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

MINUTES – DECEMBER 10, 2003

Present:	
Lilly Calvache	Vice President
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member
Dan Mirisola	Board member
Absent:	
Leland Wong	Commissioner
Javier Romero	President
David H. Wiggs	General Manager
Others Present:	
Duamel Vellon	Retirement Plan Manager
Vikki Burks	Recording Secretary
Mike Wilkinson	Deputy City Attorney
Neil Rue	Pension Consulting Alliance (PCA)

Vice President Calvache called the meeting to order at 9:10 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

Mr. Vellon indicated there was quorum of the Board present. He noted President Romero's absence due to a death in the family.

PUBLIC COMMENTS

Vice President Calvache recognized Jack O'Connor of MFS.

Mr. O'Connor approached the podium. He noted MFS had been selected by the Board to manage the large cap value mandate. Mr. O'Connor stated he wanted to address recent media coverage regarding Market Timing Issues relative to MFS. He indicated MFS had been informed by the SEC in Boston that a civil action suit would be recommended against MFS in regards to disclosure within some of the domestic funds. Mr. O'Connor stated MFS is cooperating with the SEC and no employees at MFS have been involved in any allegations nor has the SEC included any employees for any wrong doing within funds they may be trading or working on. He indicated the focus of the Market Timing Issues has been around International Equity Strategies and thinly traded asset classes, such as high yields. Mr. O'Connor stated MFS has been monitoring these types of funds for a number of years and in fact has limited and cancelled millions of dollars worth of trades in these types of strategies and also has fair market value policies in place, which deter such market timing strategies. He noted until recently MFS had not monitored these types of activities in 11 large cap domestic equity funds, and in MFS' judgment, the inefficiencies did not exist in these types of strategies for the participants to take advantage of market timing; therefore MFS does not feel any harm was done to the portfolio management. Mr. O'Connor noted as the industry has changed, MFS recognizes they need to change and included these funds under new exchange requirements and restrictions and all 105 funds at MFS have these exchange restrictions imposed upon them. He indicated MFS has conducted themselves as a firm putting the interest of the client and shareholders at the top of the list and will continue to do so, emphasizing again, MFS' commitment to this Board as an Investment Manager. Mr. O'Connor thanked the Board and retired to the audience.

Vice President Calvache inquired if the Board members wanted to proceed with the interviews or consider items 1 and 2 first. Mr. Moore indicated he preferred conducting the interviews first, since the meeting had a late start.

1. Interview and possible selection of Investment Management Firm or Firms (From those responding to the Plan's Request for Proposal – Domestic Equity Small Capitalization Growth Managers):

a.	8:30 am	Bank of New York
b.	9:00 am	Turner Investment Partners
c.	9:30 am	American Express
d.	10:00 am	Delaware
e.	10:30 am	Westcap

Messrs John C. Liu, Vice President Institutional Equity Management and Senior Portfolio Manager-small Cap Growth and Robert Prusiewicz Vice-President Institutional Client Development of The Bank of New York approached the table.

a) The Bank of New York

Mr. Prusiewicz provided a brief background about himself, and Mr. Liu and stated Bank of New York (BNY) has been established since 1784 when Alexander Hamilton, first secretary of the treasury, founded the organization. He mentioned BNY is one of the largest banks in the United States. He noted that 75% of the bank is involved in transactional and fiduciary services such as asset management. Mr. Prusiewicz stated the asset management group is the fastest growing of five divisions within the bank and at the end of last quarter had $85 billion dollars in assets under management. He stated that since 1999 BNY has grown 40% over this time frame, enabling BNY to invest in systems and staff, which are a critical success factor in this business.

Mr. Prusiewicz stated BNY has 175 investment professionals with a great deal of experience and has had a very low turnover in the last three years bringing continuity to the relationships and the products. He noted BNY has a lower turnover ratio with clients, being only 2.5%, clearly showing that performance combined with client service programs has retained clients during a difficult period over the last three years. Mr. Vazquez inquired of the 175 professionals, how many were assigned to small cap growth. Mr. Prusiewicz noted, six people are dedicated specifically to small cap growth and do nothing other than focusing on small cap growth.

Mr. Prusiewicz stated the small cap product is bottoms up and is focused on stocks in the $100 million to $2 billion dollar range, meaning BNY does not invest in micro cap stocks where liquidity issues might create challenges for managers. This allows BNY to focus on the $100 million-$2 billion dollar range using a process called relative earning strength, looking for companies which are faster growing than average. He stated that at the end of last month, BNY had $1.2 billion dollars in assets under management and BNY has committed to their clients. Once BNY reaches $2 billion dollars, they will close this product, so performance won't be compromised by going after some larger cap issues.

Mr. Prusiewicz mentioned BNY does have experience in public fund management, listing several companies in California as well as Arizona and Nevada. He stated that over the last five years, this product has returned better than 15% annually, in comparison to a Russell 2000 growth benchmark of approximately 2.5%, yielding a 12.5% premium over those five years. Mr. Prusiewicz stated that since 1996, the Russell 2000 growth has posted positive results in 15 quarters and posted negative results in 16 quarters, about half and half. He noted in the quarters when the market has been up, BNY has averaged 15.6%, capturing approximately 104 % of the premium, but more importantly, when the market was down those 16 quarters, it declined 10.7% on average and BNY declined only 6.1%, capturing slightly more on the up side but preserving capital when things turn bad. Mr. Vazquez inquired if returns were net of fees. Mr. Prusiewicz responded it is gross because BNY has different fees based upon the assets a client will have with BNY. He noted even at the highest level of fees for an account of $10 million dollars, where BNY might charge 1%, BNY is still delivering, net of fees, approximately 11.5% on premium over the benchmark of the last five years.

Mr. Liu stated BNY is not there to manufacture returns on quarterly short-term basis. He noted in managing the risks, in short term down cycles, BNY does not lose principal quickly, and BNY has outperformed the market when it has been down, 16 quarters out of the last 30 quarters. He noted BNY wants to get a multiple up side over a long haul profit cycle. Mr. Liu stated BNY focuses on relative earning strengths, looking at companies having a sustainable game plan, giving faster than average growth, but not the fastest. He noted fast growing companies give one undue risk in this asset class, because these types of companies have execution and balance sheet risk with financing. Mr. Liu stated that the most effective way BNY has found to manage risk in this asset class is by position size. He stated the other aspect of risk management portfolio construction is diversification by sectors, making sure there is a diversified mix, also looking at secular versus cyclical growth, asking what is driving the growth of the company, new products or the economy.

Mr. Vazquez inquired, is the early identification of stocks, what gives BNY an edge versus competitors. Mr. Liu responded that in this asset class, BNY is in it for the long term, and the key is in planning, looking to see what a company is doing to have a 3-5 year horizon where their earning growth is going to be better than average. This is the singular focus for BNY.

Mr. Liu stated that BNY is looking for a growth rate that is better than average. He stated that if the average company is growing at only 7% for the next 3-5 years, based on what economists and Wall Street says, BNY is looking for better than 7%. Mr. Liu noted if a company is expected to grow 10%, BNY is dissecting their strategy for the next 3-5 years. Mr. Liu stated stocks are priced by their growth rate, and if a company is a 10% growth rate company and this company grows 15%, this is known as P/E expansion. He stated that the combination of P/E expansion and above average growth rate would give one a powerful stock. Mr. Moore inquired, when looking at something that will exceed consensus expectations based on BNY's research, does BNY think they have it figured out better than others. Mr. Liu responded in the affirmative. He noted this strategy does not result in high turnover, noting the steady run rate turnover is 25%-87%, with 87% being the highest in 1999. Mr. Liu explained that BNY is a multi-year horizon investor, not a trader. Mr. Liu stated BNY thinks other analysts in this category are too focused on the short term horizon, this being their Achilles heel, and BNY can look into getting the pricing on a long term basis. He added reasonable valuation was the primary driver of selling in 1999.

Mr. Liu stated BNY has an extensive network of regional relationships allowing BNY to identify emerging small cap opportunities with access to 58 research firms nationwide. Mr. Liu mentioned BNY does not allow any individual security to be more than 3% of the portfolio, and, in the aggregate, the top ten cannot exceed 25% of the portfolio. Mr. Vazquez inquired if the number of stocks in a portfolio is usually between 80 and 100. Mr. Liu responded that their portfolios contain approximately 100 stocks.

Mr. Liu stated there are 3 components driving growth. He noted secular growth is sustainable long term growth driven by a proprietary product, cyclical growth is peak growth due to rebound in a specific industry, and restructuring is long term growth.

Ms. Calvache inquired if BNY's fees were negotiable. Mr. Liu responded in the affirmative.

Ms. Calvache inquired of their inclusion policy. Mr. Prusiewicz stated their inclusion policy as it relates to diversity, speaks for itself. He noted there are more women than men employed at BNY, more than 40% of the workforce is non-Caucasian and there is an employee whose responsibility it is to promote diversity within the BNY organization. He stated that BNY seeks out minority and small business brokers. Mr. Prusiewicz said BNY has never invested in foreign entities nor have they used any derivatives; however BNY typically does ask for the use of derivatives in guidelines in case a situation occurs, but to date BNY has not used those powers.

Mr. Neil Rue of PCA asked for a brief account of the mutual fund trading investigation and how it relates to BNY if at all. Mr. Liu stated he does not have the macro view for the entire organization, as BNY is one of the biggest securities processors, but in speaking for his product, small cap growth, he tells the market agents that for anything over $2 million from a registered investment advisor, they have to know who the advisor is, and there have been no market timers he has been aware of impacting the running of this portfolio. Mr. Prusiewicz noted that for many of the firms running afoul of this, one can trace it back to over zealous sales people, and BNY is a trust bank knowing how to act as a fiduciary. Mr. Rue inquired if BNY has received any inquiries from the SEC or the New York Attorney General. Mr. Prusiewicz reiterated again, BNY is the largest custodian for a mutual fund company, and Mr. Spitzer has subpoenaed records from BNY as it relates to BNY activities for a variety of mutual fund companies as a custodial agent. Mr. Liu added the SEC has come in and looked at the e-mails and has been there a couple of months reviewing and has not raised any issues as of yet. Mr. Rue asked for clarification why BNY tends to hold companies significantly larger than the Russell 2000 growth index and whether there has been some recent underperformance. Mr. Liu stated the 5 year compound return is significantly higher than the benchmark. BNY bought many companies when they were small, and they appreciated and became bigger. This shows it's been a successful investment. He noted BNY does not have a ceiling where the company grows to $2 billion and is out of the portfolio. He stated BNY can easily get as small as the benchmark, but they don't force the issue. A lot of bad companies went public in the late 90's and could not get access to capital. They did not generate cash flow, so they went bankrupt. For BNY to get small like the benchmark, BNY would have higher bankruptcy risk. As the recovery of the economy is clearer, BNY will revisit those conditions or buy secondary offerings or IPO's. This would resolve the problem of getting smaller without the bankruptcy risk. Mr. Liu stated the 2nd and 3rd quarter is where BNY under-performed. Their analysis shows it was the low quality companies which were destined to go bankrupt which were up and tremendously outperforming. For instance the benchmark went up 24%. When BNY analyzed it, 17% of the return came from low quality companies which had no earnings or less than $5 dollars.

Mr. Vellon inquired of Mr. Liu, noting he was the person listed in the RFP documents as the manager having full discretion to buy, sell, and allocate, who is minding the shop back home. Mr. Liu stated every time there has been asset growth, BNY has added key members to the team. Mr. Vellon inquired if others can make decisions while Mr. Liu is here. Mr. Liu stated they can make sell decisions. He noted, BNY has an advance plan for the next six months, with what conditions it would take to buy stocks that are in the pipeline. Everything is documented all out. Mr. Vellon inquired how does BNY control the size of the product. Mr. Prusiewicz stated BNY would close the product at $2 billion dollars, and BNY is at $1.2 billion now. Vice President Calvache thanked the representatives for their presentation. The representatives from BNY thanked the Board and left.

b) Turner Investment Partners

Messrs. William McVail, CFA, Senior Portfolio Manager and Scott S., Institutional Business Development Director of Turner Investment Partners.

Mr. Eversole gave a brief history of the Turner organization stating Turner is an independent firm, 100% owned by the employees. He stated two benefits of this structure. It allows Turner to attract and retain some of the best talent in the industry and there is virtually no turnover in the portfolio management team. The second benefit is employees have a vested interest in doing what is right for clients and putting the clients first. Mr. Eversole stated Turner concentrates on earnings and a sector neutral approach. This process has been in place since the 1980's, so the basic framework with which Turner approaches small cap investing has been a time tested approach. It has worked from a performance perspective and all of Turner's products have beaten the benchmarks since inception. Small cap is the best example of the product outperforming it's benchmark by a wide margin. He stated there is a tremendous amount of consistency and a very disciplined process and Turner does have a commitment to a high set of values. The best example of this is Turner's closing of products early in the best interest of clients. Mr. Eversole explained this small cap product was closed in 1997 with roughly $500 million dollars and has only recently been re-opened. The expectations are it will close again relatively soon.

Mr. McVail stated they have a wide range of clients and more than 40% of them have hired Turner Investment more than once. He commented Turner's Investment philosophy is that earnings expectations drive stock prices. The companies doing the best, gaining market share, growing quickly, adding value to the customers are the ones Turner wants in the portfolio. Mr. McVail stated Turner has set things up in the organization so all the 15 person investment team has to do is pick stocks. He noted Turner is fully invested in small cap stocks, and Turner does not have any small cap managers timing the market. As of March 11, 2003, Turner had 1% cash in the portfolio and was fully invested in stocks, so when the market turned, Turner was there. Mr. McVail mentioned what differentiates Turner from others is their sector neutral approach, because just as one can't know when to be in or out of the market, one can't know when to overweight or underweight in various sectors of the market. He noted that for the product they are talking about today, the benchmark is the Russell 2500. If the Russell 2500 is at 14% technology, this portfolio will be 14% technology, or if the Russell 2500 is at 18% consumer stocks, this portfolio will be 18% consumer stocks. Mr. McVail reiterated Turner is fully invested in the market; they are sector neutral so they always have appropriate weightings in every part of the market; all Turner has to do is focus on picking stocks.

Mr. Rue inquired what is Turner's exposure to information technology at this moment, stating the RFP had it listed as 12% which is low compared to the Russell 2000 growth index. Mr. McVail stated it was his understanding Turner was there to present for the Russell 2500 neutral benchmark; but certainly for the Russell 2000 growth, it is much higher. Turner actually has 2 small cap products; a Russell 2500 product and most of the supporting material presented at today's meeting supports this product. Turner also has a Russell 2000 growth product, and yes the weighting is much higher. Turner's Russell 2000 growth product will have a weighting in line with the benchmark weighting.

Mr. Moore commented that Turner has a very high turnover of approximately 150% plus, seemingly moving in and out of stocks during the course of the year. Mr. McVail responded, because Turner is sector neutral, there is a fair amount of turnover happening in the portfolio, which is a function of keeping neutral with the benchmark. He noted that whenever Turner buys something and adds it to the sector, they have to sell something, unlike other managers who do not have the sector neutral focus. He stated Turner has between 125-150 names and Turner does this as a conscious decision to control risk. If one takes big positions, 3-5% in a company, and something happens to this company, it can be pretty disastrous to the portfolio. From Turner's perspective, they prefer to spread out the risk by holding more names. He added that one of the great things about being sector neutral is that when one wants to add a new name to the portfolio, it forces one to go back to the other names in the sector and look to see which one is not doing what they would like it to do in the portfolio.

Mr. Vazquez inquired why Turner is offering the Russell 2500 product versus the Russell 2000 when Turner will be measured in terms of performance against the Russell 2000. Mr. McVail stated from his perspective as a portfolio manager, it doesn't really matter. Mr. Eversole stated Turner would defer to the Plan's consultants to guide Turner in terms of what portfolio makes the most sense but this is the mandate Turner was told to present. He noted many of Turner's Russell 2500 clients have the Russell 2000 as their benchmark, so it is very common for Turner to be in the Russell 2000 environment with their 2500 product. Mr. Moore inquired as to whether the products are capped or if there is a potential for caps. Mr. McVail responded in the affirmative, noting Turner does a very rigorous asset study to make sure Turner does not manage too much money, this being one of the biggest issues with small capitalization managers. He mentioned again, the product was closed for six years and just re-opened recently.

Mr. Vazquez inquired if returns and performance have been about the same in both products. Mr. McVail stated the 3 year numbers of the 2500 product are better because it weathered the storm of the difficult market environment of 2000-2002 better. He noted in terms of year to date, the 2000 growth product is outperforming the 2500 product by 1300 basis points. Mr. McVail stated this has been a very strong market and very focused on high growth stocks. Mr. Rue inquired how it is doing against the benchmark. Mr. McVail stated the 2000 growth product is currently approximately 1300 basis points ahead of the benchmark, having a great year. He noted the 2000 growth product will do extremely well in strong markets. In the more challenging markets, the 2500 product will protect one a little better on the down side because it tends to have a little larger market capitalization.

Mr. McVail stated the investment team is a very interactive team with a very free flowing information environment. Mr. McVail noted he has dual responsibilities, being the lead portfolio manager for the small capitalization products and also the lead consumer discretionary analyst. He noted Turner feels this is important because he understands each side of the investment decision, knowing as a portfolio manager what he needs to hear from an analyst to get a stock in a portfolio and conversely he knows what he needs to tell a portfolio manager to get a stock into their portfolio. Mr. McVail noted compensation is tied to performance above the benchmark. He noted the annual bonus is not tied to revenues of the firm or assets that are gathered. The compensation on the annual basis is based on how one does as a portfolio manager versus the benchmark and how one does as an analyst with the consumer stocks versus the benchmark in each of their products. He stated it sends out a strong message that we do well if we do well for the clients. Mr. McVail stated Turner has about $11 billion dollars under management with a 15 person team, broad experience with many CFA's, and Turner has tripled their staff over the last six years.

Mr. McVail stated the investment process for both buying and selling is a 3-step process, the first is a proprietary model with 4000 stocks of trade in the universe. He noted the second process is the fundamental analysis, meeting with the clients, talking and asking questions of retailers and the customers. The third part is the technical overlay, more of a tool once a stock gets into the portfolio. He stated the portfolio construction is sector neutral to the benchmark, and security diversification provides for a 3% maximum in any stock. Turner's average position is 1-1.25% and generally not more than 2%.

Vice President Calvache inquired regarding the statement in Turner's RFP involving censorship by the SEC in the last three years. Mr. Rue indicated a discrepancy in the minimum qualification page. The second question asked "Have you been censored by the SEC" and the answer was yes. He noted in the first page of the RFP, the answer was no and the Board needs clarification on what the case was. Mr. Eversole responded he does not know why this was answered with a "Yes" because to his knowledge, Turner has never been censored by the SEC or subject to any regulatory action in the last three years. He indicated the only thing that comes to mind is a discussion at Turner Distributors Inc., which is a broker/dealer in the institutional side of their business and separate from Turner Investment Partners. It was related to Turner Distributors' marketing materials, through a standard procedures audit to look at some of the marketing procedures with comments made to change some of it, and Turner agreed to do this. Mr. Vellon inquired who the regulatory agency was. Mr. Eversole responded the SEC. Mr. Rue indicated there was some strong language there, and asked was it an administrative review and not a censure. Mr. Eversole responded in the affirmative and added technically the question might have been answered "Yes" because of this, which occurred within the last year. Mr. McVail stated Turner would absolutely give and get for the Board any clarification needed on this. Mr. Vellon inquired if someone else signed the statement. Mr. McVail indicated Mr. Tony Robbins of Turners legal team signed the statement and again can't imagine any other reason he would have answered in the affirmative regarding censorship by the SEC. Mr. Mirisola inquired if clarification could be provided today. Mr. McVail and Mr. Eversole both responded with a very strong affirmative.

Vice President Calvache inquired about the inclusion policy. Mr. Eversole stated the RFI had been updated regarding this. With 54 partners in the firm, 31% are minority and women, approximately 10-25% of the trades Turner does is through directed brokerage, including emerging and minority brokers. Mr. Vellon inquired if this is because Turner is directed to use them or because they have a program. Mr. Eversole indicated Turner does not have a formal program to work with emerging brokers, but is open to this and to work with and be guided by the Board.

Vice President Calvache inquired if fees were negotiable. Mr. Eversole responded in the affirmative. Mr. Mirisola inquired if the fee structure could be as low as 65 basis points. Mr. Eversole said Turner is negotiable and might go as low as 65 basis points, but Turner would have to look at the facts and circumstances.

Mr. Vellon asked about qualifications. When Turner responded to the RFP, according to PCA, Turner had not met the requirement of having three accounts of over $100 million. Mr. Eversole stated for the 2500 product this is accurate. Turner still does not have accounts over $100 million dollars, but as a small cap manager Turner manages $250 million dollars for Turners own mutual fund distribution group, and Turner has recently been awarded business with the state of Minnesota for small cap over $150 million dollars. Mr. Eversole stated that in the Russell 2000 and as a small cap growth manager Turner does meet this criteria.

Mr. Vazquez asked what is the average holding period of a stock and what is the longest held stock. Mr. McVail stated there is no set holding period. However, in their small cap portfolio, if Turner is right on a stock it's going to grow pretty rapidly and it just gets too big and Turner has to sell it. This is a very important part of their process. He indicated Turner only holds stocks in the benchmark and once they get over a certain threshold market capitalization, it is sold. Mr. Vellon noted the turnover is 150-160%. Mr. McVail stated Turner has many stocks which have gone from Tuner's small cap portfolio into the mid cap portfolio and then into their large cap portfolio, which just keep getting bigger. Turner holds them until they can't hold them because they've gotten too big.

Mr. Rue inquired how many stocks are held. Mr. McVail stated approximately 140. Mr. Rue asked for a 30 second to one minute response if Turner had to respond to the SEC/Attorney General's issue regarding mutual fund trading. Mr. McVail mentioned at the outset a commitment to a high set of values. He stated Mr. Bob Turner founded and started the firm with a mission statement "to provide the highest level of client service combined with superior performance," and this is taken very seriously. Mr. McVail indicated Mr. Turner is very well known in the Philadelphia area and is very active in the community, doing and providing a lot outside of Turner Partners to support his community. This firm has a good name but recognizes how quickly this can change. Turner has not received any action letter from the SEC or State Attorney General's office; therefore Turner has nothing to report. Mr. Eversole stated Turner had controls in place to prevent market timing. There is a team of people looking at the trades. Also, the mutual funds business is not a huge part of Turner's overall asset under management, but has had controls in place long before this incident happened.

The representative for Turner Investment Partners thanked the Board and retired to the audience.
Vice President Calvache asked for a brief recess.

The meeting reconvened at 10:35 am.

c) American Express Financial Corporation

Messrs. Thomas E. Hatcher, President & Chief Operating Officer, David Flynn, Sr. Vice President of Northwinds Marketing Group LLC, Duncan Evered Vice President & Portfolio Manager of Small Cap Product and John Moten Vice President & Sr. Securities Analyst of American Express.

Mr. Hatcher provided a brief background about the American Express Asset Group noting it is wholly owned and a direct subsidiary of American Express in New York. The asset management group was founded in 1972 and is a federally registered investment advisor. He stated they have $297.3 billion in assets under management and four offices: San Diego, Minneapolis, Boston and an international office in London. Mr. Hatcher added that all of these offices specialize in a different kind of investment management style. He explained the focus of the San Diego office is on growth stocks. They do not manage bonds or value stocks. This team is led by Mr. Gordon Fines who has been with the organization since the late 80's. Mr. Hatcher added American Express has been named Investment Manager for a couple of large organizations here in Southern California, one being IBEW and the other being the Operating Engineers of Southern California. He mentioned their focus is on the client and the client is whom American Express is there to serve.

Mr. Flynn discussed American Express' commitment to areas of diversity inclusion and community involvement including minorities, and women and family. It is only one of three companies to be led by an African American CEO, and approximately $2.3 million in grants from American Express are awarded to various organizations around the Los Angeles community.

Mr. Vazquez inquired how Northwinds fits in with American Express. Mr. Hatcher explained Northwinds Marketing Group is a marketing and client services organization which is a joint venture between American Express and 10 former employees of the American Express Asset Management Division. He noted he and Mr. Flynn are former employees of American Express which owns 50.1% of the organization, and Northwinds owns 49.9%. Their function and assistance to American Express is in providing marketing and client service to public funds across the country and Taft Hartley organizations west of the Mississippi.

Mr. Evered stated he is one of the portfolio managers on the three-person management team. He mentioned this is a small focused group focusing on small, mid, and large cap growth stocks. They also have a large organization (American Express) from which they have resources to assist with compliance, trading, administration and client service with speed, flexibility and strength. He noted diversity is very important to this firm as it is the right thing to do and because it is a diverse world.

Mr. Evered stated their investment process is a three-part process including bottoms up fundamental research, top-down looking for areas in the economy undergoing rapid change, and a valuation overlay. He stated they visit companies, meeting with management teams, spending lots of time understanding each company's business. Mr.

Evered mentioned they are interested in areas of the economy where there is a chance for substantial growth. He added American Express looks for companies they can own for an extended period of time, which can grow earnings at a rate of at least 20%. American Express looks at issues in terms of management competence, whether the management team has the skills to build and control a growth company. American Express also looks at the competitive landscape and to what extent the company reinvests in research and development. Mr. Evered stated American Express is trying to gauge the value of a company relative to its prospects, peers, and market. He explained a rapid growth company will go through periods of over and under valuation. Every time American Express commits a client's dollar, American Express wants to know a company's business value.

Mr. Evered stated that American Express focuses on 60-80 names and currently owns just fewer than 70 names in the fund. He explained American Express will usually start with a relatively small position with a new name, and with time and confidence this will become a core holding. The top ten holdings in the fund represent approximately 1/3 of the fund. Mr. Everett mentioned an important aspect of their product is American Express believes revenue is a better test of a company's size and maturity than market cap. He explained market capitalization is just a value the market happens to put on a firm at a given time, shares times price. Revenue is more important. Mr. Evered stated this is a small company product so the idea is if American Express finds a good name under $900 million of revenue, they invest in this name. He noted within the investment management business, one wants market caps to go up. This means primarily the share prices go up. If earnings are still growing and the stock is still behaving itself then its the kind of name American Express can keep owning even though it may become a mid-cap. Mr. Vellon inquired how American Express defines a mid cap. Mr. Evered responded $1.5-8 billion, which would be the industry norm.

Mr. Evered stated they have a relatively low turnover approach. He noted on sell discipline American Express puts forth a lot of effort on monitoring a company's changes, such as in management, competitive landscape, accounting, and insider ownership. No single thing drives a sell decision. Mr. Evered noted American Express does a fair amount of portfolio analysis relative to benchmarks. He stated they do not let any single name get above 5% of the fund, no matter how good it is. They don't want this exposure.

Mr. Moten stated he has 17 years of investment experience and one of the things he enjoys most is picking stocks. Mr. Moten stated one of the criteria's American Express looks for is a strong management team with lots of experience and a strong corporate culture encouraging creativity but with a low cost model. Mr. Moten stated that American Express tries to look for ideas that grow in non-traditional sectors with great opportunities.

Vice President Calvache inquired if fees are negotiable. Mr. Flynn responded in the affirmative.

Vice President Calvache inquired of their inclusion policy. Mr. Flynn stated there is not a formal policy in general which is set up. He explained American Express is one of the finest companies in the country in regards to being dedicated to this exact issue, whether it's diversity, inclusion, or giving back to the community. He stated it has been the practice at American Express for so long, it's intertwined in the culture of the organization. The Board won't find another company that is more dedicated to the inclusion practice. He noted in regards to the trading policy and inclusion of emerging brokers, American Express has been dealing with emerging and minority brokers. Though there is no formal policy set up, there have been discussions to develop this more formally if this is a requirement of the Board. Mr. Evered added American Express can direct brokerage and will trade with who the client thinks is right. Mr. Flynn noted in working with emerging brokers, American Express makes sure they pass all the necessary due diligence tests any broker would be expected to undertake.

Mr. Moore noted in 1999-2000 American Express had almost 46% in information technology. This is a pretty big amount. In 2001-2002 American Express took a big hit for this.
Mr. Rue asked for a quick response regarding the SEC/Attorney General of New York investigation on mutual fund trading. Mr. Evered stated the mutual fund industry is under a fair amount of scrutiny for various practices, and because American Express is a big participant in this industry, American Express gets the inquiries everyone else gets. He noted there is a process to make sure things of this nature are not done at American Express and this process is near completion. Mr. Evered stated there is a high level of compliance, supervision, oversight and also an ethical culture of doing the right thing, and they firmly believe American Express will not be on the list of those involved in unlawful practices.

Mr. Vellon inquired in terms of this product American Express is proposing in front of this Board, which is the small company product, whether American Express anticipates limiting this particular fund to a certain size. Mr. Evered stated this product is very successful over a long period of time. American Express is thinking in terms of 3 good new clients for this product.

Mr. Vazquez inquired if there are guidelines for sector weighting in the portfolio. Mr. Evered responded in the affirmative. He added American Express tends to not let any single sector be twice the sector weighting of the benchmark. They are very conscious of diversification in the portfolio.

The Board thanked and excused the representatives from American Express.

American Express thanked the Board and retired to the audience.

d) Delaware Investments

Messrs. John Heffern, Sr. Vice President and Paul Foster, Vice President Client Services of Delaware Investments approached the table.

Mr. Foster explained if Delaware were to be selected by this Board he would be in charge of servicing this account. He introduced Mr. Heffern as having the longest tenure of the team. He noted Delaware traces its root back to 1929, having been in business for 74 years. They have never been accused of being market timers. Mr. Foster stated Delaware has been managing institutional retirement assets since the early 70's and in 1990 acquired a group of people to start Delaware International. In 1995 Delaware was purchased by Lincoln National Financial Group. They have continued to let Delaware run the asset management business the way they see fit and Lincoln National has provided the capital to help Delaware grow their business. He noted in 2000 all of the investment subsidiaries owned by Lincoln National were merged into Delaware. He explained Delaware is organized into four investment divisions-growth, value, fixed income and International. They are supported by a comprehensive infrastructure which provides non investment related services such as legal, compliance and so forth.

Mr. Foster stated fundamental research plays a central role in the investment management process, with more than half of the 185 investment professionals being research analysts. He noted Delaware manages the entire capitalization spectrum. The product they are here for today, small cap growth, captures the larger share of these assets. The clientele is broad based and very stable.

Mr. Heffern stated Delaware's philosophy is consistent with the basic philosophy of growth investing, especially in the small cap area. He noted Delaware has a very fundamental bottom-up approach, with experienced people dedicated to specific industry sectors. Since 1997, no senior person has left the group. He explained Delaware looks for companies selling more products to more customers at good margins, with the management, the infrastructure, and the balance sheet to sustain this growth over a long period of time.

Mr. Heffern explained their sector teams are divided into business and financial services, consumer and retail, healthcare and technology. These really are the engines of growth in the economy. He noted the team listed is the team for the growth investing group and they do not share their resources with any other areas of the firm. All the resources they have are devoted to their clients and their clients alone. This includes trading, client services, all portfolio administration, and management. This develops a sense they are a firm within the firm which protects the entrepreneurial spirit and keeps them focused on directing all of their resources towards their own clients.

Mr. Heffern noted seven years ago the portfolio had 150-200 names and they discovered there is simply no way one can deeply understand that many stocks. Therefore Delaware runs a portfolio with between 65-90 names.

Mr. Vazquez inquired what "benchmark independence" meant. Mr. Heffern stated Delaware uses the benchmark as a risk control mechanism, which is to say benchmarks are important to clients and Delaware is sensitive to this. But Delaware is really charged with the objective of finding companies which can grow, and Delaware will not construct a portfolio to look like the index just to look like the index. Delaware believes they are paid to make decisions and identify growth and overweight the portfolios in those area and underweight the portfolio in areas where growth is absent. As Delaware constructs the portfolio it is bottoms-up, stock by stock, best ideas, independent of the benchmark.

Mr. Vazquez inquired if Delaware has sector weighting guidelines. Mr. Heffern responded in the negative. He added Delaware simply follows the approach that enough is enough. It relies on the judgment of senior people and, over time, their judgment has been validated.

Mr. Heffern stated Delaware has two positions over 3%, with the largest being 3.9%. But the willingness to go as high as 6% gets back to the fact Delaware simply does not want to sell stocks because they are working. Delaware is paid to put stocks in a portfolio and have them work, and 6% gives Delaware the flexibility they need to be successful at this. Where Delaware thinks the research is good and the opportunity is significant, we take meaningful positions and do not carry a lot of 50 basis point stocks around which can neither really hurt or help a portfolio. Mr. Heffern stated sell discipline is always important and their sell discipline is geared to keeping profits and minimizing losses. Delaware's style is to run a tight portfolio with good research and more eyes looking at fewer stocks more intensively.

Mr. Vazquez inquired what the average turnover is. Mr. Heffern responded that for twelve months trailing it is 51%. Delaware believes they are comfortable with 51%. He stated he believes the turnover has been consistent with Delaware's style. Mr. Heffern stated in the portfolio characteristics Delaware tends to be somewhat larger than the index. It comes from letting the winners run, holding stocks for a period of time. They will buy up to $2 billion at the initial buy, though this is more outside the norm.   He explained to understand Delaware, is to understand if they make a mistake, it's going to be because they thought they bought a great company and might have paid too much for it as opposed to looking for a so-so company at a discounted price.   Delaware believes a so-so company stays that way and a great company tends not to be valued appropriately over time because the compounding effect of 15-25%, growth if one gets it right, is enormous. He added with 15-25% growth one will double their money with no valuation improvement in 5-7 years. Mr. Heffern stated Delaware is sensitive to the index.   The real benchmark at the end of the day is there was more money put out than money put in.

Mr. Heffern stated Delaware has out-performed in five of the last seven years in the small cap growth composite. Delaware's numbers in their return and risk are relative to the Russell 2000 growth. Delaware believes it can, over a rolling three to five year period, generate returns relative to the benchmark without being wedded to the benchmark and without taking excessive incremental risk. He added Delaware controls risk and generates excessive returns.

Vice President Calvache inquired if their fees were negotiable. Mr. Foster explained at this point Delaware has the "Most Favored Clauses" in place with a number of large state funds, which have come on board within the last year.   He stated he would have to go back and check the Most Favored Nation" policy. There might be some flexibility there.

Vice President Calvache inquired of their inclusion policy. Mr. Foster stated when Delaware considers brokers they consider everybody on an even playing field. What Delaware is looking for directly from a compliance standpoint is obviously financial stability, clean disciplinary records, and capital requirements. At that point, brokers would be eligible to be part of the broker plan. They are considering how the brokers can add value to their business and indirectly to their constituents. Delaware does look at emerging brokers of all sorts and does a lot of business with emerging brokers at client requests. Mr. Vellon inquired if this is something Delaware does because a client requests this or is there a policy in place, which encourages the company to do this. Mr. Foster stated Delaware does not have a written policy stating a certain amount of brokerage commissions be directed to emerging brokers. Much of it is client directed but there is a fair amount based on the quality of research and services those brokerage firms bring to Delaware.

Mr. Rue asked for a response to the SEC requirements or inquiries of the New York Attorney General and maybe relating to the parent company, Lincoln Financial. Mr. Foster stated Delaware is working actively with the SEC as they have sent out notices of inquiry to every management firm having mutual funds, and in keeping with this have fully cooperated with and provided information. He added Delaware has also done a review of their own internal records and over the last several years, have found no indications of grievances about market timing. They have policies in place regarding their mutual funds, and structures in place to identify participants who might be market timing and so forth.

Mr. Vellon inquired if Delaware anticipates this particular product will be limited in size. Mr. Foster stated Delaware has stopped soliciting business in this product, effectively being closed in this product. He indicated this process began in January of last year when the original RFP was issued. Delaware has not brought new clients into this but will honor the commitment made to this Board, based on the original RFP. However, they do not anticipate adding clients over to it. Additionally, the Board has been made aware of another product Delaware has which they refer to as small cap II, which is a derivation of this product. It has a little bit more capacity and will be closed out at $1 billion. It is currently at $550 million and another option, should the Board decide to go with Delaware. Mr. Vellon inquired how it is compared to the Russell. Mr. Foster stated it is benchmarked against the Russell 2000 growth.

The Vice President thanked and excused the representatives of Delaware Investments. The representative thanked the Board members for the opportunity and left.

There was a brief recess. The meeting reconvened at 12:05 p.m.

e) Westcap Investors

Messrs. Gregory S. Weirick, Managing Director and John A. Brajevic Vice President of Westcap approached the table.

Mr. Brajevic gave a brief history, stating the company was founded in 1992 by Mr. Weirick's father Glen Weirick, also co-founder of Trust Company of the West (TCW) in the early 70's. He noted Westcap has $2 billion in assets under management, 13 investment professionals with an average investment experience of 25 years, and 5 managers, each having over 30 years experience. The key to Westcap's success is having people who manage money for many years through good and bad times. He added since the inception of the firm, ownership has spread out to include nine individuals. He referred to the listing of clients noting the State of California Employee Retirement System as a Westcap small cap growth client and various endowments, foundations, and Taft-Hartley clients.

Mr. Brajevic explained Westcap's objective is to out-perform both the Russell 2000 and 2500 growth over a full market cycle. He added that, in the portfolio structure, Westcap is looking for companies with market cap's in excessive of $300 million and less than $5 billion. The weighted average at this time is $1.6 billion. Mr. Brajevic stated the investment process is a simple philosophy, trying to identify if Westcap is fighting a head wind or if they have a tail wind. He explained, if Westcap is fighting a head wind, they obviously want to protect their client's capital. If there is a tail wind, they want to position the portfolio for growth. He added Westcap tries to identify industries which look favorable over the next 12-18 months. Once this is accomplished, Westcap then begins the stringent bottom-up analysis. Mr. Brajevic stated, in Westcap's fundamental analysis, they are essentially looking for companies which are earning at least 20%. He noted Westcap is looking for high quality growth companies with solid management and strong balance sheets.

Mr. Weirick mentioned again his father Glen Weirick being one of the original co-founders of TCW. He worked for the Department of Water & Power from 1972 until the time he founded Westcap. He noted there is a two-stage process at Westcap, the top down and bottom up. Mr. Weirick stated they look at the investment environment, economic climate, and market environment. He noted the aging of the baby boomers would cause Westcap to spend more research time on financial services and healthcare. With the outsourcing theme form 1950-2000, the service industry grew from 53% to 72% of the economy at the expense of both manufacturing and agriculture. This economy makes Westcap look at business service and distribution and at global growth. Westcap is forecasting a better global environment. The consensus of most economists is, the world will grow approximately 3-4%. Mr. Weirick mentioned Westcap uses outside industry consultants and Wall Street sources to help understand the companies as well as the industry better. Mr. Weirick mentioned relative valuation is key to Westcap and there are 60-90 stocks in their portfolio. He noted their portfolio is broadly diversified not only by name, but by industry sector as well.

Mr. Weirick stated the second key is control of risk, which is critical in the managing of assets. He noted portfolio control is 3% to 5% maximum, sector weighting is 35% in any one of the Russell industry sectors, portfolio diversification is 60-90 issues of individual securities, ranked by risk, valuation, and looking at price to earnings ratio. Mr. Weirick stated in their sell discipline any stock which exceeds their market cap max of $5 billion is sold. Any negative change of fundamentals, which is intermediate to long term, will result in a stock sale, but this does not mean Westcap are stock traders or they are in and out of stocks. He noted relative valuation is a reason to sell, and anything which is down 25% from its historical high gets a full review from the investment committee. The analyst who voted for its inclusion in the portfolio does not get to vote for its retention, thereby taking the ego out of the sales process. Mr. Weirick noted that during their 3-5 year performance Westcap has added substantial value. It is a highly disciplined process and Westcap has not lost an investment professional, only adding people. He noted the economy is now growing, having the highest GDP growth quarter on record in the last 20 years. Westcap has repositioned their portfolio over the last 10 months to really take advantage of the growth in the U.S. economy and capture the upside going forward.

Vice President Calvache inquired if the fees are negotiable. Mr. Weirick responded in the affirmative. Mr. Brajevic added LADWP is an important account and does not want fees to be an issue, preferring the Board feel comfortable with the people, the process and the performance, so again fees are negotiable.

Vice President Calvache asked for a brief summary regarding the inclusion policy. Mr. Weirick stated Westcap has two minority partners in the firm. CalPers is a major client, and Westcap does major business with minority firms, as not only mandated by CalPers, but out of Westcap's own interests as well. Mr. Brajevic commented Westcap does not do any in-house due diligence on the brokerage set up they work with but are open to clients who want a certain percentage of trades with specific brokers.

Mr. Vazquez asked what is the average turnover of the portfolio. Mr. Weirick stated historically they averaged approximately 30-50%. Mr. Vazquez mentioned when Mr. Weirick went through Westcap's guidelines he stated Westcap could not go over more than 35% weighted in any market sector. In looking at Westcap's portfolio, it seems very similar to the market and sector weightings. This seems different from what he would have expected. Mr. Brajevic added Westcap is firm on the discipline of being very well diversified, not wanting clients to be overweighted in any one sector.

Mr. Moore noted Westcap's small cap growth product is closed and what they seem to be offering is the mid product. He inquired if this is a new product and is there any performance history. Mr. Weirick stated it is essentially the same product. He noted what Westcap has done is broadened out the guidelines to give Westcap some incremental capacity, but both products are essentially identical. Mr. Rue inquired what the overlap was in terms of holdings. Mr. Weirick stated it's currently at 70%, and added it's the same people, and the same process. They are just not forcing themselves to sell at $3 billion. Mr. Moore inquired what they closed at and what is the cap for the mid cap and how much do they have in there at the present. Mr. Weirick stated they closed at 1.5 billion, and in their mid cap they are currently at approximately $200 million, and could probably add an additional $800 million to get this up to about $1 billion.

Mr. Rue inquired if Westcap has received any inquiries from the SEC based on mutual fund trading. Mr. Weirick responded in the negative, adding Westcap does not manage mutual funds. They only manage separate accounts and are sub-advisor for one Prudential mutual fund, which goes into their fixed annuities product. He noted the SEC has come in and audited 3-4 times in the past and they have no issues with the SEC.

The representatives from Westcap thanked the Board and left.

2. Reconsideration of Fred Alger as Large Capitalization Growth Manager, in light of recently published news.

Mr. Matthew Gotwols, CFA and Ms. Theresa Phraner Vice-President of Fred Alger approached the table.

Mr. Gotwols stated Fred Alger was here before the Board for three very important reasons. 1) Los Angeles Water & Power is an important relationship for Fred Alger. They hope the Board will continue to decide to fund the large cap growth account Fred Alger has been selected to manage. 2) On behalf of the entire firm, they wanted the Board to know how deeply disappointed and personally affected all members of the firm were to learn of the ethical lapse by one of their ex-colleagues, James Connelly. He noted Mr. Connelly's actions were not in keeping with the high standards that have otherwise marked Fred Alger's 40-year history and 3) to explain why, despite the extremely unfortunate events, Fred Alger believes their firm deserves the opportunity to rebuild the Board's trust and faith in them and have the confidence to move forward with Fred Alger. He acknowledged one of the options the Board has is to terminate the relationship with Fred Alger, which they hope is not the outcome. They hope the Board will keep an open mind despite the negative publicity the firm has received. Mr. Gotwols expressed Fred Alger was and continues to be stunned that one of their own broke the law, it was wrong plain and simple. He mentioned Mr. Dan Chung met with the Board approximately 3 weeks ago to review the details of this matter and their own internal review. As far as the status of the revue, there is no substantial update and Fred Alger has not been charged with anything illegal nor have they been notified any charges will be brought against them. Mr. Gotwols reiterated Mr. Connelly's actions were unilateral, not systemic, and came to light as a result of an internal review Fred Alger conducted following a request that many mutual fund companies received from the New York Attorney General's Office and from the SEC. Again, it was the firm who exposed the wrong doings of their former colleague to Mr. Spitzer and demanded Mr. Connelly's immediate dismissal from the firm. Mr. Gotwols emphasized Fred Alger identified the problem, isolated it, and self corrected it. He noted they also have and will continue to install best practices, policies, procedures and controls, so this does not happen again. Mr. Gotwols stated this explanation is not an excuse. Fred Alger just wanted the Board to know the facts and know not one single analyst or portfolio manager has engaged in any improper trading or conduct, none of these issues have affected their separate account management.

Mr. Gotwols reviewed the principal reasons the Board selected Fred Alger for the large cap mandate in the first place and why those reasons have not changed. 1) Performance. Fred Alger's performance has been very good and for the period from the end of March, when the Board first met with Fred Alger, their large cap growth clients were up 31.5%

compared to 26.8% for the large cap growth index, 2) Investment Philosophy. He stated there have been no changes in their growth investment philosophy. Fred Alger has been in business since 1964, almost 40 years, and is committed to providing results for their clients through investment decisions which are based on a consistent proven style carried out by a staff of expert, highly motivated analysts and 3) process and people. He noted Fred Alger performs all their own independent research, having a dedicated team of experienced senior analysts and analysts who focus solely on research and passion about stock selection. Likewise, all Fred Algers portfolio managers are experienced and trained in the Alger research methods. He mentioned these are the reasons Fred Alger believes they were selected, performance, philosophy, process and staff. All these reason still remain intact. Finally, Fred Alger hopes this Board will give the firm the opportunity to rebuild the Board's trust, and going forward, realize Alger is determined to insure the trading issues regarding the Alger fund will never occur again. He outlined Fred Alger is taking aggressive action such as adding a new chief compliance office function, in addition to their current legal department, allowing Alger to be more pro-active in reviewing firm policy and procedures as well as adherence to regulations and policies. Alger will be implementing new procedures and technologies to prevent improper trading and expect to be adding an independent Board member very shortly.

Mr. Gotwols stated the most important thing for any person or company is to learn from and improve from their mistakes, and Alger is committed to this basic principal and committed to this Board, the employees, and retirees, by delivering excellent service. When this does not happen, Alger would appreciate knowing it as President Romero mentioned in the meeting three weeks ago in November. He noted he would be personally active in the client service aspects of this account. He reiterated he hopes the Board will give Fred Alger the opportunity to serve the Los Angeles Department of Water & Power both with excellent investment performance and client service. On behalf of the entire firm, they thanked the Board for their consideration.

Mr. Vellon stated Ms. Theresa Phraner of Fred Alger was here at the last meeting and there were issues as to whether management approached the Board or not in time. He wants the record to show Ms. Phraner, before the meeting of October 17, 2003, contacted the office days before the news in the media. She was trying to coordinate her top management to come before this Board on October 17th. But for one reason or the other, they could not make it. Mr. Gotwols inquired when this was. Mr. Vellon responded Ms. Phraner contacted the office on October 15th and stated there would be some news in the press. She did not specify what it was, but she assured us top management would be here, because this account was very important to Fred Alger. Unfortunately, management just couldn't come on October 17th, but Ms. Phraner did make an effort to coordinate something.

Mr. Moore commented at the last meeting, he was fairly negative with respect to Fred Alger, and there were two reasons. He noted the first had to do with the Vice Chairman no longer with Alger. The reason this troubled him so much was because he was the Vice Chairman. When one sees someone at this level, one worries about the whole culture being tainted, when someone who has been at the firm for as long as he was has stumbled as he obviously did. He indicated this probably troubled him less than the market timing issue, which, while not illegal, gets at fiduciary issues. One of these issues he was most interested in was the disclosure as part of the SEC investigation of approximately $2 billion in retail fund assets Alger manages. Of this, approximately $200 million was monies permitted to market trade or market time, and Alger had essentially given the equivalent of a license for them to do this, and this is what troubled him the most. He expressed interest in Algers response to this because he has little more than newspaper citations focusing on this. There are two more firms the Board will be looking at where this problem was much more grievous. There are some really major gross amounts of trading taking place, which clearly had to have a very negative impact on those staying in the fund long term. Mr. Gotwols noted Algers basically monitored market timing, making sure it was not disruptive to the portfolio management of the fund. There was no intention it would ever be disruptive to performance of longer term shareholders. Now in light of all the new standards and the SEC, Algers legal counsel has hired independent auditors, Deloitte & Touche, who are going back looking through the whole issue to determine if in fact performance was hurt by short term timers. Mr. Gotwols reiterated for the record Fred Algers has not been charged with anything illegal, but Mr. Connelly has been charged directly and is up for sentencing in about a week, and the firm has not been notified about any impending charges as a firm.

The representatives from Fred Algers thanked the Board and left.

Mr. Rue inquired if the Board would like to hear from Invesco. Vice President Calvache responded in the affirmative.

3. Reconsideration of Invesco International Manager (Developed Markets), in light of recently published news.

Messrs. Mike Keough and John Rogers, CEO of Invesco and Executive Vice President of Amvescap, the holding company for Invesco approached the table.

Mr. Rogers thanked the Board for taking the time to talk with Invesco. He noted it is embarrassing for the company to have to be here to discuss the issue at hand. Normally, the business is all about investing clients' assets. This is the first time for Invesco to have to appear before prospective clients to talk about something that has been in the media. He noted this is an unusual circumstance for Invesco but would like to make several points about the investigation by the Attorney General's Office and the SEC.

Mr. Rogers stated the organization the Board selected to manage the international equity mandate, Invesco Global North America, is part of the Invesco family, part of the Amvescap Corporation, but is a separate investment management company, having a separate organizational structure, a separate regulatory filing (known as an ADV in the business), a separate investment management team, and is not in any way involved in the current complaint by the SEC and Attorney General's Office. He noted this complaint itself relates to an entity called the Invesco Funds Group, which is based in Denver Colorado and manages some $16 billion out of the $380 billion Invesco manages for clients here in the Amvescap organization. Mr. Rogers further added, regarding the actual allegations, back in July when regulators began to focus on mutual funds, about 80 mutual fund companies were asked to provide information to the SEC and Attorney General. Invesco's mutual funds subsidiaries were among them. He explained Invesco launched an internal investigation at the same time, using an outside law firm from New York, and the results of this internal examination, which for Invesco has been completed are 1) there is no indication of any late trading being permitted by any Invesco employees 2) no indication of confidential information about mutual funds being disclosed improperly 3) no indication of any improper trading by any Invesco employee and finally 4) no indication of arrangements whereby investors were asked to keep long term assets in the funds in exchange for increased trading privileges. Therefore, there are no indications of any of the types of wrong doings which have unfortunately plagued some of the firms which have been mentioned in the media.

Mr. Rogers stated Invesco is seeking to get this out of the headlines, and it appears to be receding from the headlines. The actual activity of managing this situation is being done by the Amvescap Holding Company, not involving anyone who would be managing the LADWP's portfolio. This is a separate subsidiary. He reported Invesco feels confident in the position they've taken that the charges are unwarranted and will ultimately be resolved in a way that is favorable to Invesco. This will take them out of the public spotlight quickly and get Invesco 100% back to the business of managing clients assets. Mr. Moore stated what he finds extremely troubling is a study was done by street.com running an analysis of all the mutual funds to see what the redemption rates were as compared with year end assets and as compared with sales. Two of the firms, Invesco and MFS, came out very high on this list. He noted the obvious reason for concern about this is he finds this very hard to believe Invesco is exercising fiduciary responsibility. Mr. Rogers stated in the Invesco funds group itself over a period of at least 5 years more than 400 individual large investors were invited to leave the complex because their trading had the potential to be harmful to other shareholders. He noted the second point he would make is the funds mentioned by Mr. Moore are all specialty funds, such as sector funds, technology funds, and telecom funds. There is high activity in a sector fund. He explained mutual fund companies are obliged to be open everyday to trade for legitimate investors. Investors are often allocating and moving from one sector to another. Mr. Rogers summarized that while those redemption rates are indeed high, and it is a challenge for portfolio managers to cope with high redemption rates, there is no indication high redemption rates are any indication that harmful market timing activity was being permitted. It is unfortunately one of the characteristics of running sector funds in the mutual fund business.

Mr. Vazquez reviewed a statement "40 firms were identified out of 80 as having arrangements to allow rapid trading" and inquired if Invesco was one of these firms. Mr. Rogers indicated this is not quite what was said, and restated what was said for better interpretation. He noted Steven Cutler, who is the head of enforcement at the SEC, in testimony before congress, reported that of the 80 firms submitting responses, more than 40 of the firms had reported some arrangements with frequent investors. He explained the Invesco funds group in order to prevent investors from potential harm had a team in place in Denver that would search out large trades, identify who the investor was, and ask them to leave. From time to time, the team was told there was a legitimate investment strategy. Invesco would check with their investment people and, if the investment strategy were acceptable and not harmful, Invesco would permit, under controlled circumstance, this to occur. He added, if the rules were ever violated, those investors would be thrown out of the complex. These arrangements obviously vary from firm to firm, but this was a best faith effort, using everything Invesco thought they could use, to control potentially harmful timing. Mr. Rogers noted, although there are some who might question the way in which this occurred, the intent, spirit, culture, and discussion in the Invesco funds group has always been to operate in the best interest of all shareholders. This is the environment in which this occurred and it is unfortunate the regulators, having provided no guidance whatsoever in this area for years, have decided to dispute firms about the interpretation of the prospectus language.

Mr. Vazquez inquired if Invesco believes that having a separate arrangement with a client to allow trading other than what one would generally permit advantages that party. Mr. Rogers stated, in every case the attempt was, rather than having the party leave the complex and reappear at random fashion in acts which would definitely cause harm, Invesco sought to control those acts by saying you may invest in the funds with these controls. In some cases those controls were less frequent trades than the prospectus allowed, less than four times per year per fund.

Mr. Rue clarified Invesco is unique in a sense because they are fighting the SEC on this, and no other firm is doing this. Mr. Rogers responded Invesco has stated publicly they believe the charges are unwarranted. Unlike every other firm involved in this, there have been no dismissals. No employees have left the firm of Invesco. Invesco intends to defend themselves and their employees. Only one employee has been named in this complaint and they are defending this employee vehemently. This is a decision taken by the Board of directors, a predominantly independent Board of Amvescap, including a former SEC commissioner. These charges are unwarranted and it is appropriate in the best interest of business to seek to defend themselves.

Mr. Rue inquired in terms of the potential to run money for DWP whether the entity who would be running the money would be completely independent. The portfolio managers with respect to the investment portfolio are completely separate. Is this correct? Mr. Rogers responded in the affirmative adding they are completely separate both in terms of the regulatory oversight (the SEC filing is a separate filing) and from a management standpoint (the Invesco Global North America team reports up through the Invesco division, which he himself manages). The Invesco funds group is managed by a completely separate division of the firm and this is the AIM division of the company. Mr. Keough added PCA has been provided with an organizational chart illustrating these separate divisions.

Mr. Mirisola inquired if Mr. Rue was changing his recommendation. Mr. Rue stated he was just making sure the facts are all laid out. Mr. Vellon inquired what was the recommendation of Mr. Rue. Mr. Rue stated PCA will be recommending Invesco be put on watch. They are not recommending termination of the relationship with Invesco.

Mr. Vellon inquired what PCA's recommendation on Fred Alger is to the Board. Mr. Rue stated early on they had recommended keeping Fred Alger when the preliminary information was coming out, but based on the sentiment of the Board, it is the understanding of PCA this Board wants to look at the other interview candidates. Mr. Vellon stated for the record he wanted to know what the recommendation of the Plan's consultant is. Mr. Vazquez stated he wanted an opportunity to discuss this. Mr. Mirisola stated there are other Board members not present today having concerns regarding Fred Alger and Invesco and this should probably be discussed at the next Board meeting to allow for all Board members to participate in this decision. Mr. Vellon stated for the record this Board is in the middle of transition and funding and has not finalized contracts with Invesco, or Fred Alger, or MFS. Mr. Mirisola suggested for the December 17, 2003 meeting the agenda include putting back item 2 & 3 and adding MFS and perhaps have the consultant prepare likely candidates for replacements should the Board decide to look elsewhere. Mr. Moore stated he may not have everything as he was not here when Fred Alger was originally selected. What he has is basically what PCA had given the Board as to the status based on the regulatory issues. What he doesn't have is anything showing attributes and what the ranking was of the other candidates being selected. Mr. Rue stated these were all finalists and this information could be easily provided.

Mr. Vellon stated his concern is the Board has instructed the Boston Company not to manage the portfolio so this Board could do the transition. These are serious issues here and need quality time. His recommendation would be that on December 17th, the Board make a decision whether to keep Fred Alger, Invesco and MFS. The Board should then pass a resolution regarding this. Nothing else would need to be done, should the Board keep them, but if the Board should decide to find replacements, this creates a whole other process. At the December 17th meeting, if it is known the Board is not keeping any of the three firms, the Board can then tell the transition manager to give the portfolio back to the Boston Company to keep managing it, because right now they are not managing it.

Mr. Moore stated last week Mr. Vazquez made a suggestion the Board should fund the transition with cash. What the Board may want to consider, given the fact we are losing time, is fund what we can in the international with cash but also look at funding with some cash in the area where we might be finding replacements. Mr. Vellon stated if the Board wants to discuss the funding this perhaps should be a separate issue. Mr. Vazquez added a decision has to be made one way or another on December 17th regarding these three managers.

The representative from Invesco thanked the Board and left.

Mr. Vellon stated for the record items 2 & 3 will be moved to the December 17, 2003 meeting in addition to MFS.

Mr. Moore inquired if PCA was recommending Turner based upon the points PCA gives in their report. Mr. Rue stated these are all capable groups. There are differences between them, but PCA does not advocate one over another. For the sake of discussion consider all firms equivalent.

Mr. Mirisola stated he likes Turner and Bank of New York because they were the closest to the style the Board is trying to fill. He noted the Board is looking for a small cap manager. Everyone else seemed to increase their performance numbers by leaning more towards mid-cap. The Board already has a mid-cap manger and Mr. Mirisola prefers to have someone who sticks close to the mandate, which he feels Turner and BNY does. They also outperformed and matched the index very well. Mr. Mirisola stated of the two he preferred Turner. Mr. Vellon inquired of Mr. Rue if Turner and BNY met all the criteria. Mr. Rue stated, in terms of minimum qualifications there were a few things not met. Mr. Vellon stated for the record PCA had in their report that Turner and BNY did not meet certain criteria. Other managers will see this, so the Board needs to verify and acknowledge this has been reported.

Mr. Moore stated he liked both Westcap and BNY. Both BNY and Westcap were really making a difference in terms of how they manage the portfolio. They seem to be contributing to the success of the fund as opposed to just letting things happen during the course of the period they were managing. He added it seems they all seem to have a fair amount of style drift, particularly toward mid cap. He is not persuaded any of them are right on target in the small growth area. Mr. Rue stated there is a clear distinction between Turner and Westcap in how they manage money. Westcap has a top down approach and Turner has a bottom up approach. Mr. Moore mentioned the other thing bothering him regarding Turner is the very large turnover. They are the ones adhering to a fairly rigid sector allocation which they say explains half of their turnover. It is a very high turnover with the costs associated with this. Comparing Westcap in terms of their cumulative performance against the benchmark, Westcap is better compared to the others against the benchmark. This ultimately is what this Board is hiring them to do. Mr. Rue asked the Board to keep in mind this is not probably the most accurate description of Turner. They have a different product than what is listed here. Mr. Moore stated the Board is kind of at a loss in terms of being able to determine what the Board will be getting because they do not have the true Westcap and Turner performance.

Mr. Vazquez stated he liked BNY because they seemed to be offering a product the Board is looking for, small cap. They go after stocks with a $100 million to $2 billion market cap. They have good public fund experience. They have a manageable number of stocks, between 80-100. They have good sector controls, a low turnover, and he felt comfortable with their presentation. He noted in looking at Turner, he felt they weren't looking at something the Board was looking for.

Vice President Calvache stated she liked Turner because she felt they had a good presentation, but she also liked Westcap. Mr. Vazquez stated his second choice was Westcap but he really felt strongly about BNY as they gave the Board a product they were looking for. Also, in looking at the returns and risk adjusted returns versus the others they were well above Westcap and Turner, and their fees were better and still they said they were negotiable.

Mr. Moore stated he felt the members were quite comfortable with BNY and moved approval of BNY as the domestic equity small cap growth manager. Seconded by Mr. Vazquez and carried unanimously after the following vote:

Ayes: Moore, Vazquez, Mirisola and Calvache
Nays: None

Mr. Vellon stated Plan staff would work with BNY on drafting and negotiating the contract and this Board will be back for a meeting on December 17, 2003 at 8:30 a.m.
The meeting adjourned at 1:25 p.m.

JAVIER ROMERO President	DUAMEL VELLON Secretary

VIKKI BURKS
Recording Secretary