down to less than 2 percent everyday and, from a practical standpoint; it ends up being less than 1 percent. Mr. Vellon asked if the product was Russell based, as requested in the RFP, and not S & P 500. Mr. Turner replied the product they were discussing was S & P 500 based with distinct growth bias.

Mr. Vellon left momentarily.

President Romero thanked Turner Investments representatives for their time.

Mssrs. Turner and Eversole left.

A brief discussion ensued and the Board members and PCA agreed to meet at another time to discuss all the proposals and possibly make a selection.

Mr. Vellon returned.

The meeting was adjourned at 1:55 pm.

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JAVIER ROMERO President	DUAMEL VELLON Secretary

SILVIA TESSENEER
Recording Secretary