

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

MINUTES

June 23, 2010

Board Members Present:

Javier Romero, President
Cindy Coffin, Vice President
Barry Poole, Board Member
Michael Moore, Retiree Member

Board Members Absent:

Austin Beutner, Interim General Manager
Lee Kanon Alpert, Commissioner
Jeff Peltola, Chief Financial Officer

Staff Present:

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

Others Present:

Neil Rue, Pension Consulting Alliance
Marie McTeague, Deputy City Attorney

President Romero called the meeting to order at 11:44 a.m.

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

1. Discussion of Overall Asset Allocation Structure and Investment Options for the Retiree Health Benefits Fund

Ms. Bhatia reported the Plan received the Department's contribution of \$100 million for the Retiree Health Benefits Fund. She stated this item was being brought before the Board to discuss 1) how to invest the funds, whether it be based on the current asset allocation structure or on the target asset allocation structure previously approved by the Board; 2) where the Plan's Retirement Fund and Health Benefits Fund should be in terms of the overall asset allocation structure, or 3) whether it is necessary to conduct another asset liability study later this year given that the last asset liability study was conducted in 2007.

Mr. Wolfson further stated the three items were contingent on one another; however, the most urgent decision to make was how to invest the \$100 million.

Mr. Romero acknowledged Neil Rue from Pension Consulting Alliance (PCA).

Mr. Rue referenced the long-term evolving asset allocation targets that the Board approved in 2007, effective through 2010. He suggested the Retirement Plan's policy allocation timeframe of July 2, 2010, through June 30, 2011, be changed to October 1, 2010, through June 30, 2011, to allow Staff time to process the documentation and implementation.

Ms. Coffin asked why the change was suggested after the Board had approved the original timeframes. Ms. Bhatia responded more time was needed because previous investment transitions were deferred due to the market volatility.

Mr. Moore asked about the difference in numbers for the Health Plan. Mr. Rue explained the Health Plan has been more challenging to implement because it is smaller in scale. He stated the numbers reflected the slower pace in the alternative asset classes that were difficult to fund, and the initial targets were set to be reached over time.

Ms. Bhatia stated Staff needed Board direction on how to invest the Department's \$100 million contribution and requested approval of PCA's proposed changes to the Health Plan's evolving investment policy allocation schedule for the July 1, 2010, to June 30, 2011, timeframe.

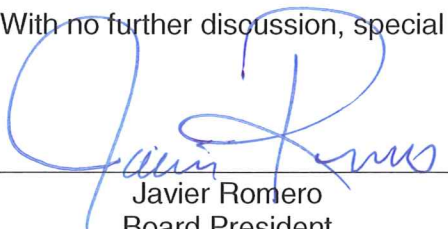


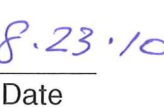

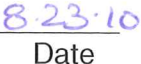
Discussion ensued regarding whether it was necessary to conduct a new asset liability study, and Mr. Rue explained the advantages and disadvantages. He said he believed the Board could wait another year to authorize a new study; however, he recommended the Board, in the meantime, discuss the possibility of adding one or more other strategic classes to the portfolio.

Discussion ensued regarding arranging educational sessions for the Board over the next few months, as a prelude to a new asset liability study, to acquaint them with the different issues pertaining to the various asset classes. It was discussed that educational seminars would also benefit the members who were not on the Board at the time of the previous study, and it would help an understanding with the risk parameters.

Mr. Moore moved that the Board approve the proposed Health Plan Evolving Investment Policy Allocations for the period beginning July 1, 2010, to June 30, 2011, as follows: Cash - 2%, Fixed Income - 42%, Real Return - 3%, Real Estate - 0, Domestic Equity - 35%, International Equity - 18%, and Private Equity - 1%; and that the Board change the dates of the policy allocations timeframe with respect to the Retirement Plan from the original period of July 1, 2010, through June 30, 2011, to the new period beginning October 1, 2010, through June 30, 2011; seconded by Mr. Poole and carried after the following vote:

*Ayes: Romero, Coffin, Poole, and Moore
Nays: None*

With no further discussion, special meeting adjourned at 12:25 p.m.

 _____ Javier Romero Board President	 _____ Date	 _____ Sangeeta Bhatia Retirement Plan Manager	 _____ Date
 _____ Julie Escudero Utility Executive Secretary	 _____ Date		