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

MINUTES – SEPTEMBER 3, 2003

Present:

Javier Romero	President
Lilly Calvache	Vice-President
Dan Mirisola*	Board Member
Ron Vazquez	Chief Financial Officer
David Wiggs*	General Manager

*Partial Attendance

Absent:

Leland Wong	Commissioner
Michael Moore	Retiree Member

Others Present:

Duamel Vellon	Retirement Plan Manager
Sangeeta Bhatia	Assistant Retirement Plan Manager
Vikki Burks	Recording Secretary
Regina Luna	Recording Secretary
Michael Wilkinson	Deputy City Attorney
Allan Emkin	Pension Consulting Alliance

President Romero called the meeting to order at 8:15 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. Mr. Vellon stated there were no requests for public comment but there is a request for comments on item one. President Romero invited the speaker (Ms. Lisa Manuele) to approach the podium.

1. **Consideration of BNY Brokerage Equity Portfolio Transition Report (Passive Russell 1000 Index Funding).**

Ms. Lisa Manuele, Managing Director of the Bank of New York Transition Management Group (BNY/GTM) approached the podium. She introduced her colleagues Dawn Edwards, head of Transition Trading; Richard Clark, Plan Sponsor

Sales Head; and David Malecek, Regional Manager. Ms. Manuele thanked the Board for consideration and selection of BNY as the transition management group for LADWP. She indicated the BNY representatives present, came to this meeting to answer any additional questions the Board may have, following the presentation of Pension Consultant Alliance's (PCA) report, which she had just had the opportunity to review. Ms. Manuele reported their mandate was to perform against two very specific benchmarks which were: to achieve a standard of average price performance of 0.03 cents or less, and to achieve a performance equal to the movement of the Russell 1000 index on the trade day. She noted in both cases BNY was able to improve on those results and on the average price performance. Ms. Manuele reported the actual performance came in about 2.2 cents per share, as opposed to 3 cents per share, saving the Plan a considerable amount of money. She indicated the performance of the Plan's Russell Account was 24 basis points of loss, versus roughly 170 basis points of loss on that day. Ms. Manuele explained BNY provided a schedule, illustrating the full implementation "short fall" which is the total cost to the portfolio. She described "short fall" indicating, if one started with a dollar, what would one end with at the end of the transition period. Ms. Manuele indicated the implementation "short fall" by their measurement, came in at about .50 basis points, considerably less than other transitions of that type and size would have had.

Ms Manuele inquired if there were any specific questions that she or her representatives could address at this time, or would the Board prefer to have BNY come back and speak after Mr. Emkin makes his presentation. President Romero responded there were no questions.

Ms. Manuele again thanked the Board for their consideration, and expressed continued interest in working with the LADWP Pension Plan going forward in any asset class. She noted BNY has the largest agency brokerage environment in the world, trading over $7 billion dollars daily in US equity, $4 billion daily in international equity, $4 billion in fixed income and almost $5 billion in foreign exchange. She added this type of activity uniquely qualifies the firm on an agency basis, emphasizing they do not take principal positions against their clients.
Ms. Manuele stated BNY acts solely in the client's interest, as BNY does not have any principal book. She mentioned, as LADWP Pension Plan goes forward with the different asset classes (including the ongoing equity for the US value and growth, the international markets and the fixed income) BNY would be very honored to receive future consideration for these.

President Romero thanked Ms. Manuele and she retired to the audience. He then asked Mr. Emkin for his comments regarding the transition.

Mr. Emkin stated there were memos in front of the Board Members, explaining PCA's findings. He explained PCA felt the transition went well, meeting the objectives within the standards set forth by the Board from implementation. He indicated BNY executed well, and the results tracked the index and all was done in an efficient manner. President Romero inquired if Mr. Emkin thought there was any reason why the Board should or should not continue with BNY. Mr. Emkin reported there was no reason not to continue to work with BNY relative to the Board's next U.S. Equity transition portfolio. He stated PCA did an analysis of competitors and what the Board should do for each specific asset class is look at the relative strengths of the different firms, because there are different skill sets associated with the less liquid parts of the capital markets. Mr. Emkin added the Board might continue to be happy with BNY performance, but there are slightly different skill sets which PCA representatives think the Board may want to consider, but not necessarily act upon. Mr. Emkin reported Board members had before them a copy of another PCA memo outlining their due diligence done on a variety of transition managers Board members can consider.

Mr. Vazquez indicated with the more illiquid assets, he did not believe a VWAP (Volume Weighted Average Price) comparison was the right way to go. He noted, the Board needs to gear these transitions with the best capable resources for getting things done, and if one tries to do some of the illiquid type securities in one day period, he did not think it would work to the Plan's benefit. Mr. Emkin suggested as each component goes forward, he thought it would be good for PCA to give the Board a memo regarding which style of transition management and what measurement would be the most appropriate. He stated the Board has an existing relationship, which was implemented successfully by BNY and he thought it would be looked upon as a very favorable transition. Mr. Emkin noted there would have to be a compelling argument not to just keep it simple and work with one organization but he did not want to pre judge the situation. He suggested it would be beneficial to look at one transition at a time, and going forward, PCA would bring recommendations for the Board's consideration.

Mr. Vazquez conveyed his preference for an "implementation short fall" type of benchmarking where a firm will give the Board what they anticipate would be the short fall, in advance of doing the transition, and then see where they would come out against the benchmark they set. Mr. Emkin commented it was definitely one way to measure and one way to compare and if that is the Board's wishes that certainly can be accomplished. President Romero inquired if the initial transition just occurred, involved the most illiquid positions within the portfolio. Mr. Emkin stated it was mostly a liquid transition; the largest (most traded) securities, because, they comprised the largest stocks by capitalization. He noted, when the Board gets to the small growth managers, there might be a whole portfolio of names, between $50 million and $1 billion in capitalization, and the Plan will be buying a good chunk of those (in terms of size), requiring a different skill set. President Romero stated he was referring to liquidity specifically in relation with the rest of the Plan's portfolio/holdings.

Mr. Emkin indicated, going forward, selling the Board's holdings was not the problem. He noted the challenge is reinvesting the proceeds in new mandates involving portfolio hardly liquid. President Romero inquired what Mr. Emkin's suggestion would be. Mr. Emkin recommended, as each component comes up, PCA would issue a short memo, based upon the various responses received by PCA from the alternative transition managers contacted. He noted it is possible someone might have a better skill set for a particular segment.

Mr. Vellon indicated one of the concerns is: the Board has four investment managers already on board, and they are waiting to be funded, so if every time there is a need to come back to the Board, to fund one of the four managers, it will cause a delay and there are Board members who want to move expeditiously. He commented on Mr. Vazquez' concern about using an implementation "short fall", such an analysis was made by PCA (Mr. Neil Rue) and was found favorable to BNY. Mr. Vellon stated, for the record, Mr. Emkin and Mr. Rue's memo, evaluating BNY's performance, is included in the Agenda packet.

Mr. Emkin inquired if the mandates selected are all large cap. Mr. Vellon responded they are large cap value and large cap growth. Mr. Emkin stated those would be, without exception, the more liquid names. President Romero stated he believed the Board could move forward with BNY with those two mandates. Mr. Emkin so recommended and he mentioned his concern would be much more the small capitalization and international segment, wherein, skill sets may (or may not) suggest to consider a different choice. Mr. Vellon clarified international segment would be funded with cash so the full transition will not apply. Mr. Emkin noted, in that respect, it would entail the purchase side of the transition. President Romero suggested to go ahead with BNY, contingent on negotiation of commissions and, if those commissions do not come down, then the Board should possibly look at the other transition providers. He indicated the Board would wait for a recommendation from Mr. Emkin.

Mr. Emkin stated the Board still needed to select the transition managers for the international segment, but, that would not be happening soon. President Romero suggested the Board take action on the large cap growth and large cap value segments. Mr. Vellon proposed this could be done under Agenda item 2 since there was a proposed resolution. President Romero ruled item 2 be discussed next.

2. **Consideration of Plan Portfolio Transition Programs after full funding of the Plan's passive Russell 1000 allocation as recommended by the Plan's consultant Pension Consulting Alliance (PCA) Resolution 04-23**

Mr. Vellon summarized item 2, adding Mr. Emkin proceeded with a Request For Information (RFI) to identify potential transition providers who could be of assistance to the Board. He stated, when Mr. Emkin started this effort, the Board did not have the results from BNY transition, so the expectation was if for some reason BNY did not pass the performance test, or if the fee was not within an acceptable range, the Board could have a fallback transition provider in place. Mr. Vellon noted, since the BNY transition was successful, Board members needed to decide if they still want a battery of potential transition providers for consideration in all future segments.

President Romero inquired what the Board wanted to do under item 2. Mr. Vazquez indicated he understood PCA recommendation was for possibly three transition providers in reserve and he recommended inserting those names in the resolution and have them as potential transition managers on the side, to the extent the Board experiences any problems with BNY. He also recommended the Board go forward with the large growth and large value transition with BNY. Mr. Vellon stated the resolution could be modified along these lines suggested by Mr. Vazquez. Ms. Manuele approached the podium and President Romero recognized her.

Ms. Manuele indicated if an RFI would be issued for a formal response for other service providers in alternative asset classes, BNY would like to respond to all alternative classes such as small cap, international and any fixed income that may transpire. She stated, rather than having their portfolios judged on U.S. equity and large cap value and growth, which have been successful, BNY would like to be considered as part of the RFI process for alternative asset classes which BNY has great expertise in as well. Mr. Emkin responded BNY would not be precluded and they would definitely be considered, and no additional request for information (RFI) would be asked of them, though there may be specifics asked of all providers relative to detailed portfolios under consideration. Ms. Manuele thanked the Board for their consideration.

President Romero inquired if there was a motion. Mr. Mirisola questioned what the motion was exactly. Mr. Vellon clarified the motion was to add the three names recommended by Mr. Emkin and BNY would continue with the transition for the growth and value managers. Mr. Mirisola stated he did not want the Investment Manager providing services under contract, to also do transition services. He suggested the transition manager should be a neutral third party. Mr. Mirisola indicated one of the transition providers suggested was already under contract in two Plan asset classes and could also end doing the transition management services, which he believed was a conflict of interest. Mr. Vazquez inquired if Mr. Emkin would provide his perspective on this.

Mr. Emkin stated it was up to the Board, in terms of the amount of business they give any organization. He stated he was not sure what the conflict would be, but if PCA felt there would be a conflict of interest they would not have recommended Merrill Lynch (ML). He added ML is the only firm that has the conflict, but the transition team would be a separate part of the ML organization and transition services would have nothing to do with ML management of the Plan’s portfolios. Mr. Emkin noted, if the Board wants two separate functions, that would be a legitimate policy decision for the Board. He emphasized it would be a policy issue and he does not understand where the conflict on the issue is.

President Romero stated he understood Mr. Mirisola’s concern is not as much a conflict of interest, but an appearance of conflict. He suggested for the sake of moving forward, assigning the transition to BNY and when the Board crosses that road, this could be addressed again and consider giving the assignment to another transition manager.

Mr. Vazquez stated if the Board identifies another transition manager, this could be discussed at a later point in time, along with whether there is conflict of interest or not.

Mr. Vellon stated, for the record, the motion encompasses to continue with BNY and there appears to be no issue on that. He recommended this be done, and the inclusion of the three transition providers recommended by Mr. Emkin be identified, subject to a specific Board vote if there was a need to look at such three names. Mr. Vellon indicated no action or transition would stagnate the funding of the four managers already selected by the Board. He inquired if this would be acceptable to Mr. Mirisola. Mr. Mirisola responded it was not acceptable to him, indicating it was a nice compromise, but including these companies as part of the Board's transition, does pose potential conflict of interest and does not make good business sense. He expressed his belief the transition manager needs to be a third party, like BNY is. Mr. Mirisola expressed concerns, transition providers can make money knowing in advance what and when they are going to execute trade, and this is why some can offer to provide the service for free, or even pay the Plan if they get the assignment. He stated by managing the Plan's portfolio and transition assignment it may put them in a conflicting position. Mr. Mirisola stated he is not implying anything negative, but, there has been a lot of press about malfeasance with different brokerage firms and Merrill Lynch has been sued many times, therefore he does not have any faith in having one of the Plan's managers trading as a broker. He stated he would vote no if Merrill Lynch would be included in the list of transition providers.

President Romero inquired if there could be two separate votes on each aspect and if the Board was comfortable with this.

Mr. Vazquez moved approval of Resolution 04-23 relative to the selection of BNY as transition Manager for the Growth and Value accounts. Seconded by Ms. Calvache. And carried by majority after the following vote.

Ayes: Romero, Calvache, and Vazquez
Nays: Mirisola

Mr. Vazquez moved approval of the three other additional transition managers recommended by PCA (Frank Russell, State Street and Merrill Lynch) to be maintained for the sidelines for future transitions, or to the extent the Board is not pleased with the performance of BNY. Seconded by Ms. Calvache. There was no official vote because Mr. Mirisola left the board room and Board quorum was lost. Attorney Wilkinson stated there could not be a vote without Board quorum. Mr. Vazquez suggested tabling this issue for a future meeting and Ms. Calvache indicated she would be in favor of this.

President Romero excused himself from the meeting at 8:35 am.

President Romero returned at 8:45 am and extended the recess until 10:00 am.

The meeting reconvened at 10:05 a.m.

Mr. Vellon stated, for the record, there was quorum of the Board with the presence of General Manager, Mr. David Wiggs, while Mr. Mirisola could not return to the meeting.

3. **Interviews and possible selection of an Investment Management Firm or Firms (From those responding to the Plan's Request for Proposal – International Equity Investment Managers within the Developed Markets Segment).**

Mr. Robert Harkins, CFA, Vice President and Ms. Param Roychoudhury, CFA, Vice President International Portfolio of The Boston Company Asset Management LLC approached the table.

a) The Boston Company Asset Management LLC

President Romero recognized the representatives from The Boston Company.

Mr. Harkins thanked the Board and introduced himself and gave a brief background on Ms. Roychoudhury. He summarized The Boston Company's background, stating it has been a subsidiary of the Mellon Company for the past 10 years, but runs independently in regard to investment, philosophy and process. Mr. Harkins mentioned, as of July 1, 2003 they had $23 billion in assets under management, and, of this, approximately 1/3 or $8.8 billion were assets managed by their International team. He stated the firm's client base totaled approximately 350 and, of those, approximately 90 are clients of the International team. Mr. Harkins proceeded to give a brief listing of the clients in the local area.

Mr. Harkins gave a brief performance update, noting The Boston Company was ahead of the index by approximately 364 basis points as of August 31, 2003. He noted, when looking at the year 2000-2001-2002, they have significantly outperformed the market in clearly down markets and he believes this is very important for a value manager, which is protecting principal in down markets. Mr. Harkins indicated The Boston Company is right at the top on a risk-adjusted measure of information ratio. He noted, for the two years ending June 2003, the Company added 1.41 units of return for every unit of risk they've added to the portfolio, putting The Boston Company in the top 8% of all risk managers.

Mr. Harkins commented on the International team. He explained they have 15 dedicated investment professionals; 5 are portfolio managers, 6 are research analysts, 3 dedicated traders and 1 portfolio advisor. He stated two individuals lead the team and each of them has more than 22 years of experience in international markets. He noted each individual has excellent academic qualifications and financial analytical skills. Mr. Harkins explained The Boston Company looks at value through stock selection and everyone on the team does company analysis every week, indicating this is one of the strengths of the team.

Ms. Roychoudhury added they are a very cohesive team, working very well together. She explained, when adding a stock to the portfolio, everyone plays a role in the selection process.

Mr. Vazquez inquired if The Boston Company would provide a team of portfolio managers or one specifically assigned to LADWP Retirement Plan. Mr. Harkins indicated they implement the strategy on monolithic portfolio concept, so every client receives equal treatment, but if the Board prefers one person, this can be arranged.

Ms. Roychoudhury stated The Boston Company is very value oriented; they are value managers picking big value and expensive stocks selling at a discount. She added they are research driven, doing fundamental, quantitative and qualitative research. Ms Roychoudhury explained their analysts spend 90% of their time researching the stock. She added, The Boston Company is risk averse, protecting their client's capital, therefore they have many risk controls in place, having 5% of each stock maximum in a portfolio, owning 5% maximum of the company itself.
Ms. Roychoudhury explained the Company does like to buy good quality stocks at a discount, but the Company wants to include in the portfolio an economic and a sector weight, which would minimize risks. She explained they have between 100-150 names in the portfolio and the reason for this is, if there are too few names, the event specific, stock specific risk, becomes too much. She noted, their number of stock is good for diversification, and too many would be replicating the index, not value adding. Ms. Roychoudhury noted The Boston Company has three criteria which they follow when picking stocks: 1) Value 2) Fundamentals and 3) Business momentum. She indicated The Boston Company is strongly disciplined when it comes to selling stock, reviewing the holdings on a weekly basis.
Ms. Roychoudhury explained The Boston Company sells their stock when one of the three criteria she outlined falls short. She mentioned, The Boston Company is fully invested, adding value through stock selection and no market timing, only having 5% cash at one time.

Mr. Vellon inquired how country and region concentrations are controlled.
Ms. Roychoudhury explained they have a benchmark which they arrive at by looking at the GDP rate of the country, stating The Boston Company is bottom up stock pickers, however, given their risk control, the Company does have guidelines within which they operate and define a range. She indicated the ranges being three sets of countries. Ms. Roychoudhury explained UK and Japan are very big countries going 15% over or under weight, Germany and France reflecting smaller countries are 8%, and all other countries are between 0-5% of that ideal weight range. She stated this is just a risk control, so their clients will never find all of their eggs in one basket, e.g., all stocks in Japan. Mr. Vellon inquired if all the ranges are in relationship to the index. Ms. Roychoudhury responded the ranges area in a relationship to an index they have built, and the index is a composite by index rate and the GDP rate of the country. She stated 17% of their top ten holdings are from all different countries and sectors, making it well diversified. Ms. Roychoudhury again stated stock selection is based on a bottom up process and sector bets are neutral to the index. She noted the Boston Company having outperformed their benchmarks.

President Romero inquired what the average turnover is. Ms. Roychoudhury explained the average turnover is between 20-40%, noting The Boston Company are long term holders of stock, minimizing transaction cost to the clients.   President Romero inquired if the fees were negotiable. Mr. Harkins responded affirmatively. Presidents Romero requested clarification of the Company's inclusion process. Mr. Harkins stated the company has a very well structured HR Department, having guidelines in place for employment placement.

Mr. Vazquez called attention to the Boston Company monitoring performance against a customized index, using EAFE, and also using the gross domestic product of a company. He inquired if it would fit in with what the Board is looking for. Mr. Emkin explained it's another way of looking at diversification, measuring it against economic activity of the market basket. Mr. Harkins elaborated on country weights and provided examples of exposure to various countries.

Mr. Vazquez inquired if the Plan will have a specific benchmark they will measure against. Mr. Emkin clarified it's not a benchmark, but how they manage money. Mr. Harkins explained their risk control is in place, so their clients don't one day find all their money in one country.

President Romero thanked The Boston company for their presentation. The representatives of The Boston Company thanked the Board and left.

Mr. Steven Johnson, Director of North American Business Development approached the table and Mr. Wilson Phillips, Director of Client Services (via phone from London) of Marathon London.

b) Marathon London

President Romero recognized the representatives from Marathon London.

Mr. Johnson provided a brief background of the representatives and noted the firm is headquartered in London and was founded in1986, by three individuals who are still involved in the firm as the three primary investment directors. He noted they have a small stable investment team, the three investment directors he mentioned and five analysts.

Mr. Johnson described one of the key features making Marathon London unique is they are 100% owner managed. He explained what this means for the potential client is the three individuals who manage the company also manage the clients assets, so their business decisions are made with the client as paramount in their mind. Mr. Johnson stated the company views equity participation as the best incentive and best method of retaining clients. He noted Marathon is an active equity manager taking a global approach to the regional sector and the stock selection decisions. He emphasized they are not indexers and definitely are not concerned with tracking error, believing they add most of their value by not paying much attention to the index. Mr. Johnson stated Marathon is entirely cognizant of the fact the Board would be monitoring them against the specific index, but they just will not construct the portfolio according to how the index is made up, reiterating they add most of their value through sector and stock selection.

Mr. Johnson described their clients as institutional clients only and they have no retail clients. He stated the firm concentrates on only equity fund management (global, international and regional) versus index benchmarks for institutional clients. He noted, as of June 30, 2003 Marathon manages the equivalent of approximately $14 billion US worldwide, of this, $10 billion is managed for their North American clients, and, of this, approximately $8 billion is managed in developed international equity EAFE mandates, and managed in public funds as well. Mr. Johnson noted, with one exception, there have been no departures from the investment team since it was founded in 1986.

Mr. Phillips addressed Marathon's philosophy and process stating 80% of their value added comes from country, stock and sector decision. He noted their approach is what they refer to as "capital cycle", explaining, in a business, profitability is inversely proportional to the amount of competition or capital, and this works for both growth and value stocks. Mr. Phillips stated the investment directors are responsible for the stock selection within their particular geographical regions and collectively are responsible for the allocation across the different regions. Mr. Phillips noted their portfolios will show very strong views and are well diversified with low turnover. He stated their average holding period of a security in a portfolio is currently around five years, which emphasizes how Marathon looks at their investment decision and reflects on how their portfolios are managed. Mr. Phillip's stated Marathon is relatively limited in the number of people they have with only eight, so rather than trying to compete with large organizations who are focusing on the next quarter's earnings for a particular company, Marathon, realizing they do not have a strong competitive edge in this area, focuses on one of the slowest moving parts in a companies aspect, and this is the management of the capital in that particular business. He stated their approach is meeting with the company's management and understanding how they think, what their reinvestment strategies, motivation, compensation and valuation issues are, which does not change very often and has a long shelf life.

Mr. Phillips summarized Marathon has separate disciplines for country, sector and stock selections and the country divergence is limited by bandings, making it relatively low, but they take strong sector views with sector allocation centrally monitored. He indicated, Marathon is 100% owner managed with an exceptionally stable team and the people responsible for the 17-year performance record are the ones still making those decisions.

President Romero inquired what is Marathon's turnover. Mr. Phillips noted on average 20% equating to a five-year holding period.

President Romero inquired if the fees were negotiable. Mr. Phillips responded in the negative. Mr. Johnson stated they offer and encourage performance fees.

President Romero inquired about inclusion and emerging policies. Mr. Johnson noted Marathon currently employees 43 people, and intend to keep their employee size as small as they possible can, therefore, it is critical to hire the best people they can find with absolutely no concern where they fall in terms of race or gender. He stated, currently there are 17 women and 5 minorities based in the London office, and in the Connecticut office there are 4 people total, 3 women and himself. President Romero inquired if they currently have any clients based in the Los Angeles area. Mr. Johnson indicated Southern California Edison is the client they have based in Los Angeles and a couple of clients based in the Northern California area. President Romero inquired if Marathon is involved in any outreach program within the Southern California area. Mr. Johnson responded in the negative.

Mr. Vazquez commented about the number of people on the team, 3 portfolio directors and 5 analysts who cover 250 stocks. Mr. Johnson indicated Marathon owns 250 stocks but they cover more than that. Mr. Vazquez inquired how they continue to do this with such a small staff. Mr. Phillips stated Marathon meets with approximately 700 company management a year. He emphasized when they meet with these companies they try to really speak with the management and understand how they are thinking and making their views. He added, they are not going out and looking at every retail store and trying to analyze what the next quarter sales are, Marathon is focusing on the ones they want to see. Mr. Vazquez inquired how do they monitor these stocks and how frequently do they re-evaluate the holdings. Mr. Phillips stated price is looked at on a daily basis and they average a meeting either in person or by phone, twice a year. He noted if something is going wrong, they step up the meetings and have discussions with management more frequently.

President Romero noted, in their portfolio, they do not utilize emerging brokers, inquiring if they then use step-out programs. Mr. Johnson indicated their main goal is best execution for their client and as international managers they deal with some of the largest international global brokers and have no problem being directed to use certain brokers, however, when they do a trade they do it for all their clients. He stated they want to make sure the clients get the best execution, so in some cases a directed trade may have to go after a primary trade.

Mr. Vellon commented their proposal stated exposure to 250-260 positions and in comparing this kind of portfolio size, in terms of different securities, this is on the high side. He inquired what is the reason for this, in terms of their strategy. Mr. Phillips stated what one gets is actually three portfolios put together by each of the individual directors responsible for stocks in their own region. He stated Marathon does have a structural bias towards medium and smaller size names, where they think there is an undervaluation, because a lot of their large competitor peers are just focusing on the cap weighted industries only, and buying only the same large names, so Marathon finds extraordinary valuation anomalies in the medium and small size, in particular exposure to emerging markets, such as some of the Asian markets. Mr. Phillips stated Marathon has gone further down the size spectrum and bought good companies that actually fall within their "capital cycle" approach. Mr. Vellon inquired if this is an unusual situation or do they typically, over the longer term, keep those numbers of securities. Mr. Phillips stated 250-260 is the largest they have held in the last 5-10 years, but they would tend to have a larger number of names than the average manager, which they are not ashamed of, because it partly has to do with their approach of the “capital cycle”, which means sometimes an anomaly can be in a particular industry. Mr. Vellon inquired how strict they are on country and region concentration. Mr. Phillips stated they would not be less than 50% or more than 150% weighted in the major countries or regions.

Mr. Vazquez inquired if the portfolio they would be offering LADWP Retirement Plan is the same portfolio for all other clients. Mr. Phillips responded affirmatively, adding all clients with the same benchmarks, mandates and restriction get the same portfolio and performance.

Mr. Vazquez inquired if the fee structure offered to LADWP Retirement Plan is the standard structure offered all other clients. Mr. Johnson responded affirmatively. He stated it is a Most Favored Nation (MFN) fee structure.

Mr. Vazquez inquired what percentage of their clients use performance based fee, versus their standard fee structure. Mr. Phillips stated one third of their clients. Mr. Vazquez inquired if Marathon’s preference is performance based. Mr. Johnson stated they like it and the way they calculate performance base, is a flat fee of 20 basis points and they take 20% of the outperformance above the index.

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

Messrs Clive A. Gillmore, Deputy Managing Director-Senior Portfolio Manager, Hamish O. Parker, Director, Senior Portfolio Manager and Ms. Patricia M. Karolyi, CFA, Senior Vice President-Client Services from Delaware International Advisers approached the table.

c) Delaware International Advisers

President Romero recognized the representatives from Delaware International Advisers.

Ms. Karolyi provided a brief background of the representatives present and indicated they would be the primary contact if hired. She stated they have a stable team of 38 investment professionals. Ms. Karolyi stated all investment, management international portfolios and research is done out of one location by the team in London and all of the portfolio managers have analytical responsibilities. She stated Delaware Investments is a young subsidiary of Lincoln National Corporation and is a diversified financial services company. Ms. Karolyi noted they have approximately $16 billion in total assets under management and retirement assets represent a large proportion of those assets. She stated $13 billion of this is in international and global equity assets, which account for over 80 % of total assets under management. Ms. Karolyi stated Delaware has a significant number of separate client relationships with 73 clients and offering a number of mutual funds as well as institutional pooled vehicles. She noted 38 investment professionals based in

London manage 121 accounts giving them an excellent investment professional per account ratio, which they believe is very important.

Mr. Vazquez inquired what number of clients they have in the specific portfolio this Board would be looking at. Ms. Karolyi indicated this would represent the bulk of their assets, currently managing in excess of $10 billion in international equity assets. Mr. Vazquez inquired what number of clients was this. Ms. Karolyi indicated out of the 73 clients, they are looking at over 50 relationships.

Mr. Parker explained they have responsibilities both as fund managers and analysts working from a centralized stock list. He stated as analyst, they import into this central core and as managers they take out of the core to create the clients portfolios that are run consistently for all their clients.

Mr. Gillmore stated they have always been value managers and define value as the future stream of income that a security or market would generate, discounted back to the present day or what is often known as a dividend discount. He noted they know their client's liability will grow in line with inflation and are typically US dollar in nature, so all their work is done is U.S dollar terms, after taking into consideration inflation.

Mr. Gillmore stated other benefits from Delaware's approach include preservation of capital during difficult market periods and, in addition to outperforming a benchmark (which Delaware knows the Board will be measuring them against) they traditionally have one of the lowest volatilities in the industry. He state, overall the power of preservation of capital has meant they have outperformed the benchmark by over 6.5% per annum over the five-year period 1998-2003. Mr. Gillmore noted if one had merely invested in an index of EAFE securities, one would have lost relative to U.S. inflation and, therefore, relative to liabilities, by about 6.5% per annum. He added, Delaware has managed to keep up with their client's liabilities during this time frame. He explained, during the down market, Delaware was able to outperform the benchmark significantly by about 600 basis points per annum during the last ten year period.

Mr. Gillmore explained, in terms of volatility of return, one wants to be in above average return and below average risk. He stated, in the five-year period 1998-2003, Delaware is the "lowest risk" manager. Mr. Gillmore explained the company looked at rolling five and ten-year periods since the inception of their firm and Delaware has been in the lowest quarter of risk profile in the industry, a very consistent attribute they bring to the table.

Mr. Gillmore explained their investment process by using what they refer to as a dividend discount model, a discounted future stream of income consistently through every single stock and market they look at. He indicated they look at and they do this very deliberately so they can compare like with like, and, ultimately, their job is to measure investment opportunities across the globe. He explained they need to compare a Japanese security against a German or Spanish security, and all those need to be compared in like way. Mr. Gillmore explained in doing this, for Delaware, investment is a two piece jigsaw, first, it's the local market analysis, and second, is their currency analysis. Mr. Gillmore stated they pride themselves in knowing the companies they invest in with great detail, by visiting them at least twice a year and understanding what the company's five year plan for the business entails, what the long term in the future is, because this is what will drive returns. He stated in addition to this, they pride themselves in knowing the competitors of the businesses, as well as the fully integrated basis of the companies they invest in.

Mr. Parker explained Delaware is a combination of bottom up and top down and they have a good reputation for their stock picking abilities and run very focused portfolios for their clients. He stated they think it's a tremendous benefit from having an asset allocation, provided the asset allocation keys off a similar process to the stock picking, something they have developed very much at Delaware. Mr. Parker explained when Delaware looks at individual markets, they look at it in much the same way as others might look at individual stocks. He added they bring together the stock work they've done to produce a real return estimate for the markets they can potentially invest in and, at the end of the day, their plan is to take the cheapest stocks that come from the real return analysis. He indicated they focus on the cheapest markets that come from a very similar top down process and they believe this really does give them the best of both worlds, a focus on the very best value opportunities at the stock level and also a diversification benefit as well.

Mr. Parker explained they have a very focused selection of markets, believing once the company has done the detailed analysis, there really is no purpose in overdiversifying the portfolio, so, they focus on the markets that offer the best returns. He noted the analysis takes into account U.S. inflation and currency and the returns were very good, showing well over 5%. Mr. Parker stated they average five years plus on their holdings. He noted in their allocation they are very focused and if they like the market then they have a heavy weighting towards that market.

Mr. Parker explained currency analysis is a great part of their diversification process, they don't like to leave value on the table so they take out protective hedges at a time when the U.S. dollar is fundamentally undervalued. He noted at the moment no hedges are in place on the portfolio.

Mr. Parker explained they have roughly 50 securities, emphasizing again, it is focused value, yet show consistently defensive characteristics. He noted the yield is 3.3%, versus 2.8% for the benchmark and a low P/E in the market, 17 versus 25.1. Mr. Parker added a few more value characteristics, noting low price to cash flow and low price to book value, though their ultimate measure of value is dividend yield. He emphasized they still create, for their clients, portfolios that have other traditional value characteristics believing those will be the engines of growth.

President Romero inquired if their fees were negotiable. Mr. Gillmore answered affirmatively.

President Romero inquired what the expected turnover was. Mr. Gillmore stated the last 7-10 years the portfolio turnover has averaged between 15-20%.

President Romero inquired about their inclusion policy and use of emerging brokers or a step-out program. Mr. Gillmore responded individual clients have requested using emerging brokers and, under those circumstances, they will consider using them based on best execution. He noted there are two parts to using a broker, one is the execution, and the other is the research. Mr. Gilmore indicated, so far, they have used brokers successfully on a number of occasions for execution and at the moment have used them less so for the research part of it.

President Romero indicated the Board is looking for involvement within the community of Los Angeles, in particular of minorities and women. He noted with Delaware's exposure in some Southern California companies, are they involved in anything or are they willing to be involved in any type of mentoring program with local colleges, women or minorities. Mr. Gillmore indicated if there is a way to be able to help in programs like that, they are more than willing to present to the universities, companies and corporations throughout the United States.

Mr. Vellon inquired how do they control country and region concentration. Mr. Gillmore stated they are faced with a number of markets encapsulated by the EAFE index, so Delaware has a real return for each of those markets throughout the EAFE index. He stated they feed those into what is know as an optimization process, which pulls together the valuation of each of these markets to decide what would be the optimal mix of risk and return, ultimately it stops Delaware from becoming obsessed by one market. He stated it's a combination of risk and return and this is how they control market allocation.

Mr. Vellon stated, in reviewing other competitors, some have a lot more securities than Delaware and inquired what their reasoning is behind Delaware's small number of securities, apparently overly concentrated. Mr. Parker indicated Delaware is the low risk manager over the last five years, normally the argument for having more stocks in the portfolio is to give the client less risk, but no other manager has achieved this in the five-year period and Delaware consistently has been the low risk manager finding the very best value opportunities. Mr. Parker noted, at the end of the day, the Board will have a difficult task of looking at all these managers, judging whether they can do the job and what Delaware promises is, if the Board chooses Delaware, they will continue to do what they say they do at the portfolio level. He added, Delaware believes there is no point having a skill set and then diversifying too much, one needs to back their judgment and Delaware's risk/return profile shows they have that mix correct.

Mr. Vazquez inquired about the dividend discount model and whether they had a trigger if this model doesn't come out with a specific result. Mr. Gillmore stated Delaware sets a benchmark of a 5% real return in U.S. dollars as the geared point for an investment, so if a stock appreciates or the fundamentals change to the point where that 5% is in danger of being breached (on the down side) Delaware considers this an alarm bell and is a mandatory sale if it's less than a 4% real return.

President Romero thanked Delaware International Advisers for their presentation. The representatives of Delaware International Advisers thanked the Board and left.

Messrs. John R. Reinsberg, Managing Director, Michael Powers, Director, and Andrew Hahn, Member from Lazard Asset Management, LLC approached the table

d) Lazard Asset Management, LLC

President Romero recognized the representatives from Lazard Management.

Mr. Hahn gave a brief overview of the company and a background summary of the representatives present, noting the company was based in New York. He stated three main points to focus on: 1) Consistency of results, 2) Emphasis on accounting validation and 3) Depth of resources for international investing. Mr. Hahn noted the company was founded in 1848 and is over 150 years old, making them the oldest private firm on Wall Street.

Mr. Hahn stated Lazard manages $56 Billion, of that 60% are global and international mandates, $20 million in international equity and $14 million in global equity. He indicated the portfolio is run on a team basis, where there is much more objective decision-making than having just one individual. Mr. Hahn stated Lazard has 34 analyst around the world, who work on products specifically, they are organized along global industry and global sector rides and it's the job of each industry team to analyze all the companies in the world, regardless of where they are located, above a certain market cap.

Mr. Hahn stated one of the distinguishing characteristics of Lazard is they have a good blend of individuals that have the traditional financial background intermixed with those that come directly from industry. He explained some industries are so technical in nature and unless one has the science or technology background, it's very difficult to understand the nuances of the companies one follows. Mr. Hahn indicated one of their employees heads the healthcare team and is a biopharmaceutical scientist, having worked in the pharmaceutical laboratory setting of a well know pharmaceutical company (Baxter Labs). He also made reference to another employee on the power team who is a geologist from an oil corporation.

Mr. Hahn indicated they have tremendous amount of experience managing international portfolios for clients around the world, with extensive experience working with public funds and a very broad and diversified clientele. He noted their clients appreciate their wealth of resources and have requested on a number of occasions, they do presentations to board members on corporate governance issues.

Mr. Reinsberg explained Lazard's investment philosophy is based on bottom-up stock selection, choosing one security at a time. He indicated they have a relative approach to investing, focusing on a two-part equation. 1) Financial productivity 2) Value through stock selection. Mr. Reinsberg explained Lazard's objective is to seek a very specific pattern of returns, 1) Outperform the EAFE index over full market cycles, 2) Preserve capital in falling markets and 3) Generate very consistent pattern of returns. He stated the Lazard approach to value focuses on trade-off between what one pays and what one receives. Mr. Reinsberg explained not all companies are measured the same way. As an example, he explained in looking at a health care company or technology company, they will have a different return profile and a different valuation metric than, say a utility. He stated Lazard is looking for the company, which has a higher return at a lower valuation.

Mr. Reinsberg explained Lazard's investment process is a four-step process. He stated they start with an understanding of the analytical universe; what are the value drivers of this EAFE index. Mr. Reinsberg explained they perform an accounting test, noting accounting practices around the world are different from the U.S. and different from one another, and in many cases suspect. Mr. Reinsberg explained the next process is the fundamental analysis in which the analyst teams make recommendations and as a team, they build a portfolio.

Mr. Vazquez inquired what drives their sector allocation. Mr. Reinsberg responded individual stock selection. He noted sector allocation is very much a residual of the individual stocks. Mr. Vazquez inquired if overweightings or underweightings are based on whatever stock Lazard thinks is best. Mr. Reinsberg responded affirmatively, adding, they do have a risk monitoring practice built into the portfolios, but in terms of allocating capital, they allocate each security one at a time.

Mr. Powers explained how a stock gets into the portfolio. He stated the analyst is responsible for following both company and industry on a primary basis, they then come forward with a recommendation, making a verbal and written presentation containing certain required elements, proprietary valuation, competitive advantage, management assessment and catalyst. He indicated the team then does portfolio construction through an on-going dialogue between the analysts and the portfolio team. He added the analyst's bring the ideas forward and the team evaluates.

Mr. Powers indicated Lazard's portfolio is large and each stock has a market value of $5 billion U.S. and only operates in the non-U.S. developed world, only EAFE countries and, therefore, is concentrated. He stated Lazard is willing to get quite away from the index in terms of weights. Mr. Powers noted their portfolio is concentrated in consumer staples, energy, finance, and healthcare and are underweight in industrial and consumer discretionary. He indicated they are heavily weighted in Europe, having almost 94% of the portfolio there and underweighted in the Asian market, missing a lot of the trouble that has happened in the past 10-12 years in Japan, which has been a good decision for them. Mr. Powers stated they build the portfolio stock by stock, but wind up, in aggregate, having a portfolio that has a strong return on capital or financial activity profile, and Lazard's portfolio with 15.4% return on equity characteristic, has direct implications for how the underlying or intrinsic value of those 31 current companies in the portfolio progress over time. He stated they have paid an attractive valuation about 15 times P/E, which is quite a bit cheaper than the EAFE index opportunity set.

President Romero inquired what date this was reflective of. Mr. Powers stated June 30, 2003. Mr. Reinsberg added it's a return on equity, a trailing 12-month return equity as of June 30, 2003, as soon as companies report.

Mr. Hahn noted an earlier question regarding factoring in geographic weights and industry sector weights. He indicated they have no minimum requirements and the maximum they would allow themselves to get weighted in the larger regions or sectors, those maximums are approximately 2-3 times opportunity and in the smaller sector the outer limit would be more like 3-4 times.

Mr. Powers reported on their performance, noting in 2000-2001-2002, what was unique about Lazard was not only were they able to defend in the down markets, but they were able to participate in the rising market in 1998-1999 and kept up with the international index, and in looking at the flat markets of 1996-1997 they were significantly able to outperform in those time periods. He stated they have a consistency of performance looking back five years from 1998, generally in the top quartile, consistently outperforming international peers through this time period.

President Romero inquired if their fees were negotiable. Mr. Reinsberg responded affirmatively. President Romero inquired about their turnover. Mr. Powers stated generally 20% or under. President Romero inquired about their inclusion policy, using emerging brokers and what they do in the community, if they have mentoring programs. Mr. Powers indicated the employees at Lazard are 55% minority and women especially in the area of decision makers. He stated they look for the most talented individuals and the senior members are very pro-active in terms of recruitment.

President Romero inquired if they interview college students and if it's within the colleges of LA's community. Mr. Reinsberg stated they do interview the students from the local colleges, noting Lazard has a very long relationship with the California State Teachers Association since 1992. He stated there is actually a legal requirement to have a percentage of business with minority, women and disabled Vietnam veteran owned firms, so, yes, they have a long history working with groups of this nature. Mr. Hahn added Lazard works with six minority and women brokerage firms currently acting in terms of trades.

Mr. Vazquez inquired about the weighting parameters, in the worst case, could one be in three sectors and two regions. Mr. Reinsberg responded affirmatively, but noted, Lazard has over ten years experience managing this product and that has never happened. He explained Lazard is relatively well diversified, however if there are times in which they can not find any value, their view is they would rather not buy a dollar bill for five dollars, just because one has to, they don't want to be forced into that kind of decision.

Mr. Vazquez noted in the materials that were submitted, it stated there was loss of a few portfolio managers over the past three years as well as a number of clients and there has been a decrease in the overall assets under management. He inquired what was the driving force behind this. Mr. Hahn stated regarding the assets under management, they lost nine institutional accounts for a total of $80 million dollars over the last three years and all together in this product they have lost $500 million dollars, but, at the same time they've gained $8.2 billion dollars of product in the time period. This is a gain of $2.3 billion dollars for this product. He noted, regarding personnel, they have lost some individuals in the past, and looking at the turnover in the firm, it's primarily focused on alternative investments and fixed income where they have lost the bulk of the people, but in terms of the specific product presented, there was a portfolio manager in July of 2002 who left to start his own firm. Mr. Reinsberg added in terms of assets under management the high was approximately $70 billion dollars in 2000, today they are at $60 billion and last year they ended at $54 billion. Mr. Reinsberg noted Lazard lost fixed income portfolio managers because they brought in a new team, which started at the end of 2002.

President Romero inquired if the 348 clients are with this product. Mr. Hahn responded affirmatively, and stated they manage $8 billion in this product.

Mr. Vellon commented the proposal indicates Lazard has approximately 30 stocks in their portfolio and 94% in Europe. He inquired if this is a conscious decision they've made or a result of their bottom up stock picking, and is it they don't find any securities in other regions to diversify. Mr. Powers stated it is a result of bottom up stock picking and also because they are always looking for companies that can sustain and make high and up returns on capital with very attractive double digit value. He noted in Japan, for instance, one can find the valuation part of that equation pretty plentiful right now, but what is very difficult in Japan is companies that make high profitability.

Mr. Vellon noted they mentioned Japan but what about the Pacific Basin in general, is it Lazard does not find any other opportunities, therefore the heavy concentration in Europe. Mr. Reinsberg stated, in the past, they have invested in Australia, Hong Kong and Singapore, which is really all they could invest in with a product like this, which does not invest in emerging markets. He stated the big decision in Asia becomes Japanese stocks, they have had a tough time finding attractive opportunities in Japan, and Hong Kong and Singapore didn't warrant investment. Mr. Reinsberg stated they clearly have no bias against that part of the world, it's just were they sit right now, they are finding more attractive opportunities in Europe. Mr. Powers indicated they have spent a tremendous amount of time looking at Japanese stocks and have a Japanese equity portfolio, but for this specific product they're looking for that high level of financial productivity, which just doesn't meet the test for this product. Mr. Vellon inquired how many countries within Europe would the 94% of investment represent. Mr. Reinsberg responded about 11 or 12.

Mr. Vellon inquired about other managers having 250 securities and Lazard, in terms of number of securities, is down at the bottom. He inquired about their reaction to a statement of this being overly concentrated with 30 stocks.
Mr. Reinsberg indicated this has been the very highest conviction portfolio Lazard has and, as a result, they have put the very best ideas in this portfolio and if one looks at the pattern of performance over time, it has generated a very consistent pattern of returns and if one compares this, again over time, one will find it has

actually performed the way it should, relative to a lot of volatility. Mr. Hahn reiterated, they are in the top quartile in terms of performance.

President Romero thanked the representatives of Lazard Asset Management for their presentation.

Messrs Reinsberg, Powers and Hahn thanked the Board and left.

President Romero inquired if Mr. Emkin had any comments. Mr. Emkin responded in his opinion there were four capable managers who did things quite differently. He stated two of the managers are very well diversified. Mr. Emkin noted Marathon, Delaware and Lazard are much more concentrated. He stated Lazard specializes in buying larger companies and the other three companies may buy large companies but they all have a bet on smaller than average companies. Mr. Emkin reported they all earn a lot of money, have very good experience and track record and again reiterated they all do things quite differently. He suggested if the Board hires two, he would strongly encourage them to hire one manager who is strongly concentrated and one who is less concentrated. Mr. Vellon stated, for the record, the plan adopted by the Board calls for one manager for each style.

President Romero stated his number one choice was Delaware. He expressed his liking of their presentation and they are ranked very high by the Plan's consultant PCA. Mr. Vazquez indicated Delaware was his number one choice as well. He stated he liked their diversification across sectors and liked their risk model and the trigger they used in determining when to get in and out of something and noted their performance has been very good. Ms. Calvache stated she too liked the fact Delaware had a good discipline as to when to get out of a stock position. President Romero stated in addition, Delaware's fees were the cheapest an, on top of that, they stated these were negotiable and they stated they use emerging brokers.

Mr. Vazquez stated his second choice was The Boston Company. President Romero noted his second choice was Marathon, but because they stated they had no emerging, no inclusion and their fees were not negotiable this was clearly not the direction the Board wanted to go, and so Lazard was then his second choice and The Boston Company was his third choice.

Mr. Wiggs stated he had Delaware as his first choice and Marathon as his second choice. He explained he thought Delaware was a solid group and the Board could not go wrong with them. He stated he felt very comfortable with Delaware noting they had very good returns in the last five years.

Mr. Vazquez moved selection of Delaware Investments as the Plan's International Value Manager. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Calvache, Wiggs and Vazquez
Nays: None

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President Romero called for a recess at 12:15 p.m.

[Recess]

The meeting reconvened at 1:40 p.m.

President Romero noted due to the rescheduling of the meeting this morning from 8:00 a.m. to 10:00 a.m. and the time constraints, some of the individuals from the Management Companies needed to make flights; therefore a Core Manager (Julius Baer, item J) would be interviewed next and then the Board will proceed with the regular order of the agenda.

Messrs. Melvin D. Lindsey, CPA, Director Institutional Investment, Richard C. Pell Senior Vice President, Chief Investment Officer and Francisco Martin, Vice President, Head Entertainment Division, USA of Julius Baer Investment Management Company approached the table.

j) Julius Baer Investment Management Company

President Romero acknowledged the Julius Baer Representatives.

Mr. Lindsey first thanked the Board for accommodating their flight schedule and proceeded to introduce the representatives, giving a brief history of their experience and overview of the company. He stated they currently have approximately $77 billion in assets under management and the strategy they will be talking about today has approximately $2.8 billion assets under management.

Mr. Lindsey outlined Julius Baer is a global firm with a diverse staff of approximately 250 people in their New York Office and 24 micro analysts in offices located in Zurich, London and Frankfurt, giving their firm a competitive advantage in global and local research. He stated the firm does not manage domestic U.S. money, their focus has always been international fixed or equity, and they are pure international managers.

Mr. Pell noted they have not lost any member of their international equity investment team in eight years and believes continuity in this business is very important. He explained they are very diversified with a portfolio of approximately 150-200 securities, currently with 202. Mr. Pell stated they are core managers, multi-cap managers, biased towards large companies but also have substantial exposure to mid-size companies in the portfolio. He noted if the DWP Plan Portfolio has a lot of U.S. equity exposure, Julius Baer's portfolio has a generally low correlation to U.S. equity market, which can be helpful.

Mr. Pell stated everything they do is based on fundamental research. He noted they look at companies both on a qualitative and quantitative perspective and on the quantitative side they look at each industry according to very specific criteria in which they have identified what they feel are important to success in that industry.

Mr. Pell gave an example noting DWP is a quasi utility business and noted in a utility what's important to their firm is they look at the company's dividend yield, their payout ratios, what's the sustainability of that dividend yield, and on the qualitative side, particularly the quality of regulation, because a friendly or unfriendly regulator could make a huge difference to a power company's pricing.

Mr. Lindsey stated during the year 1995-1999 this was primarily a growth environment and Julius Baer outperformed in the up markets and when the markets turned to value they still outperformed during this period as well, so they strongly believe their core process works, reducing the amount of risk their clients have to take on. Mr. Vazquez inquired what ACWI meant. Mr. Lindsey explained it means All Country World Index (ex U.S.). He noted Julius Baer uses this benchmark so clients have two measures to compare them too. Mr. Lindsey stated ACWI includes some emerging markets in the portfolio as well. He stated their long-term record has delivered 14.05%, compared to the benchmark of 1.19 or 1.33, still adding about 1200-1300 basis points. Mr. Lindsey noted their goal was to be in the top third of money managers every year and in a seven-year time frame they have been in the top one percentile as well as the top ranked money manager. He stated their return has been 13.65 from April 1996 to 2003 and their standard deviation is 19.46. Mr. Lindsey noted the 19.46 makes Julius Baer look pretty risky. He noted standard deviation can be looked at as both bad and good, but their deviation is mostly good. He added, when one looks at the downside of deviation, which is what most investors are concerned about, their downside is only 10.95 and if one compares that with EAFE benchmark, the downside deviation was 11.76 and Julius Baer's average is –3.8. Mr. Lindsey explained when one looks at the down side of deviation of return Julius Baer is actually less risky than the benchmark, even though their returns have been dramatically better than the benchmark.

Mr. Pell added risk control is something they are very obsessed with, analyzing their risk in many different ways. He stated they do careful liquidity test for every position they own and when they buy a stock, not only do they know what it takes to get into this stock, but, more importantly if the fundamentals of the company change, how long it will to take them to get out of the stock. Mr. Pell explained the reason they have 200 securities is they put all of their best ideas in a single portfolio. He noted the 200 positions limits the damage from any one mistake. Mr. Pell explained their portfolio contains both developed market companies and emerging markets and they have a huge preference for the former, noting once one gets into the emerging markets, people fail to appreciate how severe the corporate governance problems are in some of these countries, and these are very illiquid markets. He stated, on the developed markets, Western Europe, Canada and Australia, Julius Baer are bottom up investors, they feel over time the importance of company has risen and the importance of country has declined. Mr. Pell indicated, with the emerging markets, they start with the country and if they don't like the country, they don't put any money there, as country risk is a dominant factor. He explained, in emerging markets, when conditions are good one can make a staggering amount of money in a very short period of time, the problem is when one gets into an emerging market that is going wrong, one can spend 10 years loosing 80% of one's money so, as a result Julius Baer's emerging market investment today is about 12% of the portfolio and this is actually the biggest position they have ever had, but typically it's a very focused investment, almost all of that money is in Eastern Europe. Mr. Pell explained the reason for this is Europe is expanding to the east with 10 of these countries joining the European union in May of 2004, are rapidly developing and slowly being economically integrated into Western Europe. He indicated the second thing they discovered is, Eastern Europe banks are owned by companies such as Citigroup and German and Austrian Banks. Mr. Pell explained what this does for the firm is give them fellow shareholders who have not just put their capital into this, but they're pouring management talent into these banks as well. He noted the growth potential for Eastern Europe banks and many of Eastern Europe companies is far superior to many of the other opportunities in the emerging market, because the greatest opportunity for all in emerging markets, is when one can find an emerging market that actually emerges and becomes a developed country.

Mr. Pell mentioned Japan is a country they approach from the bottom up and top down with plenty of company research, as Japan has had severe structural damage, so they are very careful about how much capital to put there. He indicated there are some signs of some improvement and Julius Baer's weightings there are close to as big as they've been in many years.

Mr. Lindsey concluded by stating Julius Baer's style has provided returns on the up side and limited down side risk. He reiterated they have a diverse staff with continuity of management team helping their overall flow of performance.
Mr. Lindsey indicated they have a stable ownership since 1890, by the same registered shares held by the Baer family. He indicated Julius Baer has the highest short-term credit rating and they strive for integrity and commitment in preserving and growing their clients assets since 1890.

President Romero inquired what their turnover on their portfolio is. Mr. Lindsey responded an average 92%. Mr. Pell added it might be a little lower and if one thinks about the last five years, and the huge rotation between growth stocks and value stocks having a complete reversal, if the manager wasn't turning over their portfolio during the last five years, they must have been half asleep, because there were fantastic opportunities to transact.

President Romero inquired if the fees were negotiable. Mr. Lindsey responded in the affirmative.

President Romero requested the representatives of Julius Baer briefly describe their inclusion policy. Mr. Lindsey stated he personally is a TOIGO member and does internships for minority students who are going into business schools. President Romero inquired what TOIGO was. Mr. Lindsey explained it's an association founded by Mr. Robert Toigo who wanted to have more minorities involved in finance and so he set up a consortium of schools, (UCLA, Harvard, Columbia to name a few) and if there were minorities who wanted to major in finance, he provided with a scholarship. He further added, in terms of their inclusion for all of their services, whether travel related or for recruiting services, they use women owned firms, noting they employ a firm both on the east and west coast.

Mr. Lindsey stated, unfortunately, on the brokerage side, because most of their shares are in ordinary shares, it is very hard to find minority owned firms that transact local shares for the type of transactions they do, so they try to use their inclusion practices in other areas of the business. Mr. Martin stated he himself is very active in the Latin American Community, serving on the board of Latinos Unidos, which has headquarters in Phoenix Arizona. He explained they help Latino children to get a better education, providing scholarships and they also help Latino women's shelters, supplying them with the necessities of everyday of life.

Mr. Vazquez stated he notices they have a relatively high cash position, inquiring what drives this. Mr. Pell stated at the moment they have no cash, but there have been times were generally they are between 0-10%. He noted there are times when they sell securities and they do not know immediately what they want to buy, so they focus on accurate information. Mr. Pell explained everyday they focus on things that are changing in the companies they own and one of their skill strengths is they are actually good sellers and when things are deteriorating and they realize the market has a recognized EAFE, they don't weigh, they sell and sometimes they don't know immediately what to buy, so in learning through experience, it's better to be a little patient and find the right thing, rather than rush into something just to stay continually fully invested. He added, they measure their performance by doing a thorough attribution daily, so they know exactly what the impact of cash is on their relative risk versus the benchmark.

Mr. Vazquez inquired if Julius Baer has a specific trigger for each of their holdings. Mr. Pell indicated they do not have formal price targets, but every morning they come in and look at 30 companies in the portfolio and screen these companies based on price, in which they do a simple exercise, what's moving, what stock is volatile. He explained they meet with the analysts, write down all reason why a stock is moving and what should they do about it. Mr. Pell stated this exercise often helps them recognize, early on, when there is an opportunity to either get more money, get clients capital into an improving situation, take some of it out if it's deteriorating or liquidate the position all together.

Mr. Vazquez inquired what the average holding period was. Mr. Pell stated it varies, there are some companies in the portfolio they have had for eight years, noting they are not traders, so every company they buy, they buy for the long haul, but they feel in the market, people underestimate how dynamic the corporate environment is, how quickly things change. Mr. Pell indicated, though they buy a company when they see something they like and expect to hold it for along time, what they find is how incredibly rapidly things change in corporations and one has to monitor the companies very carefully.

Mr. Vellon noted they have a 92% turnover, so one would think their holdings are going to change in a little over a year on average. Mr. Pell stated there are a number of companies in the portfolio they have owned for eight years, it's not like they turn over 92% of the names in the portfolio each year, it's just some of the companies they find change quickly and they have to get rid of them and other companies stay on track and Julius Baer can hold them for a long period of time.

Mr. Vellon inquired what their reaction is to other managers who are more concentrated in number of securities within the portfolio, versus Julius Baer's 200. Mr. Pell quoted an article were the article said "if you know nothing else about two money managers with identical performance records one should select the one with the largest number of positions and the biggest turnover rate." He stated the reason for this is if one is to look at the data on past performance and to try and predict the future, if a manager has high turnover and many positions, this implies they made hundreds or thousands of active decisions over their performance history, and at the other extreme one has a manager that had a one stock portfolio and he happened to beat every competitor. He noted in such scenario it was the result of one decision, and how can one really estimate that this one decision is going to allow a manager to predict the future. Mr. Pell indicated with a concentrated manager, those are the ones most likely to disappoint clients, because what one tries to do is identify whether the result was due to skill and not luck. He stated with a smaller number of holdings, one will have a bigger dispersion of possible returns and it's quite likely one will have a manager that looks very good and they ultimately disappoint the client.

President Romero thanked the representatives for their presentation. The representatives of Julius Baer thanked the Board.

Messrs. Lindsey, Pell and Martin left.

Mr. Vellon stated, for the record, this was a core manager and the Board will now go back to interviewing the growth managers.

Messrs. Lawrence Remstedt, Vice President, Director-Institutional Business Development, Mr. Kevin M. Lewis, CFA, Vice President-International Equity Client Portfolio Manager, Mr. Henrik Strabo, Chief Investment Officer, and International Equity Managing Director of American Century approached the table.

e) American Century

President Romero acknowledged the representatives from American Century.

Mr. Lewis thanked the Board for inviting them to this presentation and gave a brief background of the representative there and an overview of the company, noting they have been investing internationally in the growth investment style for over 12 years.

Mr. Strabo indicated the team is strictly focused in investment management with a total of $77.3 billion assets under management. He indicated the whole process started in 1991 with $5 million, and, over the last 12 years, had grown to more than $6.3 billion in assets under international equity. Mr. Strabo explained they have 19 portfolio managers and analysts in New York City, two investment analysts in Singapore and a 24-hour trading desk on the premises in New York. He stated they do run a global fund within the group, including the U.S. market. Mr. Strabo explained the team meets every morning at 9:00 am and share all pertinent news with a direct impact on every one of the stocks they own in their five disciplines. He stated they are a very diverse group, speaking somewhere in the range of 17 different languages, covering 95% of world market cap.

Mr. Strabo explained they invest their clients money in companies were the fundamentals of the underlying business is getting better. He stated they do this by visiting those companies and asking the question of the CEO or CFO, if the underlying health of their business is getting better or worse and why is it getting better/worse, and how sustainable is this trend. Mr. Strabo explained the absolute level of growth is not as important as the direction of growth. He indicated the portfolio team searches for financial acceleration through revenue earning and cash flow of the companies. Mr. Strabo explained fundamental research is both qualitative and quantitative in identifying the key drivers and determining the sustainability of growth in their buy decision, adding technical verification, macroeconomics factors and expected earnings as company specifics they look for. He stated the key drivers in selling the stock would be deceleration in growth or if the growth drivers were no longer there.

Mr. Vazquez inquired if they set specific targets on each stock in terms that would trigger a sell. Mr. Strabo stated no they do not, because when companies go from strengths to strengths it is very difficult to determine what that company is worth at some future date. He explained they look at the process of things getting better or worse as long as the fundamentals in the underlying business continues to get better, they will stay with that company. Mr. Strabo indicated they will look at relative valuation and this is where risk management and common sense come in.

Mr. Lewis inquired if there were any questions regarding how American Century looks at accelerated earnings as opposed to just the typical approach on growth, because American Century does approach growth differently. Mr. Remstedt stated it's not an absolute; it's the inflection they are looking for. Mr. Strabo noted it's the change of the growth rate, in terms of it getting bigger and bigger.

Mr. Lewis explained American Century has a depth of resources, stability of a large organization, but the entrepreneurial spirit and passion of a smaller firm, making American Century so unique. He stated they have an experienced group of people and the two managers have been managing the portfolio for the 12 years since it's inception, the same people, the same process the same philosophy. Mr. Lewis explained there are a couple of advantages in applying their unique acceleration growth strategy having three edges in the market place: 1) Resource advantage-the 21 member group pulling their information together everyday and having a wholistic view of the world as they make their decision, 2) Information advantage, as a firm they spend over $30 million a year in investment technology to bring timely accurate information which is critical in today's market place and 3) Analytical advantage, they expect the analyst to come to their conclusions quickly to bring the information to the portfolio managers so they can make an appropriate decision in a timely fashion. Mr. Lewis noted all these come together in performance. He stated they have outperformed the EAFE growth benchmark in over 98% of the rolling three year windows of time going back 12 years. Mr. Lewis stated this is 108 outperformance out of 110 possible. He indicated, more importantly, this strategy offers the optimal blend of risk and return, noting American Century offers enough diversification and utilize enough risk as to not mirror the core manager or value manager. Mr. Lewis indicated when growth comes into style and it will, American Century will generate the excess performance, but when it does fall out of favor, they underperform by less than 1%, on average, going back over 12 years.

President Romero inquired what their historic turnover is. Mr. Lewis stated their historic turnover is over 180%, adding it's been skewed a little bit recently, because of the economic environment. He noted, American Century moves "strength to strength" and in the economic environment during the recent couple of years has been more "weakness to weakness". He indicated the actual name replacement turnover is less than this and the statistic can sometimes be misleading. He pointed out their turnover would probably be closer to 110%. Mr. Strabo added, during the big inflection points, in terms of the earnings cycle for industries around the world, there would be a higher turnover.

President Romero inquired if their fees were negotiable. Mr. Remstedt responded affirmatively.

President Romero inquired about their inclusion policy, noting they haven't used any emerging brokers in the last three years. He also inquired if they have a step-out brokerage program or any mentoring programs. Mr. Remstedt stated they have not had any inclusion programs because American Century operates very systematically and trade on a best execution basis trying to get their trading cost down. He stated it does not mean they aren't willing to consider an emerging program with the DWP Plan, but they would like to keep it within their best execution policy.

Mr. Vazquez inquired about parameters regarding stock selection, in terms of sector or region. Mr. Strabo indicated American Century runs a very well diversified portfolio, noting they will get off the benchmark, and where the money goes depends on where they are able to find the earnings acceleration. He stated they historically run a portfolio with 120 names, are well diversified globally and they need to feel comfortable with a portfolio in terms of risk/reward. He added it is a qualitative process they go through, 24 hours a day, always making sure the money is invested in companies around the world fitting their process at a reasonable risk in a particular country or sector. Mr. Lewis added they do limit any one industry at 20% based on cost.

Mr. Vellon stated, the Board members need to compare all the managers and their different investment characteristics. He inquired what American Century has to say regarding other companies who have fewer turnovers than they do. Mr. Strabo explained different investment styles and approaches would generate different levels of turnover over time. He stated turnover is neither good or bad, it's a residual of the process, and American Century stays true to their process, which has done extremely well for them for the past 12 years. Mr. Strabo noted in their experience they will generate relatively higher turnovers, but, clearly, it does not distract from the terms.

Mr. Vellon inquired if their turnover could result in different region concentrations from time to time. Mr. Strabo explained the biggest turnover will come when one has a period like they went through over the last three years, from very high growth in earnings acceleration (around the world) and a sharp fall off in earnings. He explained, in their process they needed to get out of certain stocks and into others, where the fundamentals are improving, and this is how they get the biggest turnover. He indicated, when one goes through these big inflection points, one will see a very significant shift. Mr. Remstedt clarified, when they look at acceleration, they are trying to look at a number of forward indicators to identify this acceleration and run a whole thesis to find out if companies will be able to sustain those earnings.
Mr. Lewis added in outperforming the benchmark over 98% of the three-year windows, this takes into account their turnover.

Mr. Vellon inquired what kind of concentration, region-wise, they have at the moment. Mr. Strabo explained in Japan they are around 20% and the index is around 22%. He stated in Europe there is a large overweight because they feel this is were they tend to find companies with more growth characteristics.

Mr. Vazquez commented they have lost a couple of portfolio managers over the past couple of years. He inquired if this was in the area of international growth area and what happened. Mr. Lewis explained it was not on the international growth team. Mr. Remstedt stated they have lost a couple of analysts over time, but generally there has been a very low turnover in their organization. Mr. Strabo indicated they are consistently trying to upgrade and strengthen the investment team and sometimes personnel turnover is not good and other times it has worked for them.

President Romero thanked the representatives from American Century for their presentation.

Messrs. Lewis, Strabo and Remstedt thanked the Board and left.

Messrs. Arthur J. Greenwood, Senior Vice President and William Fink, Institutional Portfolio Manager from Fidelity Investments approached the table.

f) Fidelity Investments

President Romero recognized the representatives from Fidelity Investments.

Mr. Greenwood introduced himself and provided a brief background of himself and Mr. Fink indicating they would be two of the key team members servicing the relationship with DWP in going forward, if chosen.

Mr. Greenwood listed depth and breadth of research resources, a disciplined investment process and experience as the three key themes to assist the Board in differentiating Fidelity's approach from four very competent competitors. He stated the combination of these three themes helps to deliver meaningful and consistent value added, with modest volatility in substantially all market environments.

Mr. Greenwood reported Fidelity has almost 100 analyst in the overseas markets headquartered in London, Hong Kong and Tokyo, focused on progressively researching and identifying attractive growth oriented companies. He explained they have diversity in a risk-controlled approach that is very consistent and repeatable. He added there are four portfolio managers who will be responsible for DWP's portfolio, averaging 18 years each of experience working together at Fidelity.

Mr. Greenwood reported Fidelity was 100% privately held by senior management and investment professionals, giving them an extraordinary amount of stability as a firm. He added the firm has managed money in London and Tokyo for over 30 years and in Hong Kong for over 20 years.

Mr. Greenwood discussed community reinvestment and inclusion, highlighting some of the initiatives in Southern California. He described an affirmative action Plan in place, which is a proactive effort to build a feeder pool for qualified minorities for internal growth and their participation in the Toigo Foundation, stating both practices have helped them to expand and increase the diversity of their workforce.
Mr. Greenwood added, regarding brokerage relationships, the firm has11 emerging broker relationships 4 of those being in California. He indicated there has been consistent and manageable growth of both client relationships and assets under management.

Mr. Fink indicated he would focus on three key areas: 1) The company's investment resources and why they believe it gives them a competitive advantage in research and stock selection, 2) how they integrate research into the investment process and 3) how stock selection has provided significant and consistent value added over the last seven years.

Mr. Fink reported Fidelity has over 200 analysts worldwide and 93 based overseas. He stated the company's philosophy has been, if one is going to invest overseas there should be people based overseas who speak the language, investing in the same time zone, know the culture and are close to the company they are investing in. Mr. Fink elaborated on the benefit of global research, stating it gives the ability to follow the whole invested universe, gives true independence from Wall Street research, and in this era of globalization, they have analyst in all the major centers who can provided insight to a company's operations at the local level. He then discussed the structure of Fidelity's research organization.

Mr. Fink explained how research is integrated into the investment process by describing several of Fidelity manager's background. He also explained the schematic of their process, stating the analysts identify the best companies in each of their respective industries and make recommendations to the portfolio managers at the regional level. Mr. Fink expressed his role is to oversee the process and direct the asset allocation among the three regions and he is also responsible for making sure guidelines, investment objectives and performance objectives are met.

Mr. Fink explained how stock selection drives their portfolio and stated the portfolio only invests in the developed markets and not the emerging markets outside the benchmark. He stated within each region, the country allocation is a residual of stock selection, however, they do have control at the country level to make sure stock picking is the key driver of returns. He added the portfolio was well diversified with 150 to 200 names, fairly liquid and historically value has resulted from a wide number of stocks.

Mr. Fink then described Fidelity's biased sell discipline, wherein the managers focus on quality companies. He indicated Fidelity considers quality companies as those having proactive management, a strong competitive position, high returns, long-term growth and generate free cash flow and reinvest in their companies. Mr. Fink stated the major reason for a sell recommendation would be a change in analysis. He pointed out the firm's research generates a high number of buy ideas each day and often times a stock will be sold because there are better stocks available, pushing out the weaker stocks. Mr. Fink then reviewed the firm's tracking error and relationship of return to risk.

President Romero inquired what the turnover was on Fidelity's portfolio. Mr. Fink responded the turnover would range from 50% to 70%, depending on the market environment and if there is leadership change.

President Romero inquired if Fidelity's fees were negotiable. Mr. Greenwood responded Fidelity does not negotiate fees directly, but they can assure the Board they would provide the same fee schedule to each of their 41 clients. He also pointed out the separate account fee schedule includes a commingled fund fee schedule, 11% cheaper than the separately management account. He stated the potential saving for using the commingled pool vehicle rather than a separate account would be $100,000. President Romero inquired if their recommendation was to go commingled versus a separate account. Mr. Greenwood responded the firm was indifferent, because it is the exact same process and the exact same portfolio managers, and if EAFE benchmark and their guidelines were appropriate for DWP, they would be happy to have them in the pool. President Romero inquired what were the advantages and disadvantages of commingled versus a separate account with respect to DWP. Mr. Greenwood responded the advantage would be pricing and the fee would be in the aggregate $100,000 less per year, which is 11% below the separate account fee schedule. He added it is the exact same portfolio management team, level of service and performance. Mr. Vazquez inquired if the Board would be able to make any customized decisions. Mr. Greenwood responded in the negative.

Mr. Vazquez inquired, with regards to the asset allocation, how does Fidelity handle the sector allocation within the regional allocation. Mr. Greenwood responded the sector allocation is at the discretion of the portfolio managers in each of the regions and they will be picking the stocks and the sector allocation is oftentimes the residual of where they find the most attractive stocks. He added there are controls at the sector level to assure all the money is not put into technology, small caps, etc., but instead produce a diversified portfolio.

Mr. Vellon commented, given the flexibility of the managers to make certain decisions, it is conceivable that from manager to manager there would be some dispersion of returns. He then inquired how Fidelity controls this and how do they know they have picked the right manager for the account. Mr. Fink responded the managers in each of the regions are senior managers who have provided the returns for the portfolio. He stated in the regions where they bring up other managers that work very closely with the senior managers, they try to limit dispersion of returns and have a very high correlation to the stocks in each of the portfolios. Mr. Vellon inquired if individual managers have the same performance or are there differences. Mr. Fink stated the performance dispersion is very low.

Mr. Vazquez inquired how many stocks did Fidelity currently hold in this particular portfolio. Mr. Fink responded the portfolio had approximately 200 stocks, which is a lower number than it has been, due to the reduction in number of securities in their Asian portfolio (down from about 80 to 30). Mr. Vazquez inquired what were the advantages to the client for this large number versus a concentrated number. Mr. Fink responded there were several advantages, such as liquidity and the ability to trade the stocks in the portfolio, secondly, given the research resources the firm has, they have a large number of buy recommendations so they don't have to participate in a large number of stocks and thirdly, by having a small amount of value added from a large number of stocks, they will have a much more consistent and repeatable process producing less volatility within the returns.

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

Ms. Erin M. Blake, Head of Public Funds and Ms. Loretta J. Morris, Lead Portfolio Manager of Nicholas Applegate approached the table.

g) Nicholas Applegate

President Romero recognized the representatives from Nicholas Applegate.

Ms. Blake introduced herself and gave a brief background description of Ms. Morris and herself. She began the presentation by pointing out Nicholas Applegate's three particular distinctions of qualifications. Ms. Blake stated the first was their growth philosophy. She explained all of their management is based on a philosophy of change and finding change at the margin, which they found works through all of their product areas. Ms. Blake stated secondly, the firm has a team structure they believe is very amenable to creating the kinds of returns companies want to see. She indicated Ms. Morris was the head person when it comes to making the final decision about what goes into the portfolio, but the team itself has a structure in which they have global structure coverage, and if necessary, they leverage the regional coverage. Thirdly, she stated the culture of the firm was extremely important. She expressed there was a sense of urgency about getting securities into portfolios, based on this philosophy of change and it was very important information be timely because they are talking about change, sustainability, and timeliness in choosing the securities that go into the client's portfolio.

Ms. Blake reported the firm currently manages $4 billion in International equity assets and listed a few of their clients in the public fund arena.

Ms. Morris outlined the International team structure, highlighting the portfolio management team, sector specialists, and a regional research and trading team. She added the portfolio management was centralized in San Diego, which allows ease of implementation of their process. Ms. Morris stated the team works very closely together on the construction of portfolios, based on their client's mandate, adding they all share the research platform, which starts with global sectors where appropriate. She also stated they have a 24-hour trading desk where traders provide real time market activity information to the portfolio managers.

Ms. Morris discussed Nicholas Applegate's distinction in their investment philosophy. She stated their emphasis was on the capitalization of positive, sustainable and timely change. Ms. Morris elaborated by stating positive change can take the form of a new product or a change in company management. She expressed their philosophy was very forward looking and they are not concerned with what a company did in the past, but for acceleration. She stated their process adapts to the changing market environment consistently moving the portfolio to strength.

Ms. Morris reported their stock picks were crosschecked with the internally developed country weighted guidelines and they use performance attribution as the governing tool, with portfolio managers reviewing performance on a daily basis. She explained their sell discipline is based on either a change in the fundamentals or something more attractive to purchase.

Ms. Morris briefly described their earnings growth profile, weightings and portfolio characteristics, stating there were 122 holdings since July of 2003. She added they had currently moved the portfolio to be overweight in Asia, underweight Europe, increase technology and industrials and underweight in financials.

Ms. Blake reviewed the firm's performance, pointing out, over the long term they have added, against MSCI EAFE benchmark, 300 basis points, and 500 basis points over EAFE Growth. She stated, in the past three years, they have tracked the benchmark in what has essentially been a structural bear market and believe they are very well positioned in going forward.

President Romero inquired what Nicholas Applegate's historic turnover was. Ms. Fink responded it had been 150% on average, but in the last several years it has been more like 200% due to the market volatility.

President Romero inquired if the firm's fees were negotiable. Ms. Blake responded in the affirmative.

President Romero inquired if they used minority emerging brokers. Ms. Blake responded they do use them for San Francisco City and County, and if the Board would provide a list, they would work it into their compliance structure. President

Romero inquired if there was anything in particular they do with minorities, women, colleges, and community programs. Ms. Blake responded the firm has an internship program that does not specifically target women and minorities, however, they do bring this into account when bringing an intern on and they also work with several colleges in the San Diego area.

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

Messrs. Terry B. Mason, Senior Vice President - Portfolio Manager and John Stiklorius, Senior Vice President – Marketing from Marvin & Palmer Associates, Inc. approached the table.

h) Marvin & Palmer Associates, INC.

President Romero recognized the representatives from Marvin & Palmer Associates, INC.

Mr. Stiklorius introduced himself and Mr. Mason and began by stating Marvin & Palmer Associates was an independent employee owned growth equity specialist firm. He reported they were in their 18th year of business, manage approximately $8.5 billion and do several mandates (global, Non-U.S., emerging markets and U.S. equities). He added, in the Non-U.S. area, they manage approximately $4.2 billion, which is the area they would be discussing today.

Mr. Stiklorius explained how Marvin & Palmer Associates' objective was to outperform the index, and whatever mandates clients choose to give them over the context of a market cycle. He stated in the Non-U.S. area, the firm has been able to add 3% value over 5 years over the Growth index and approximately 6% over the index in the last 10 years.

Mr. Stiklorius expressed there were three issues that really define Marvin & Palmer Associates: 1) a focused business plan, 2) a team management approach and 3) an investment process that works. He reiterated, in terms of their business plan, they are independent and employee owned with 62 employees, of which 33 are partners. Mr. Stiklorius stated they focus on the institutional marketplace and do not participate in retail or bonds. He reported, in regards to their team management approach, the firm has eight portfolio managers who are remarkably consistent and stable managing their global portfolios. He added they have lost only one employee in the last 15 years. Mr. Stiklorius outlined the firm's investment process, expressing they were particularly good at identifying trends over the context of the market cycle, four to five years on a country industry and stock basis. He stated their firm is also good at identifying the countries, industries and stocks that are outperforming and consequently tend to outperform the market on the upside, and are inline with the market on the downside.

Mr. Mason outlined Marvin & Palmer Associates' performance in up and down markets since inception. He stated in the up markets they outperformed fairly dramatically and in the down markets they trapped the market in every single mandate, but overall, for the entire cycle, they added value. Mr. Mason reported in the Non-U.S. and global mandates the firm underperformed during the recent market cycle, due to the very radical market as a result of the terrorist attack, the Afghanistan war, the SARS epidemic and the Iraqi war. He stated they were very confident, when looking at today's market, because they are poised for a normal business cycle, which gives them the capability to outperform.

Mr. Mason elaborated on Marvin & Palmer Associates' team approach stating they had a seasoned team and the same employees who produced the 6% annualized outperformance over the last decade are still there today. He stated they have used the same exact process with the same people and it is repeatable going forward, because no changes have been made in the most recent period.

Mr. Mason indicated the firm's investment philosophy was predicated on the fact there are two sets of factors driving the equity markets, which is the combination of market and investment method consisting of screening, fundamental analysis and portfolio construction.

President Romero inquired what was Marvin & Palmer Associates' expected turnover. Mr. Mason responded the expected turnover has averaged from 110% to 130%. President Romero inquired if their fees were negotiable. Mr. Mason responded the fees were negotiable based on size.

President Romero requested the representatives briefly inform the Board of any community involvement and inclusion practices of Marvin & Palmer Associates, Inc. Mr. Stiklorius indicated the firm was very involved in the community and use minority brokers.

Mr. Vazquez noted the country and sector allocation in the booklet (provided by Marvin & Palmer Associates, Inc) and inquired if there were minimum and maximum in terms of range of exposure. Mr. Mason responded it was mathematically calculated based on the size. Mr. Stiklorius added they were not indexers by any stretch of the imagination, and when looking at their portfolio, if it is exactly near the index it is only because it is in transition. Mr. Vazquez inquired what was the average number of stocks and turnover. Mr. Mason responded it has been somewhere between 100% and 150% and the number of stocks is usually between 70 and 90. He added they want every stock to have a meaningful position in the portfolio, because, to have 300 names and have a stock triple, does nothing for the portfolio. Mr. Vellon inquired what if instead of tripling it goes to one third.
Mr. Mason responded it would have meaning, but, based on Marvin & Palmer Associates' process, if for any reason there is a breakdown in any of the relative strength components or on the fundamentals, the stock immediately has to be sold due to their ruthless sell discipline. Mr. Stiklorius then explained how their methodology saved them relative to Mexico in 1994, the Pacific Rim in 1996 and 1997 and the Russian crisis in 1998. Mr. Vazquez inquired if they set a target for each stock, in terms of fundamental deterioration. Mr. Mason responded they do

not set a parameter from the standpoint of price to earnings or price to book, but, instead, look at price earnings to growth as one of the key components.

Mr. Vellon commented the Retirement Board had been looking at different managers and one of the items that has been reported is the accounts lost over the past three years and Marvin & Palmer Associates' numbers stand out. He then requested the representatives expound on this. Mr. Stiklorius inquired if Mr. Vellon meant their company stood out on the upside or downside. Mr. Vellon clarified, compared to the other firms, they have lost 13 and the others have 1, 2, 7, etc. Mr. Stiklorius responded the 13 accounts included all mandates they have done, and in actuality, they added 13 and lost 7. He stated of those seven accounts, three were from the same client (a hospital deciding to get out of International), two were internal transfers of money and one other client moved money from Non-U.S. and changed their mandate to emerging markets and Non-U.S. combined.

Mr. Vellon inquired under what conditions does Marvin & Palmer Associates use currency hedging. Mr. Mason responded the firm uses currency hedging for defensive purposes, only based on technical or fundamental factors, and it is done by one person and not as a team. Mr. Vellon inquired what it was currently. Mr. Mason responded they were currently unhedged at the Japanese Yen and a quarter hedged at the Euro.

President Romero thanked Marvin & Palmer Associates representatives for their presentation. The representatives of Marvin & Palmer Associates thanked the Board and left.

Mr. T. Scott Nisbet, Director, and Ms. Larysa M. Bemko, Director of Marketing, from Baillie Gifford approached the table.

I) Baillie Gifford

President Romero acknowledged the Baillie Gifford representatives.

Ms. Bemko introduced herself and started her presentation by stating Baillie Gifford was a well-established and experienced, bottom up, active growth manager with a long record of success working with public pension plans. She stated the partnership culture Baillie Gifford has, which comes from being owned by 24 members of the firm, provides independence, control, and motivation. Ms. Bemko reported currently they manage $8.9 billion in assets for North American clients (totaling 45 clients). She stated they have a single location for their investment and client servicing located in Edinburgh, Scotland, which is important in promoting faster, better communications among the investment and client servicing team and also promotes a certain sense of detachment from the marketplace.

Ms. Bemko reviewed Baillie Gifford's personnel and representative client list. Mr. Vazquez inquired if the clients were all International clients. Ms. Bemko responded in the affirmative.

Mr. Nisbet described Baillie Gifford's investment philosophy, stating it was easier to make money by assessing a company's prospects for sustainable earnings and free cash flow growth, than by predicting its share price movement. He stated the firm believes share prices follow fundamentals, company analysis is more important than economic data, and companies that grow their earnings and free cash flow at a superior rate will outperform the market. Mr. Nisbet then explained the four key factors Baillie Gifford professionals believe identify potential for a company to be a good investment: industry background, competitive advantage, financial strength and management attitudes.

Mr. Nisbet explained there were two stages to a portfolio construction, the first being each regional team picking stocks and coming up with a model of base ideas, and the second stage is what amount to allocate in terms of assets to each of those regions, which is where their investment policy committee comes in. He stated the foremost senior investors meet once a month and each regional team presents their best ideas to the committee, who then decides where the best ideas are coming from, with the most attractive stocks, and gives a bit more money to the regional team to invest in that model. Mr. Nisbet stated the last stage is where people like himself come into the institutional clients department and tailor and interpret those recommendations for each individual client, according to their benchmark, restrictions and risk tolerance. Mr. Vazquez inquired about the size of their investment policy committee. Mr. Nisbet responded the committee was comprised of four people. Mr. Vazquez inquired if the four had to come to a consensus. Mr. Nisbet responded in the affirmative.

Mr. Nisbet briefly reviewed the firm's performance, stating currently they were slightly ahead in the market and have outperformed a lot more in the upturns than underperforming in the downturn, and expect this to continue.

Ms. Bemko concluded by stating Baillie Gifford would meet LADWP's requirements by bringing a team of experienced and talented investment professionals, a rigorous, successful and repeatable investment process and a unique partnership culture.

President Romero inquired about the expected turnover of the portfolio. Mr. Nisbet responded the turnover was currently 45% and ranges from 30% to 50%.

President Romero inquired if their fees were negotiable. Mr. Nisbet responded the fees were not negotiable unless the Department wanted to pay a performance fee.

President Romero noted, on the firm's inclusion questionnaire Baillie Gifford answered, they did not subcontract to emerging firms and he then inquired if they used any minority or women owned businesses for other services, other than brokerage. Mr. Nisbet responded everything was done in-house. President Romero inquired if they bought office supplies, computers, etc. from minority or women owned businesses. Mr. Nisbet responded they purchase according to finding a good deal and use local suppliers. President Romero noted Baillie Gifford has an office in Scotland and New York and inquired if the New York office did any mentoring with the local community and high schools. Ms. Bemko responded Baillie Gifford does not formally do this, but some of their employees do participate in mentoring and working with different types of charitable organizations.

Mr. Vazquez inquired if their average number of holdings was 100. Mr. Nisbet responded it ranges from 80 to 120. Mr. Vazquez inquired what the firm has in place for monitoring and what triggers a sell. Mr. Nisbet responded what triggers a sell is the same thing that triggers a buy, which is the analyzing of a company according to the Board investment criteria, and if something changes under one of those four criteria they tend to sell. He stated another trigger for analysis, but not necessarily sell, would be poor share price performance. Mr. Vazquez inquired if the firm had any particular targets or parameters for sector allocation. Mr. Nisbet responded it was essentially based on stock picking, however they do have some parameters to make sure the risk does not get out of hand.

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

President Romero called for a brief recess at 4:25 p.m.

[Recess]

The meeting reconvened at 4:40 p.m.

President Romero proposed the Board make a selection of a Growth manager out of those who have presented. He expressed, in his opinion, Fidelity Investments stood out among the rest and even though their fees were not negotiable, they were in the lower range, compared to everyone else at 41 basis points. He stated, should other Board members feel the same way, he would like some clarification from the consultant (PCA) as to the commingled fund versus a separate account. Mr. Emkin responded, the benefit of having a separate account is one would have physical control of the individual securities to the extent one would choose to have a restraint or limiting condition. He stated the other issue, which is one he needs to determine, is the issue of proxy voting, and, in a commingled fund, this is not an option.
Mr. Emkin explained, from a custodian perspective, the benefit is the holding of 150 to 200 securities, versus the custodian getting a line item and a unit value, which is much easier. He added administratively, the reason the fee is cheaper is because they do not have to manage or worry about all of the various things for an individual portfolio, but can actually put hundreds of clients into this vehicle. He stated, with the exception of the proxy voting, one would get exactly the same results in terms of performance.

President Romero indicated he wanted to hear from the other Board members, adding another reason he favors Fidelity Investments is because all the other companies had a fairly weak diversity inclusion program and Fidelity presented their inclusion policy without even being asked. He commented on the fact Fidelity representatives appeared to have reviewed the DWP's Retirement Board meetings and understand the Department's concerns.

Mr. Vazquez expressed he would like to stay out of proxy voting and the Board should delegate everything to the investment managers. He stated he was comfortable with Fidelity's outreach program, their investment process and performance, but he would, however, recommend the Board choose a commingled account. President Romero commented a commingled account would be at 11 basis points savings and based on Fidelity's calculations this represents approximately $100,000.

Ms. Calvache expressed she felt Fidelity's inclusion policy was excellent and their presentation was very well put together, therefore they were her first choice.

Mr. Wiggs agreed Fidelity was his first choice and Baillie Gifford and Marvin & Palmer Associates were very good firms and would probably perform better in an up market. He stated one could not got wrong with Fidelity with their track record, experience, inclusion program and the fact they are based all over the world. He also agreed with Mr. Vazquez with regards to choosing a commingled account for purposes of savings.

Mr. Wiggs moved the Board's selection of Fidelity Investments for the International Equity Growth fund, in a commingled account, subject to contract negotiations. Seconded by Ms. Calvache and carried unanimously after the following vote:

Ayes: Romero, Vazquez, Wiggs, and Calvache
Nays: None

Messrs. Kirk F. Holland, President & Chief Executive Officer, Michael P. Keough, Marketing Director – Public Funds, and Erik B. Granade, Chief Investment Officer from INVESCO approached the table.

j) INVESCO

President Romero recognized the INVESCO representatives.

Mr. Keough introduced himself, giving a brief background on the other representatives and himself. He then described the firm's investment team, characterizing their stability, focus on bottom-up stock selection and risk management.

Mr. Holland explained INVESCO's stock selection criteria, stating the firm looks for companies with a steady upward trajectory with the key factors of earnings per share, dividends and book value. He reported INVESCO follows over 2,200 companies worldwide and has two minimum criteria to include new companies and coverage (a $1 billion U.S. market capitalization and at least 5 full years of quoted financial history). Mr. Holland stated their objective was to identify comparable financial data from which to evaluate the investment merits for companies worldwide, regardless of country of origin, sector or currency denomination. He added by adjusting for some critical variables and accounting rules they can cover all of the major segments of the market rather than focusing on a limited subset as a more style driven manager might be (who is focusing more on a value-oriented or rapidly growing company).

Mr. Holland explained the investment process in steps of: 1) looking at all the companies in the universe and narrowing the group down to attractive potential research candidates by implied return analysis, asset values and current earnings, 2) fundamental research 3) and portfolio design considerations.

Mr. Holland stated the firm uses a model portfolio approach, wherein all of the clients with the same mandate hold the identical securities in the same weightings. Mr. Vazquez inquired about the number of mandates in the International area. Mr. Holland responded there were currently 175 different relationships, some being in commingled funds. Mr. Granade added, in terms of mandates, EAFE would be the predominant benchmark they manage towards. Mr. Emkin inquired if the firm offered a commingled vehicle. Mr. Holland responded they do have a commingled fund vehicle with approximately $900 million in assets and indicated there was a sample portfolio included in the booklet provided by INVESCO. Mr. Emkin inquired if it was an institutional commingled fund or retail. Mr. Holland responded institutional. Mr. Vellon inquired if this was a perfect replication of the separate accounts. Mr. Holland responded in the affirmative. Mr. Vazquez inquired about the average number of stocks held. Mr. Granade responded the firm typically holds about 60 stocks.

President Romero inquired if INVESCO was recommending a separate account or commingled fund. Mr. Holland responded the firm was indifferent to either one. President Romero inquired if the Board chose a separate account, would their fees be negotiable. Mr. Holland responded in the affirmative. Mr. Vazquez inquired if their fees were the same for a commingled versus a separate fund. Mr. Holland responded the company does have full fee negotiation flexibility in their commingled fund, so they have the opportunity to provide the same price whether commingled fund or separate account, however, there would be minor administrative costs for statements and things of this nature.

President Romero inquired about the expected turnover. Mr. Granade responded the portfolio turnover was 30% on the high end, which is driven by volatility considerations in the market, but it is customarily well below this.

President Romero noted INVESCO has a very good diversity program with 7 minority vendors, 13 minority brokers, a steering committee for diversity, diversity training, mentoring programs for minorities and colleges. He then inquired if any of those organizations were locally within LADWP's community and requested the representatives elaborate on their inclusion policy more specific to LADWP's community. Mr. Holland responded the most prominent effort was their involvement with the Toigo Foundation of which they are one of the original sponsors and the firm also mentors business school students from all over the country. He added the firm's involvement was nationally rather than a specific geography. President Romero noted the firm has a significant amount of minority and women owned traders and inquired if INVESCO utilizes the “step out” program. Mr. Granade responded in most cases the firms identified have made a corresponded relationship with a brokerage firm trading overseas, however, when there is an opportunity to trade with firms in an ADR format at a lower cost, they do trade directly with those firms.

President Romero noted the low percentage turnover at 30% and commented there was another group with a turnover of 92% and requested the firm’s philosophy on this issue. Mr. Granade explained there were very specific things INVESCO looks for in a company and it was not easy to clear the financial, price and global sector based criteria, so when they find a company that works it typically has a very big potential to see a higher price and expectation for growth over time resulting in an improvement in share pricing. Mr. Holland added there was a very specific sell discipline which is price sensitive, so it is not just a predetermined decision to hold stocks for three to four years, but the relative change of a stock and attractiveness to others could result in a shorter holding period.

Mr. Vazquez inquired if INVESCO International Equity was separate from the other management groups. Mr. Holland responded the company was a publicly traded company under the name of AMVESCAP, which is listed on the London and New York stock exchange. He stated they operate under the two key recognizable names of INVESCO, which consist of fixed income, U.S. equity operations, real estate, etc. Mr. Vazquez inquired if INVESCO was independent of those operations. Mr. Holland responded they were independent and they have their own distinct investment team.

Mr. Vazquez noted INVESCO’s average holding was approximately 60 stocks and inquired if they set a target in terms of deterioration, book value, price earnings, dividends and also what triggers a sell. Mr. Granade responded there were three specific things that would lead them to sell a product: 1) if the stock price appreciates dramatically, 2) if the company fundamentals changes and 3) if the portfolio becomes more concentrated than what the risk constraints allow.

Ms. Calvache noted the representatives indicated they mentor kids throughout the country, and inquired if they had the opportunity to mentor college students within the Los Angeles area. Mr. Keough responded they have not historically, but it was not something they choose not to do. Mr. Emkin then explained how the Toigo Foundation, of which INVESCO is a part of, operates. He mentioned that UCLA has Toigo scholars and there was a definite presence in Southern California.

Mr. Vellon noted, when looking at the comparison of the accounts lost over the past three years, INVESCO stands out among the other firms and requested the representatives expound on this. Mr. Holland indicated, in DWP’s RFP, they did identify their account losses and consider these to be very minimal relative to the new business gained in recent years. He stated, historically, they have had new client relationships ranging between $1.5 billion and $2 billion per year, but sometimes they do not show the numbers of clients because when they go into the commingled funds, they do not consider this a new client because it is within the context of the fund itself. Mr. Holland added the losses have been very minimal in dollar volume, so when looking over a three-year period, one can see they have added new monies under management in the neighborhood of $4 billion to $5 billion in assets compared to the neighborhood of $300 million in overall losses. He stated if they were to identify the types of clients whom they have lost, they have been much smaller clients and were typically in the areas of foundations, endowments or private family monies, with very little in the public fund arena.

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

Messrs. Andrew Barth, President, and Michael E. Nyeholt, Senior Vice President from Capital Guardian approached the table.

k) Capital Guardian

President Romero recognized the representatives from Capital Guardian.

The representatives from Capital Guardian introduced themselves and gave a brief description of the organization. Mr. Nyeholt began by stating the firm produces long-term results, has years of experience, is organizationally stable, employee-owned, has a proven and reliable philosophy and process that is research driven and investment management is their only business. He briefly reviewed the risk return comparison of their investment results, stating they had outperformed the EAFE index by 3% annualized. He reported they outperformed in 10 of the 13 periods, and outperformed by 43% in 1999, compared to underperformance by 4.5% in 2000, and outperformance by close to 4% in 2001 and 43 basis points in 2002. Mr. Vellon inquired if this performance was the reason the firm lost 28 clients over the last three years. Mr. Nyeholt responded this was not the reason for the loss of clients. He explained, in many of those cases, it was not really losing the clients but losing the mandates, and many of their International equity mandates turned into acquiescing to U.S. portfolios. He added, they also manage emerging market equities so they would switch from a pure EAFE to an acquiesce but it shows as assets loss. Mr. Nyeholt stated they had not lost assets, but actually gained them over the last couple of years and numbers have been a little soft, but in the long term, they have been great.

Mr. Barth outlined the firm's investment philosophy and their four-step investment process consisting of research, communication, stock selection and implementation and risk control. He then explained the multiple manager system, stating it brings together people with different approaches or style into the portfolio, giving complete autonomy and responsibility within their slice of the pie to do what they think is best.

Mr. Vazquez inquired what considerations did Capital Guardian have relative to regional or sector allocations in operating the International portfolio and would each of the eight portfolio managers specialize in any particular area. Mr. Barth responded some of the managers come from more regional backgrounds and may have a little bit of a bias towards a specific region, but each of the portfolio managers operate as a Non-U.S. portfolio manager. He added they each have quite different styles or approaches. Mr. Barth expressed what is needed to be successful over a long period of time is to attract, hire and retain good people, who will consistently beat their benchmark using different approaches. Mr. Vazquez inquired if each manager would use their own judgment as to region and sector allocation independently of the other managers. Mr. Barth responded in the affirmative.

Mr. Vellon commented, if it is a separate account, it is conceivable that if one client has one set of managers having this flexibility and another client has another set of managers, then the performance results could be slightly different. Mr. Nyeholt agreed with Mr. Vellon, adding based on what DWP's particular guidelines were the firm has a portfolio control booth that processes, and are internally responsible for, arising conflicts. Mr. Vellon commented, if there were no restrictions, it was conceivable one could have different results, depending on which particular managers are assigned to each of the accounts. Mr. Barth responded every Non-U.S. client gets the same team of managers. Mr. Nyeholt added they manage the portfolio for every International equity mandate Capital Guardian has. Mr. Vellon inquired if there was any room for difference in performance. Mr. Nyeholt responded the firm has no "A" or "B" team, just "the team" for Non-U.S. equities. He stated every Non-U.S. client gets the same team. Mr. Barth added, as far as dispersion goes, based on client guidelines, cash flows, start up time, etc., investment results can be different. Mr. Vellon inquired if there are no guidelines, with all things being equal, is there a possibility for dispersion. Mr. Nyeholt responded absolutely not. He stated not every client is going to have the exact same numbers, and there was always going to be dispersion, but their job was to minimize this.

Mr. Emkin inquired about the availability of a commingled vehicle and what, if any, cost benefits would be associated with this. Mr. Nyeholt responded the firm manages both separate accounts and commingled funds and indicated the cost benefits would be with regards to custodian and legal, which comes out of the performance of the fund. Mr. Emkin inquired if the fees, other than this, would be the same. Mr. Nyeholt responded in the affirmative.

Mr. Vazquez inquired if each of the eight managers had its own autonomy in terms of sell decisions. Mr. Barth responded this was correct and a lot of the sell decisions would be driven by their research organization and by the ratings and recommendations the analysts provide.

President Romero inquired about the portfolio turnover. Mr. Barth responded Capital Guardian's turnover, over long periods of time, typically ranges between 25% to 50% of the portfolio on an annual basis. He stated in more recent periods, it has run in the 35% area.

President Romero inquired if their fees were negotiable in the commingled fund or separate account. Mr. Barth responded the fees were not negotiable in either one.

President Romero noted Capital Guardian had emerging brokers and vendors they deal with and inquired if they were involved with any community events or outreach programs to local high schools. Mr. Nyeholt responded the firm had adopted a school, wherein they provide scholarship assistance and have hired high school kids for summer jobs who have been with the firm for 8 or 9 years. He added the firm was Los Angeles based and, therefore, makes an impact on the City with outreach programs. He then described an associate matching gifts program the firm is involved in. Mr. Barth also stated the firm emphasizes and encourages the associates to get involved with local philanthropies, civic areas and community efforts.

President Romero thanked Capital Guardian representatives for their presentation. They also thanked the Board and left.

Messrs. Jack O'Connor, Managing Director and Marcus L. Smith, Senior Vice President from MFS Investment Management approached the table.

I) MFS Investment Management

President Romero recognized the representatives from MFS Investment Management.

Mr. O'Connor introduced himself and Mr. Smith and provided a brief background description of themselves and the firm. He pointed out the firm has three key themes, which are depth of resources, the stability of the organization and the ability to repeat the process in going forward.

Mr. O'Connor reported MFS has more than 75 years of investment experience and their goal and focus over the years has been to provide their clients with strong risk adjusted returns. He stated they have been owned by Sun Life since 1982, and 6 years ago they implemented an employee ownership program and now 22% of the firm is owned by MFS employees. Mr. O'Connor outlined three things he felt made the firm successful: 1) Commitment to the community, 2) it's conclusive culture and 3) the mentorship program, which is focused on identifying high potential employees and searching for more diversity within the employee workforce.

Mr. O'Connor stated, in terms of research, the 48 analysts at MFS really represent the concept of teamwork, working very closely together. He stated analysts in general will cover two industries, and when more experienced, will cover a 3rd. He added, on a periodic basis, they rotate industries to get a fresh set of eyes and from a compensation standpoint, the analysts have every opportunity to make as much or more as a portfolio manager. Mr. Vazquez inquired if the numbers given are for the International area or firm wide. Mr. Smith responded the numbers were firm wide. He clarified, for the International area, there were 6 portfolio managers and 19 Non-U.S. analysts. Mr. Vazquez inquired, in terms of MFS having 75 years of investment experience, how many years are in the International area. Mr. Smith responded Mr. Mannheim was the first Non-U.S. analyst and he started in 1988, yet they had a global equity strategy prior to this.

Mr. O'Connor briefly explained the goal of their strategy, which is to simply try to outperform the benchmark over full market cycles at less risk. He gave a brief background of the investment team, which is lead by Mr. Mannheim and Mr. Smith.

Mr. Smith explained MFS's investment philosophy process and approach. He described their philosophy, stating they feel stock prices follow earnings and cash flow growth, therefore all of their value added was stock selection. He stated MFS spends 100% of their effort trying to identify growth companies, verify the growth and buy those companies at the right price. Mr. Smith explained the firm does not use any sort of active hedging of currencies to augment performance, but instead, simply adds value through stock selection. He stated by organizing their analysts by sector teams rather than geography they achieve more value.

Mr. Smith explained the role of the portfolio managers (co-managed by himself and Mr. Mannheim), who work together and must agree on each decision of whether to buy or sell in the portfolio. He stated they start by looking at the stocks the analyst rate "buy", then look for growth companies. Mr. Smith indicated there were three reasons they will sell a stock: 1) the target price is met, 2) a better alternative and 3) a change in company fundamentals.

Mr. Smith briefly described the firm's risk perspective. He then explained how MFS is positioned from a sector basis. Mr. Vellon inquired about the current largest bet on country weightings. Mr. Smith responded their largest overweight was France and Switzerland, which is a reflection of large export by companies headquartered in those countries.

Mr. Smith discussed the portfolio characteristics, stating it has 20% more growth than the benchmark, but the price/earnings was roughly the same. He pointed out MFS outperformed the market 5 out of the last 6 years. Mr. O'Connor concluded the presentation by stating MFS looks for growth companies at a reasonable price, which allows them to perform well in all kinds of markets. He added, as a core manager, their strength lies in the ability to perform steadily throughout different types of markets. Mr. O'Connor informed the Board a fee schedule was available if the Board decided to select MFS for the second mandate. He explained they would take the fee schedule from the value strategy, start at the $210 million level and aggregate the assets, subsequently the International equity fee schedule would start at 28 basis points, based on the current relationship. President Romero inquired if the 28 basis points were negotiable. Mr. O'Connor responded the fees were not negotiable, however, they stated this last time and ended up negotiating. He expressed it was difficult to negotiate with one mandate but there was more flexibility with two mandates, because it enables MFS to move around in their favored nation clauses.

President Romero noted MFS's turnover was approximately 56% and inquired if this was accurate. Mr. Smith responded in the affirmative, stating this was a reflection of holding the stocks for a long period of time.

President Romero noted the representatives previously expressed the firm utilizes minority vendors and inquired if they have mentoring programs for minorities and women within the local community. Mr. Smith indicated they sponsor the Toigo Foundation, which is based in Los Angeles. He added that he personally speaks each year at the Toigo Foundation orientation in New York City and makes himself available to mentor the Toigo fellows in the finance industry. He stated they focus more on the mentoring at the business school and undergraduate level.

Mr. Vazquez inquired if stock selection was left to the analysts. Mr. Smith responded the analysts rate their universe and the portfolio managers review each of their ideas and decide whether or not it is a growth company according to their criteria. Mr. Vazquez inquired, from a compensation standpoint, if half of the analyst's compensation comes from stock selection, what happens if they did not have companies selected for the portfolios. Mr. O'Connor responded these are tracked and the analysts can also be compensated for a stock not selected for a portfolio. Mr. Smith added the analysts work for all of the portfolio managers in the firm and most likely stocks will be selected for certain accounts. Mr. Vazquez inquired who monitors the stocks held when they meet certain targets. Mr. Smith responded this was monitored at the portfolio management level.

President Romero thanked MFS Investment Management for their presentation. The representatives of MFS Investment Management thanked the Board and left.

Mr. Emkin reminded the Retirement Board one of the core candidates presented separately, because the representations were interviewed out of order due to the delay and fight schedule. He stated the only consideration he would recommend to the Board was that Capital Group's recent performance is not good but they are a huge local player. He added this should not determine the Board's decision, but they are the largest investment managers based in Los Angeles and the largest International manager in the world, however, over the last three years their performance has not been as good as their competitors.

President Romero commented out of the three mandates this was the most difficult to select. He expressed he favored INVESCO, Julius Baer and MFS. Mr. Emkin pointed out DWP did have existing relationships with MFS and INVESCO (by way of Intech) through the large cap growth product [It was later determined there is no relationship between Intech and Invesco]. President Romero noted the Board had two different existing relationships with Merrill Lynch also.

Mr. Vazquez expressed he felt INVESCO was head and shoulders above the other presenters in terms of their approach and philosophy.

President Romero noted PCA rated INVESCO's investment professionals as an 8 and their client base a 22. He requested Mr. Emkin elaborate on those two categories. Mr. Emkin stated the one key thing was, in terms of being a true core, INVESCO was a real GAARP (Growth at a reasonable price) player. He stated bringing them into the core was a decision the Retirement Board made which he concurred with. President Romero inquired if they scored so well on their client because they have really good clients. Mr. Emkin responded it means they have large institutional clients with good tenure. President Romero commented, with regards to investment professionals, they received the highest score. Mr. Emkin responded, based on the resumes, this was how the reviewer felt about them. He added, if he had been the scorer, he might have scored it differently, which is the purpose of having multiple persons involved in the review process. Mr. Wiggs commented, given PCA's ratings, all four of the firms are within two points of each other.

Ms. Calvache expressed she felt most comfortable with INVESCO and MFS.

Mr. Wiggs stated he was impressed with Julius Baer because their 5-year return was way above the other firms. Mr. Emkin pointed out Julius Baer also had the most volatility.

President Romero inquired of Mr. Emkin, how he would respond to Julius Baer's downside risk and upside risk and how in the up market they are expected to perform the best while in downside markets they are not expected to do any worse than anyone else. Mr. Emkin indicated this is how they got the better performance, pointing out they went up more than the others but they went down at approximately the same rate so the net of this was they were at the head of the pack.

Discussion continued among the Board members. Ms. Calvache then moved the Board's selection of INVESCO for the International Core fund, subject to fee negotiations. Seconded by Mr. Vazquez and carried unanimously after the following vote:

> Ayes: Romero, Vazquez, Wiggs, and Calvache
> Nays: None

President Romero thanked Mr. Wiggs for rearranging his schedule at the last minute in order to attend the Special Board meeting and for recognizing how important the process was to the Plan. He also thanked staff for arranging the meeting, Ms. Bhatia for missing her vanpool in order to stay until the completion of the meeting and Attorney Wilkinson for his presence.

President Romero inquired what was forthcoming. Mr. Emkin indicated small cap and fixed income. Mr. Vellon expressed the Board needed to meet with BONY (Bank of New York) because, once the International managers were hired, they expect their contract needed to be renegotiated. He indicated this was something staff could work out and present to the Board at a future meeting.

Mr. Emkin commented whether this is done now or later, the Board made the decision to use BONY for the current transition, but whether or not they are going to use them for International had to be decided in the future.

The meeting was adjourned at 6:29 pm.

JAVIER ROMERO President	DUAMEL VELLON Secretary
Vikki Burks Recording Secretary	Regina Luna Recording Secretary